

SHARI'AH COMMITTEE REPORT

Islamic Banking - United Arab Bank Internal Shari'ah Supervision Committee

In The Name of Allah, The Most Beneficent, The Most Merciful.

To the Shareholders of United Arab Bank,
peace and blessings upon all of you

Pursuant to the requirements stipulated in the relevant laws, regulations and standards ("Regulatory Requirements"), the Internal Shari'ah Supervision Committee of the Institution ("ISSC") presents to you the ISSC's Annual Report (in case of Islamic windows add: (regarding Shari'ah compliant businesses and operations of the Institution) for the financial year ending on 31 December 2019

1. Responsibility of ISSC

In accordance with the Regulatory Requirements and the ISSC's charter, the ISSC's responsibility is stipulated as to

- Undertake Shari'ah supervision of all businesses, activities, products, services, contracts, documents and business charters of the Institution; and the Institution's policies, accounting standards, operations and activities in general, memorandum of association, charter, financial statements, allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders ("Institution's Activities") and issue Shari'ah resolutions in this regard, and
- To determine Shari'ah parameters necessary for the Institution's Activities, and the Institution compliance with Islamic Shari'ah within the framework of the rules, principles, and standards set by the Higher Shari'ah Authority ("HSA") to ascertain compliance of the Institution with Islamic Shari'ah.

2. Shari'ah Standards

In accordance with the HSA's resolution (No. 18/3/2018), and with effect from 01/09/2018, the ISSC has abided by the Shari'ah standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as minimum Shari'ah requirements, in all fatwas, approvals, endorsements and recommendations, relating to the Institution's Activities without exception.

3. Works Undertaken by the ISSC During the Financial Year

The ISSC undertook Shari'ah supervision of the Institution's Activities through review of those Activities, and monitoring through division or internal section of internal Shari'ah control, internal Shari'ah audit and (if applicable) external Shari'ah audit, in accordance with the ISSC's authorities and responsibilities, and pursuant to the Regulatory Requirements in this regard. Works of the ISSC included the following:

- Convening two meetings during the year.
- Providing fatwas, opinions and resolutions on matters presented to the ISSC.
- Monitoring compliance of policies, procedures, accounting standards, product structures, contracts, documentation, business charters, and other documentation submitted by the Institution to the ISSC for approval.
- Supervision through division or section of internal Shari'ah Control, internal Shari'ah Audit, and external Shari'ah Audit, of the Institution's Activities including executed transactions, adopted procedures on the basis of samples selected from executed transactions, and reviewing reports submitted in this regard.

e. Providing direction to relevant parties of the Institution to rectify (where possible) findings cited in the reports submitted by division or section of the internal Shari'ah control, internal Shari'ah audit, and/or external Shari'ah audit.

f. Approving remedial rectification and preventive measures related to identified errors to prevent their reoccurrence in the future.

g. Communicating with the Board and its subcommittees, and the senior management of the Institution (as needed) concerning compliance of the Institution with Islamic Shari'ah.

The ISSC sought to obtain all information and interpretations deemed necessary in order to reach a reasonable degree of certainty that the Institution is compliant with Islamic Shari'ah. Minhaj Advisory moreover ISSC approved to carry out the external Shari'ah Audit and provide the annual Shari'ah Audit report for the FY 2019

4. Independence of ISSC

The ISSC acknowledges that it has carried out all of its duties independently and with the support and cooperation of the senior management and the Board of the Institution. The ISSC received the required assistance to access all documents and data, and to discuss all amendments and Shari'ah requirements.

5. The ISSC's Opinion on the Shari'ah Compliance Status of the Institution

Premised on information and explanations that were provided to us with the aim of ascertaining compliance with Islamic Shari'ah, the ISSC has concluded with a reasonable level of confidence, that the Institution's Activities are in compliance with Islamic Shari'ah and the institution is working to develop more the Islamic banking to reach the best level of Sharia compliant; keeping into consideration the below highlighted points in the external Shari'ah Audit annual report:

- Mudarabah profit distribution was approved by ISSC.
- The bank was executing and using the approved forms and agreements in most of its transactions except some deals as mentioned in the annual Shari'ah audit report.
- Most of the Bank's Islamic Investments are reviewed by ISSC; however some are not as per annual Shari'ah Audit report.
- Most of operational activities are in line with ISSC approval; however some of operational activities were not.

ISSC recommended to ensure such points that were included in the external Shari'ah Audit report are not to be repeated in future.

Dr. Muhammad Ali al-Qurri
Head of the Fatwa Body

Dr. Ahmed bin Abdulaziz Al-Haddad
Executive Member of the Fatwa Authority

Dr. Aziz bin Farhan Al-Anzi
Member of the Fatwa Committee