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Corporate Governance & CSR Report
2013



بنك الشارقة
Bank of Sharjah

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Introduction

Corporate Governance is a method of developing and enforcing regulatory measures in order to seek more controlled and accountable management in line with international best practices. It also ensures there are clear guidelines for the Board of Directors, including key responsibilities and expectations. It should instill a culture where the Board of Directors and the Executive Management contemplate the impact of their decisions prior to implementation to consider the interests of the stakeholders, first and foremost, and the shareholders of the company.

Corporate Governance has been launched to the forefront of business activity post-financial crisis. Regionally and internationally, recessions and downturns in many countries have been blamed on lack of corporate governance or non-compliance with corporate governance guidelines. It has therefore become imperative that companies focus on this as a matter of urgency, ensuring they are aiming to meet regulators' requirements and striving to meet international best practices.

Corporate Governance may not be seen as a core business function but without it, the basic business concerns would begin to suffer. Governance is a holistic approach to the management and organization within a firm which, if directed in a comprehensive manner, can make a substantial difference to the business's success and its long-term sustainability; it feeds into all areas of the business.

Corporate Governance closely examines the effectiveness of the Board of Directors and the proficiency of the Executive and Non-Executive Directors. The Board should be driving business progress and decision-making. The Directors ultimately hold responsibility for decisions made by the business and are liable for any associated risks.

Bank of Sharjah P.S.C. (hereafter "the Company" or "the Bank") has always been committed to achieving a high level of governance. Ethical and responsible business practices have been embedded in the Bank's culture since its inception in 1973. The Bank focuses on transparency and disclosure to ensure it is in line with international standards. The Corporate Governance framework within the Bank is based on the UAE Central Bank, the Securities & Commodities regulations, Basel II 'Principles for enhancing corporate governance, federal and local legislation, as well as regional and international best practices.

Bank of Sharjah was incorporated on December 22, 1973, by Emiri Decree issued by HH Dr. Sheikh Sultan Bin Mohammed Al Qasimi, Ruler of Sharjah, as the first financial institution in the Emirate of Sharjah, the fifth in the Federation, and the first consortium bank established in the GCC in association with Banque Paribas. The Bank was also the first financial institution to make 40% of its capital available to public subscription.

Over the years, the Bank has continued to grow and be successful. Bank of Sharjah remained relatively unscathed during the various financial crises over the years and this is a testament to the Bank's Board of Directors and the Management and its underlying good governance.

The Bank has always been focused on maintaining internal control and governance and has shown its commitment in many ways, including being a founding member of Hawkamah – The Institute for Corporate Governance and the Pearl Initiative. Through its membership with Hawkamah, the Bank is playing its part in the development of increased transparency, disclosure and better governance throughout the MENA region.

The Bank has a designated Corporate Governance and CSR Officer whose primary role is the development and implementation of the Bank's governance framework, overseen by the Board of Directors.

The Bank has a list of Core Values on which strong emphasis is placed, namely: (Performance, Ethics, Transparency, Initiative, Commitment, Quality (PETICQ)); all of which form the basis of this report.

“ The mission of Bank of Sharjah is to achieve strong and sustainable Performance for its shareholders. The Bank is committed to its personnel and clientele to accompany them in realizing their aspirations and objectives.

Performance, Ethics, Transparency, Initiative, Commitment, Quality

are imprinted in the way we do business and how we contribute to society and the environment.”

**Mission Statement
Bank of Sharjah P.S.C.**

Board of Directors

Bank of Sharjah has a very experienced, highly skilled and well-respected Board of Directors from a variety of business backgrounds. The Board members are fully committed to the Bank's long-term sustainability and their confidence is evident through their shareholding in the Bank. The Directors are engaged with the business practice, they know the business structure and the operational procedures. The Directors are committed to achieving the Bank's objectives while ensuring shareholders are always considered.

The Board meets regularly, six times per year (Article 22 – Articles of Association). In addition to these meetings, the Board may convene whenever the need arises upon the invitation of the Chairman, by three of its Directors or by the General Manager. A meeting can only be held if the majority of members are in attendance. If Directors are unable to attend a meeting, their votes can be assigned to another Director of their choosing (Article 23). A Director cannot act for more than one other Director.

Independent Directors can meet at any time outside of scheduled Board meetings to discuss any issues they might have.

The Board of Directors shall consist of not less than nine members and not more than fifteen members to be elected by the Ordinary General Meeting by secret cumulative ballot (Article 17). There are currently 11 members on the Board, and two Honorary Chairmen.

The Board status is aligned with the Bank's definition of independence as stated in the Articles of Association as well as best practices regarding Directors' interests and exposure levels. As such, the Board is 64% independent, that is, there are seven Independent and Non-Executive Directors, three Non-Executives and one Executive Director. It is not permitted that the Chairman of the Board be the General Manager of the Company or its Managing Director (Article 17).

The term of the Board is three years at the end of which a new Board is elected. Directors whose term expires may be re-elected (Article 18). The Board elects a Chairman and Deputy Chairman by a simple majority vote (Article 19).

The Chairman of the Board and the majority of the Directors must be of UAE nationality.

Definition of Independence

As defined in point 14 of the Bank's Articles of Association, an Independent Director is:

“A Director who was not personally or through his spouse or any of his relatives a member of the Company's executive management during the past two years and none of them had any substantial financial dealings with the Company, its holding company or any of its subsidiaries or affiliates during the past two years”

The Director loses his independent status in any of the following instances, inter alia:

- If he was employed by a party connected to the Company in the past two years.
- If he has connections with a consultancy firm or a firm that offers consultancy services to the Company or to a party related to the Company.
- If he has connections to a major customer or supplier of the Company or any party related to it.
- If he has contracts for personal services with the Company, any party related to it or with its executives.
- If he was connected to a non-profit organization that receives substantial funding or donations from the Company or a party affiliated to it.
- If he works as an Executive in another company in which the Company Executives occupy the office of Directors.
- If during the past two years, he had connections with or was employed by the present or past auditors of the Company or any party affiliated to it.

Executive Directors are Directors who are fully devoted to the management of the Company or who receive a monthly or annual salary from the Company.

Non-Executive Directors are Directors who are not fully devoted to managing the Company or who do not receive a monthly or annual salary from the Company.



Honorary Chairman
His Highness Doctor Sheikh Sultan Bin Mohammed Al Qasimi



Chairman
Mr. Ahmed Abdalla Al Noman

Independent Non-Executive Director

Board Member since 1973 and Chairman since 1993. A former Director of the Government of Sharjah Land Department, and a prominent businessman.



Vice Chairman
Sheikh Mohammed Bin Saud Al Qasimi

Non-Executive Director

Board Member since 2004 and Vice Chairman since 2008. He is a member of the Ruling Family, and the Chairman of the Government of Sharjah's Finance Department and a prominent businessman.



Sheikh Saif Bin Mohammed Butti Al Hamed

Independent Non-Executive Director

Board Member since 1999, member of the Abu Dhabi Ruling Family, and a prominent businessman who owns substantial businesses in the Emirates and sits on many company Boards. The son of Sheikh Mohamed Bin Butti Al Hamed, a former Representative for the Western Region of HH the Ruler of Abu Dhabi, and a major shareholder of United Al Saqr Group, Abu Dhabi.



His Excellency Humaid Nasser Al Owais

Independent Non-Executive Director

Board Member since 1973 and one of the founding members. A former Federal Minister of Electricity and Water and a prominent businessman who maintains private businesses.

Members of the Board



Mr. Abdul Rahman Bukhatir

Non-Executive Director

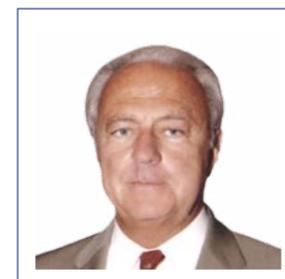
Board Member since 1973 and one of the founding members of the Bank. A prominent businessman with a diversified business portfolio that includes businesses in India, Morocco and Tunisia, among others.



Mr. Abdul Aziz Hassan Al Midfa

Independent Non-Executive Director

Board Member since 1973. A former Director of the Finance Department in Sharjah.



Mr. Francois Dauge

Independent Non-Executive Director

Board Member since 1995. A former Executive of BNP Paribas and a member of the Franco/Lebanese Chamber of Commerce, Paris - France.



Mr. Jean-Jacques Santini

Independent Non-Executive Director

Board Member since 2011. He is a former CEO and Head of Retail Banking in Emerging markets for BNP Paribas. He is a Senior Advisor to the BNP Paribas Chief Operating Officer in charge of Retail Banking and is a member of the General Management Group Committee for BNP Paribas Group.



Mr. Abdul Aziz Mubarak Al Hasawi

Non-Executive Director

Member of the Board since 2005. The son of the Late Mr. Mubarak Al Hasawi, one of the three main founders of the Bank. He is a well-known Kuwaiti businessman, Chairman and Senior Executive in several leading institutions across Kuwait.

He also owns and manages companies across the region including in countries such as the UAE, Saudi Arabia, Lebanon and Bahrain, as well as assets extending to Europe.



Mr. Saud Al Besharah

Independent Non-Executive Director

Board member since 1985. A prominent businessman in Kuwait and a Director on other Boards.



Mr. Varouj Nerguizian

Executive Director & General Manager

Joined the Bank in 1977 and has, as a member of the Staff of BNP Paribas, held the position of General Manager of the Bank since 1992. He became an Executive Board Member in 2008. He is also the Chairman and General Manager of Emirates Lebanon Bank S.A.L., as well as Board Member of several other entities.

Role of the Board

The Board's primary function is being in line with Principle One of Basel II 'Principles for Enhancing Corporate Governance' which states:

“The Board has overall responsibility for the Bank, including approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values. It is the Board's responsibility to direct and supervise the general management”

The Board shall have all the powers to manage the Company and carry out transactions. Nothing shall act to limit these powers except as provided for in the Law of Commercial Companies and the amendments thereto or the Articles of Association or by resolutions of the Extra Ordinary General Assembly. The Board also ensures that Bank of Sharjah is effectively managing its role as Parent Company of Emirates Lebanon Bank. Emirates Lebanon Bank has a separate Board of Directors; Bank of Sharjah holds the majority Board position in Emirates Lebanon Bank.

Chairman's Duties: (Article 26 - Articles of Association)

- To ensure that the Board operates efficiently, performs its duties and deliberates all fundamental matters promptly.
- To set and adopt the agenda of each Board meeting, taking into consideration any matter proposed by the Directors. The Chairman may assign this responsibility to a particular Director or to the Secretary of the Board.
- To encourage Directors to participate fully and effectively so as to ensure that the Board acts in the Company's best interests.
- To undertake suitable measures to ensure a proactive relationship with the shareholders and transmittal of their views to the Board.
- To promote active participation by the Directors, particularly the Non-Executive Directors, and develop a constructive relationship between Executive and Non-Executive Directors.

General Responsibilities of the Board

- To set the Company's policy and supervise its implementation;
- To appoint a General Manager for the Company and

define his powers in the light of management agreements concluded between the Company and third parties;

- To authorise borrowing by the Company in the short, medium or long term;
- To draft regulations relative to loans and other matters covered under the corporate objectives;
- To issue resolutions, rules and internal regulations relative to corporate financial and administrative affairs;
- To set the controls and rules for accepting cash term deposits from shareholders, banks and financial institutions;
- To prepare the annual report on corporate affairs;
- To approve participation in companies and banking and financial institutions with objectives similar to those of the Company;
- To purchase, sell and mortgage real estate as may be required for the Company's affairs, leasing or exploiting real estate for periods not exceeding three years;
- To conclude settlements, relinquish any of the Company's rights and submit to arbitration matters subject to the jurisdiction of courts of law;
- To set regulations for the business of the Board and its meetings and the distribution of assignments and responsibilities amongst the Directors.
(Article 21 - Articles of Associations)

Directors' Duties

Upon assuming a position on the Board, each Director must declare to the Bank the posts he occupies in companies and public institutions as well as any other important duties that may have to be undertaken. Directors must determine a time allocated to these duties and inform the Company of any changes when they occur.

Directors' duties include ensuring conformity with the rules of governance and the standards of institutional compliance issued by The Emirates Securities and Commodities Authority (ESCA) in Decree No. 32r/2007 and any complementary or amending decrees.

Conflict of interests:

If any Director has an interest which conflicts with those of the Company's in any transaction submitted to the Board for approval, he shall be required to make his interest known to the Board and have his declaration registered in the minutes, provided he does not take part in the vote relative to such transaction.

Directors must act with honesty and integrity, taking into consideration the interests of the Company and its shareholders and adhere to the laws, regulations and decrees in effect and the Company's Articles, and by-laws.

A majority of the Directors may request the advice of an outside consultant on any corporate matter at the Company's expense provided that there is no conflict of interest. It is the Board's duty to choose an appropriate consultant if required.

The Responsibility of the Non-Executive Directors shall include:

- Attending Board Meetings where they can offer independent views on strategic matters, policy, performance, accountability, resources, senior appointments and work standards.
- Giving priority to the interests of the Company and its shareholders whenever there is a situation of conflict of interest.
- Participating in committees.
- Supervising the Company's performance with the view of fulfilling its agreed purposes and objectives and reviewing the performance reports.
- Setting procedural rules of governance and controlling and supervising implementation in accordance with these Articles.
- Enabling the Directors and the various committees to offer their capabilities, experience and varied specialties and qualifications for the Company's well-being by regularly attending and proactively participating in general meetings and forming a balanced comprehension of the shareholders' views.

Bank of Sharjah Board Meeting Attendance

	Name	Date	Jan 30 2013	March 16 2013	March 16 2013	June 8 2013	Oct. 5 2013	Dec. 14 2013	Total
	Meeting No.		191	192	193	194	195	196	2013
1	Mr.Ahmed Abdalla Al Noman		1	0	0	0	1	1	3
2	Sh. Mohammed Bin Saud Al Qasimi		1	1	1	1	1	1	6
3	Sh. Saif Bin Mohammed Butti Al Hamed		0	0	0	1	0	0	1
4	H.E. Humaid Nasser Al Owais		1	1	1	1	1	0	5
6	Mr.Abdul Rahman Bukhatir		0	1	1	1	1	0	4
5	Mr.Abdul Aziz Hassan Al Midfa		1	1	1	1	1	1	6
7	Mr.Abdul Aziz Mubarak Al Hasawi		1	1	1	1	0	0	4
8	Mr. Saud Al Besharah		1	1	1	1	1	0	5
9	Mr. Francois Dauge		1	1	1	1	1	1	6
10	Mr. Jean-Jacques Santini		1	1	1	1	1	1	6
11	Mr.Varouj Nerguizian		1	1	1	1	1	1	6

Board of Directors



Mr. Varouj Nerguizian
Chairman & General Manager



Sheikh Saif Bin Mohammed Butti Al Hamed
Vice Chairman



Mr. Abdul Aziz Mubarak Al Hasawi
Vice Chairman



Sheikh Mohammed Bin Saud Al Qasimi



H.E. Humaid Nasser Al Owais



H.E. Mr. Selim Jreissati



H.E. Mr. Chahé Barsoumian



Mr. Joseph Ghessoub



Mr. Karim Souaid



Dr. Bassel Salloukh



Mr. Jean-Jacques Santini



Mr. Fadi Ghosn

Directors on Both Boards

- Mr. Varouj Nerguizian
- Sheikh Saif Bin Mohammed Butti Al Hamed
- Mr. Abdul Aziz Mubarak Al Hasawi
- Sheikh Mohammed Bin Saud Al Qasimi
- H.E. Humaid Nasser Al Owais
- Mr. Jean-Jacques Santini

Board of Directors Emirates Lebanon Bank S.A.L.

The Board of Directors shall establish specialized Committees of at least three Non-Executive Directors, two of them to be independent.

The Chairman of such Committees shall be an Independent Director. The Chairman of the Company shall not be entitled to be member of any of the specialized Committees. The Board of Directors shall choose Non-Executive Directors when forming Committees specialized in subjects that could have a potential conflict of interest, such as verifying financial and non-financial statements, reviewing deals with related parties and choosing Executive Directors, as well as remuneration related issues.

The Committees shall be formed in accordance with procedural rules set by the Board provided they define the Committee's responsibilities, its period of operation, its powers and the manner in which the Board exercises its supervision over it. The Committee shall report to the Board its proceedings, conclusions and recommendations with full transparency. The Board shall follow up on the work of the Committees to ensure their adherence to the tasks entrusted to them.

Each of the Board Committees will have an independent role, operating as an overseer and a maker of recommendations to the Board for its consideration and final approval. The Committees will not assume the functions of management, which remain the responsibility of the Executive Directors, Officers and other members of Senior Management.

The Committees hold regular meetings and minutes of these meetings are kept by the Secretary in the Company. The minutes are reviewed, approved and signed by all the Committee members.

The Company provides the Committees with adequate resources to discharge their duties, including authorizing the Committees to use experts, wherever necessary.

The terms of reference of all committees are reviewed annually and any recommended changes are submitted to the Board for approval.

As per Article 26.5 of Articles of Association, Management is required to provide the Board and its ensuing Committees with adequate, fully-supported and documented information promptly, so as to enable them to reach proper resolutions and discharge their duties and responsibilities fully. However, the Board may, if necessary, conduct additional investigations that enable it to base its resolutions on valid ground.

Board Committees

Board Executive Committee Members Bank of Sharjah

Mr. Ahmed Abdalla Al Noman
H.E. Humaid Nasser Al Owais
Mr. Saud Al Besharah
Mr. Francois Dauge
Mr. Varouj Nerguizian (Secretary)

Board Executive Committee Members Emirates Lebanon Bank

Mr. Varouj Nerguizian
Mr. Saud Al Besharah
Mr. Francois Dauge
Mr. Fadi Ghosn
Mr. Mario Tohme
Mr. Claude Ruffin (Secretary)

The Board Executive Committee is a unique emanation of the Board. It is granted extensive powers to manage the Bank and supervise its operations in accordance with the general directives of the Board of Directors, and within the framework of the laws and regulations.

The Board Executive Committee consists of four Board members in addition to the General Manager.

Any decisions made should be taken unanimously by the five members and shall be binding upon the Board as if the Board adopted them.

The Board Executive Committee is empowered to carry out, all or any of the acts and matters set forth below, which are hereby delegated to it by the Board from amongst the Board's powers enumerated in Article (21) of the Articles of Association.

Responsibilities

- To devise the general policy of the investment of the funds, acquisition of the loans and other rights and their transfer with or without security;
- To obtain mortgages and other rights whether in rem or personal;
- To record notations of lawsuits in the real estate register and to delete such notations for or without consideration;
- To extend all banking facilities, funded or unfunded, in local currency or any foreign currency against any security it deems appropriate, and to set their terms. Such facilities include but are not limited to: Loans, Overdrafts, Trust Receipts, Cheques Discount, Letters of Guarantees, Documentary Credits, Foreign Exchange Spot & Forward deals, Currency & Interest Rate Swaps; Derivatives, and, in general, all banking and financial transactions initiated within the scope of international banking practice.

Board Executive Committee

Board Audit & Compliance Committee

Introduction

The Board Audit and Compliance Committee is supervised by and reports to the Board of Directors.

The Committee is established under the Bank of Sharjah Articles of Association, Articles 26.8 to 26.10, and in accordance with the UAE Central Bank guidelines.

Composition

- The Board appoints the members of the Committee based on appropriate skills and ensuring that there is no conflict of interest.
- The Board sets the remuneration of the Committee members.
- The Committee is composed of a minimum of three non-executive Directors with the majority also being Independent.
- The Chairman of the Board cannot be a member of the Audit and Compliance Committee.
- The Chairperson of the Committee is an Independent Director and is selected by the Board.
- At least one of the members of the Committee is competent in finance, accounting or audit.
- The members of the Committee appoint a Secretary who prepares meeting agendas, conducts the meeting proceedings, records the minutes and ensures that they are approved and signed by the Committee members.
- The term of the Committee shall be similar to that of the Board.

Role

Verify the independence of the Bank's External Auditors.

Assess the integrity of the Bank's financial statements and disclosures.

Ensure that the Bank has an effective and efficient internal auditing process.

Ensure that the Bank is in compliance with all regulatory and legal requirements in line with the Bank's Code of Conduct.

Responsibilities

Audit:

- To review Bank of Sharjah's financial and accounting policies and procedures, ensuring the integrity and accuracy of the Bank's financial statements and disclosures.
- To ensure that the Bank employs international accounting and reporting standards or requirements imposed by regulatory authorities.
- To regularly meet with the Bank's Internal Auditors to discuss audit plans and resources, receive reports on any major findings that have been issued to Executive Management and to discuss issues arising from reviews of the Internal Control environment.
- To receive and consider reports and proposals from Management and/or any other related department.
- To adopt a policy for appointing and contracting the External Auditor and to discuss with the External Auditor the nature, scope and efficiency of the audit in accordance with generally accepted auditing standards.
- To follow up and monitor the independence and objectivity of the External Auditor.
- To monitor, and as part of its normal course of activity and after closure of accounts in any quarter, revise the integrity of the financial statements and the yearly, half-yearly and quarterly reports and in this regard particularly to lay an emphasis on:
 - Any changes to the accounting policies and practices;
 - The aspects subjected to the Senior Management's judgment;
 - The substantial amendments resulting from the audit;
 - Bank of Sharjah's business continuity;
 - Compliance with the accounting standards where they are set forth by the competent authority;
 - Compliance with the Listing Rules, Disclosure Rules and such other legal requirements as relevant to the preparation of financial reports;
- To coordinate with the Board of Directors, the Executive Management and the Finance Manager, or the Manager taking up the latter's tasks, and to meet with the External Auditors at least once a year.

- To consider any significant and unusual matters contained or to be contained in such financial reports and accounts, and to give due consideration of any issues raised by the Finance Manager, or the person taking up his tasks, Compliance Officer or External Auditors.
- To revise the financial and Internal Control systems for risk management; this will include consideration of the following: the nature and extent of the risks facing the Bank; the extent and categories of risk which the Board regards as acceptable for the Bank to bear; the likelihood of the risks concerned materializing; the ability of the Bank to reduce the incidence and impact on the business of risks that do materialize; the overall culture and attitude towards control established within the Bank and relevant aspects of third party service suppliers; the business continuity plans; and related testing of their maintenance and operation covering the Bank; the timeliness of any corrective action being taken by the Executive Management to manage risks or to address any shortcomings in internal control; the policies and processes necessary for the Bank to comply with their relevant regulatory and legal requirements, including taxation; and where directed by the Board, other matters such as the Bank's code of conduct/business ethics.
- To discuss the Internal Control system with the Management and to ensure the latter's performance of its duties towards the development of an efficient Internal Control system.
- To consider the findings of principal investigations in Internal Control matters assigned thereto by the Board of Directors or carried out by the Committee's initiative with the Management's approval.
- To ensure coordination between the Internal Auditors and the External Auditor, the availability of necessary resources and verification and monitoring of the efficiency of the Internal Control body.
- To revise the External Auditor's letter to Management, audit plan and any significant explanations requested thereby from the Executive Management with regards to the accounting records, the financial accounts or control systems as well as the Executive Management's reply and approval.
- To ensure the timely reply by the Board of Directors regarding the explanations and matters contained in the External Auditor's letters.
- To monitor Bank of Sharjah's adherence to professional conduct rules.

- To ensure that the activity rules related to such tasks and powers as assigned thereto by the Board of Directors are properly applied.
- To submit a report to the Board of Directors on the matters contained in this clause.
- To consider other issues as determined by the Board of Directors and report to the Board of Directors any matters that, in the Committee's opinion, necessitate an action and to provide recommendations on the necessary steps.

Compliance:

- Oversee Bank of Sharjah's compliance measures;
- Ensure that all appropriate legislation and regulations are met and that all functions are working effectively;
- Monitor management's analysis of the legal obligations and possible risks and advise the Board of developments in, or changes to, those obligations;
- Review Internal Control functions ensuring compliance at all levels and inspect any proposed stress testing measures;
- Review any major disclosure documentation prior to issuance to regulators or to the market;
- To develop rules, through which employees of Bank of Sharjah can confidentially notify any of their doubts on potential abnormalities in the financial reports or Internal Control or any other matters and to ensure proper processes are available to allow independent and fair investigation of such abnormalities, through whistle blowing procedures;
- The Board Audit and Compliance Committee will have the authority to access any documents and request information from any department or any member of staff or management. To ensure good order any request should come in writing.

Meetings

The Board Audit and Compliance Committee meets whenever necessary and at least on a quarterly basis.

One meeting takes place prior to the review and approval of the Annual Report and Accounts.

For a meeting to be held, the majority of members need to be in attendance. Attendance by proxy shall not be accepted. Meetings can be held via video or telephone conferences or any other permissible means by law. Email correspondence shall be considered a valid medium for holding these meetings.

The Chairperson of the Committee can invite members of Management or staff to the meetings or anyone else deemed necessary.

The Committee shall meet at least once a year with the External Auditors without the presence of any Executive Directors, members of Management or any other Officers, to discuss any unresolved issues or concerns.

Where appropriate and unless there are justifiable reasons for not doing so, the substance of any such matters discussed shall be conveyed to the General Manager.

The External Auditors may request a meeting with the Committee or its Chairman if they consider that such a meeting is necessary.

The Committee shall meet with the Head of Internal Audit and the Head of Compliance at least once a year without the presence of any Executive Directors, members of Executive Management or any other Officers.

The Bank shall provide the Board Audit and Compliance Committee with adequate resources to discharge its duties, including authorizing the Committee to use experts or consultants whenever necessary.

Decisions taken by the Committee are made unanimously and, in the absence of a consensus, by majority vote.

The Secretary of the Committee drafts the minutes that are then given to the Company Secretary before final copies are issued to all Committee members for approval and signature.

All Committee reports and decisions are reported directly to the Chairman of the Board and to the Board of Directors.

The Chairperson of the Committee should be present at the Annual General Assembly.

Board Audit & Compliance Committee Members, Bank of Sharjah

Mr. Saud Al Besharah (Chair)
Sheikh Mohammed Bin Saud Al Qasimi
Mr. Francois Dauge

Board Audit & Compliance Committee Members, Emirates Lebanon Bank

Mr. Karim Souaid (Chair)
Sheikh Saif Bin Mohammed Butti Al Hamed
Dr. Bassel Salloukh
Mr. Fadi Ghosn

Board Risk Committee

Introduction

The Board Risk Committee is supervised by and reports to the Board of Directors. The Committee is established under the Bank of Sharjah Articles of Association, Articles 26.8 and 26.9, and in accordance with the UAE Central Bank guidelines.

Composition

- The Board appoints the members of the Committee based on appropriate skills and ensuring that there is no conflict of interest.
- The Board sets the remuneration of the Committee members.
- The Committee is composed of a minimum of three non-executive Directors with the majority also being Independent.
- The Chairperson of the Committee is an Independent Director and is selected by the Board.
- The Chairman of the Board cannot be a member of the Risk Committee.
- The members of the Committee appoint a Secretary who prepares meeting agendas, conducts the meeting proceedings, records the minutes and ensures that they are approved and signed by the Committee Members.
- The term of the Committee shall be similar to that of the Board.

Role

To assist the Board and ensure that:

The Company has implemented an effective policy and plan for risk management that will enhance the Company's ability to achieve its strategic objectives.

The Company's disclosures regarding risk are comprehensive, timely and relevant.

Responsibilities

- Make recommendations to the Board concerning appropriate levels of risk tolerance and appetite.
- Monitor the processes in place to ensure that risks are managed within the levels of tolerance and appetite as approved by the Board.
- Ensure that risk management assessments are performed on a continuous basis.
- Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks.
- Ensure that Management considers and implements appropriate risk responses.
- Ensure that continuous risk monitoring by management takes place.
- Liaise closely with the Audit and Compliance Committee to exchange information relevant to risk.
- Express the Committee's formal opinion to the Board on the effectiveness of the risk management processes.
- Receive and review quarterly reports from the Head of Risk detailing the current status of the Bank relative to immediate risks plus a commentary on potential future

risks and the Bank's strategy to respond to the changing risk landscape.

- The Board Risk Committee will have the authority to access any documents and request information from any department or any member of staff or management. To ensure good order any request should come in writing.
- As per Article 26.5 of Bank of Sharjah's Articles of Association, Management is required to provide the Board and its ensuing Committees with adequate fully supported and documented information promptly as to enable them to reach proper resolutions and discharge their duties and responsibilities fully. However, the Board may, if necessary, conduct additional investigations that enable it to base its resolutions on valid ground.

Meetings

- The Board Risk Committee meets whenever necessary and at least on a quarterly basis.
- For a meeting to be held the majority of members need to be in attendance. Attendance by proxy shall not be accepted. Meetings can be held via video or telephone conferences or any other permissible means by law. Email correspondence shall be considered a valid medium for holding these meetings.
- The Chairperson of the Committee can invite members of Management or staff to the meetings or anyone else deemed necessary.
- The Bank shall provide the Risk Committee with adequate resources to discharge its duties including authorizing the Committee to use experts or consultants whenever necessary.
- Decisions taken by the Committee are made unanimously and in the absence of a consensus, by majority vote.
- The Secretary of the Committee drafts the minutes that are then given to the Company Secretary before final copies are issued to all Committee members for approval and signature.
- All Committee reports and decisions are reported directly to the Chairman of the Board and to the Board of Directors.
- The Chairperson of the Committee should be present at the Annual General Assembly.

Board Risk Committee Members Bank of Sharjah

Mr. Francois Dauge (Chair)
Mr. Saud Al Besharah
Mr. Jean-Jacques Santini
Mr. Varouj Nerguizian

Board Risk Committee Members Emirates Lebanon Bank

Pdt. Selim Jreissati (Chair)
Mr. Jean-Jacques Santini
Mr. Varouj Nerguizian

Introduction

The Board Corporate Governance Committee is supervised by and reports to the Board of Directors. The Committee is established under the Bank of Sharjah Articles of Association, Articles 26.8 and 26.9, in accordance with UAE Central Bank guidelines.

Composition

- The Committee is composed of a minimum of three non-executive Directors with the majority also being Independent.
- The Chairperson of the Committee is an Independent Director and is selected by the Board.
- The members of the Committee appoint a Secretary who prepares meeting agendas, conducts the meeting proceedings, records the minutes and ensures that they are approved and signed by the Committee members.

Responsibilities

Overseeing the Corporate Governance policies and practices, ensuring the Bank is meeting best practice standards and is complying with local legislation and regulator's guidelines

To ensure an independent overview of all elements of remuneration and the structure of other compensation packages as well as the nomination procedure for general management and for Board members.

Corporate Governance

- To verify the independence of Directors, annually or when warranted.
- To ensure that the Directors sitting on the Board and on Board Committees are suitably skilled and understand the company structure and its operations at time of appointment.
- To ensure that Board members training is organized on a regular basis (Article 26.7).
- To oversee the Assessment Process of the Board, its Committees and individual Directors, according to internal procedure. The Assessment procedure was approved by the Board of Directors and will be reviewed on a regular basis.
- To review the Bank's Corporate Governance policy.
- To approve the Annual Corporate Governance Report.
- To communicate to the Board any developments or policy changes concerning governance and/or control measures for Bank of Sharjah and all other Group entities.
- To check that disclosures are made regularly to investors and the public through monthly monitoring.
- To ensure that all Group entities are compliant with governance related to the regulations and laws in the countries

of operation, including all regulations or guidelines applicable to the 'Parent Company'.

- The Chairperson of the Committee can invite members of Management or staff to the meetings or anyone else deemed necessary.
- The Bank shall provide the Corporate Governance Committee with adequate resources to discharge its duties including authorizing the Committee to use experts or consultants whenever necessary.

Compensation, Remuneration & Nomination

- To recommend figures including fees to be paid to the Chairman and Non-Executive Directors and members of the Board Committees within the limits set out in the Bank's Articles of Association and to review annually.
- To consider and make recommendations concerning the disclosure of Director remuneration packages and payments in the Annual Report.
- To assess remuneration and compensation packages through benchmarking practices.
- To review the Bank's policy on bonuses, privileges, incentives and salaries.
- To note the decisions made by the General Manager regarding remuneration to be paid to members of the Senior Management Team.
- To consider matters relating to the composition of the Board, including the appointment of new Directors.
- To review succession plans for the Chairman of the Board and Senior Management.

Board Corporate Governance, Compensation, Remuneration & Nomination and Committee Members - Bank of Sharjah

H.E. Humaid Nasser Al Owais (Chair)
Mr. Abdul Rahman Bukhatir
Mr. Abdul Aziz Hassan Al Midfa
Mr. Francois Dauge
Mr. Varouj Nerguizian (non-voting member)

Board Corporate Governance Committee Members - Emirates Lebanon Bank

Dr. Bassel Salloukh (Chair)
Sheikh Mohammed Bin Saud Al Qasimi
H.E. Chahé Barsoumian
Mr. Fadi Ghosn

Board Compensation, Remuneration & Nomination Committee Members - Emirates Lebanon Bank

H.E. Chahé Barsoumian (Chair)
Pdt. Selim Jreissati
Mr. Varouj Nerguizian
Mr. Fadi Ghosn

Board Corporate Governance, Compensation, Remuneration & Nomination Committee

General Management

A - General Manager

Mr. Varouj Nerguizian

Joined Bank of Sharjah in 1977 and has, as a member of the staff of BNP Paribas, held the position of General Manager since 1992, he became an Executive Board Member in 2008. He also holds the position of Chairman and General Manager of Emirates Lebanon Bank S.A.L. and is a Board Member of several other entities.

The Role of General Manager

- The General Manager is appointed by the Board.
- The General Manager is appointed Secretary to the Board, and is delegated and granted all necessary powers to sign, execute and validate solely, any extract of the minutes of the meetings of the Board of Directors.
- The General Manager is appointed as secretary to the Board Executive Committee.
- The General Manager is vested with full authority to manage the financial and administrative matters of the Bank, as he deems necessary and within the framework of the Bank's policies as set out by the Board of Directors and the Executive Committee.
- The General Manager fixes the terms and conditions applicable on all banking transactions, conditions applicable on lending or banking facilities, as well as deposits.
- The General Manager implements the decisions of the General Assembly, the Board of Directors and the Board Executive Committee within their pre-set guidelines, appoints legal counsel and empowers them with the necessary authorities to carry out their assignments.
- The General Manager hires and terminates Bank staff, fixes their salaries and benefits, and determines their authorities and revokes their vested powers.

B - Management Structure

The Bank has two Deputy General Managers, both of whom have been with the Bank for many years:

Mr. Mario Tohme

Joined Bank of Sharjah in 1987, and has held his current position of Deputy General Manager since 1998.

Mr. Fadi Ghosn

Joined Bank of Sharjah in 1990, and has held his current position of Deputy General Manager since 2005.

(The appointment of two Deputy General Managers enables the Bank to make provisions for succession planning.)

The Bank also has a very experienced team of Senior Managers who support the General Management as well as the Board Executive Committee. These include: Senior Manager Head of Risk, Audit and Control Manager – who both report directly to the Risk and the Audit and Compliance Committees, respectively; Senior Manager Investment, Senior Operations Manager and Senior Manager of Private Banking & Wealth Management. The Bank also has five skilled and knowledgeable Branch Managers, who, in an organization such as Bank of Sharjah, are crucial to the effective operation of the business.

Although there are clear reporting lines for each delegation within the Bank, the Senior Management team is available to all members of staff at any time should a need arise.

I - Senior Management

The Bank has a highly experienced and qualified Senior Management team approved by the Board of Directors. Senior Management's role is separate from that of the Board. They are guided by the Directors as to how best to achieve the company's aims and objectives. A key focus for Senior Management is ensuring that the Bank is conducting its business in line with the Bank's objectives while maintaining a focus on internal controls and risk management. The Board will ensure that Management acts in a fair and honest fashion and that the best interests of the Bank's stakeholders, especially shareholders, are paramount and in line with the Bank's Mission Statement.

'The mission of Bank of Sharjah is to achieve strong and sustainable Performance for its shareholders. The Bank is committed to its personnel and clientele to accompany them in realizing their aspirations and objectives.

Performance, Ethics, Transparency, Initiative, Commitment, Quality

are imprinted in the way we do business and how we contribute to society and the environment.'

The members of Management assist the General Manager to achieve the goals of the Bank and ensure solid governance through management Committees.

To strengthen the transparency in Corporate Governance and enhance the efficiency of the Banking processes, the Bank formalized all of its Management committees within a global structure.

All of the Management committees provide recommendations to the General Manager.

I - Management Committees

Management Executive Committee

Composition

- General Manager
- Deputy General Manager
- Head of Risk Department
- Head of Audit Department
- Head of IT Department
- Head of Operations Department
- Head of Corporate and Investment Department
- Head of Legal and Compliance Department

Responsibilities

The Management Executive Committee has the responsibility to discuss current important issues across all business and support units of the Bank, including:

- Financial performance
- New business
- Performance of large clients
- Infrastructure (including IT)
- Local, regional and global issues impacting business and/or clients
- Impact of any new laws/regulation on the way the Bank does business
- Private Banking & Wealth Management

The Management Executive Committee has the power to decide within the delegation of the General Manager.

Management Internal Control Committee

The Internal Control system is the overall structure aimed at controlling all kinds of risk that Bank of Sharjah takes during the performance of its activities.

The Bank's objectives cannot be achieved without risk-taking. Thus, controlling risk is an essential part in attaining these objectives.

Composition

- Head of Audit Department
- Head of Risk Department
- Head of Legal and Compliance Department

Responsibilities

The Internal Control Committee ensures that rules, guidelines procedures are implemented, updated and that there are effective controls over the Bank's activities.

The committee ensures that:

- Appropriate organizational measures, particularly in terms of the segregation of duties;
- Controls are performed;
- Actions to enhance the system are implemented.

Credit Management Committee

The Credit Management Committee discusses and decides upon current financing proposals.

Composition

- Head of Credit Department
- Head of Risk Department
- Head of Credit Admin Department
- Head of Legal and Compliance Department

Responsibilities

The Credit Management Committee has the responsibility to :

- Ensure implementation and update of procedures in compliance with applicable regulations and audit requirements;
- Control and monitor the utilization of facilities within stipulated limits;
- Review various credit reports;
- Review and assess credit proposals as and when needed;
- Recommend country-and industry-specific limits.

Asset & Liability Management Committee

The Asset and Liability Management Committee encompasses the strategic management of the balance sheet aimed at achieving sustained growth while maintaining the quality of earnings and the solvency of the Bank.

Composition

- Deputy General Managers
- Head of Finance Department
- Head of Corporate and Investment Department
- Head of Risk Department
- Head of Treasury Department

Responsibilities

To discuss and recommend the following items:

- Balance sheet structure
- Capital adequacy/Liquidity ratios
- Risk diversification
- Key performance indicators (ROE, ROA, etc.)

IT Management Steering Committee

Composition

- Deputy General Manager
- Senior Manager, Banking Operations
- Head of Audit & Controls Department
- Head of IT Department
- Head of Legal & Compliance Department

Responsibilities

The IT Management Steering committee is focused on ensuring that IT Projects and initiatives are prioritized, defined and executed in a manner that is aligned to business requirements. Broadly, the steering committee is involved with the following:

- Preparation of IT strategy and budget;
- Monitoring and directing the execution of IT strategy;
- Ensuring the alignment of IT with business;
- Ensuring that IT governance is aligned with overall corporate governance;
- Reviewing and prioritizing IT initiatives and change requests;
- Monitoring of return on investment and value from IT projects.

Human Resources Management Committee

Composition

- General Manager
- Head of Human Resources Department
- Head of Finance & Accounts Department
- Employee Representative

Responsibilities

- All matters related to the Human Resources function;
- Promotions with direct financial bearing, salary, allowance, compensation, grade scaling, and inflation among others;
- Study the Emiratization Plan and ensure its implementation;
- Review policies and procedures related to Human Resources;
- Review any changes in Medical & Life insurance plans;
- Review staff training program;
- Review any issue pertaining to the employees;
- Review the yearly staff appraisals presented by Human Resources;
- Review the needs of future staffing.

C- Control Functions

The Board also employs separate Internal Auditors and External Auditors to check that internal control functions are working as they should be and that any areas of concern are raised.

External Auditors – Deloitte & Touche
(Fees for 2013:AED 660,000)
Internal Auditors – PriceWaterhouseCoopers (PWC)
(Fees for 2013:AED 560,000)

Auditors report to Senior Management and to the Audit and Compliance Committee or directly to the Board, ensuring effective transfer of information.

The Board may, at any time, request an audit to be conducted on any area within the Bank. They may also choose to use another company or consultants separate from those already used by the Bank.

Shareholding

Shareholdings as at 31/12/2013	
Major Shareholders	%
Sharjah Asset Management	15.02
Al Saqr United Group	11.07
Mr. Ahmed Abdalla Al Noman	5.06
TOTAL	31.15

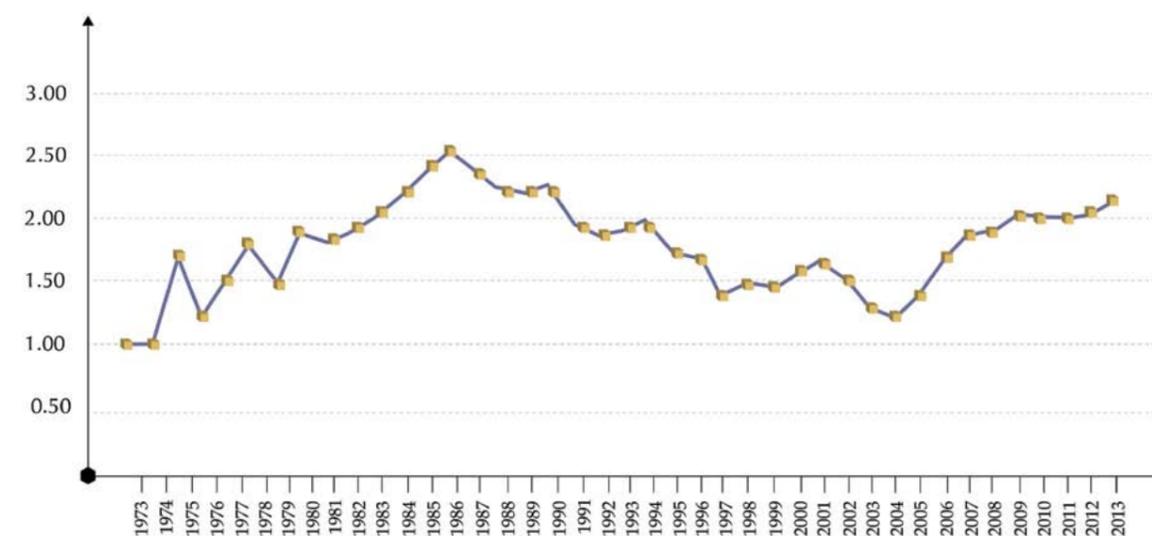
Directors holding more than 0.1%	
	%
Mr. Ahmed Abdalla Al Noman	5.06
Mr. Abdul Aziz Mubarak Al Hasawi	4.19
Sheikh Mohammed Bin Saud Al Qasimi	4.03
Mr. Abdul Rahman Bukhatir	2.87
Mr. Abdul Aziz Hassan Al Midfa	1.09
H.E. Humaid Nasser Al Owais	0.19
Mr. Varouj Nerguizian	0.27
Mr. Saud Al Besharah	0.24
Sheikh Saif Bin Mohammed Butti Al Hamed	0.02
TOTAL	17.96

Shares:

Bank of Sharjah shares are listed on the Abu Dhabi Securities Exchange (ADX).

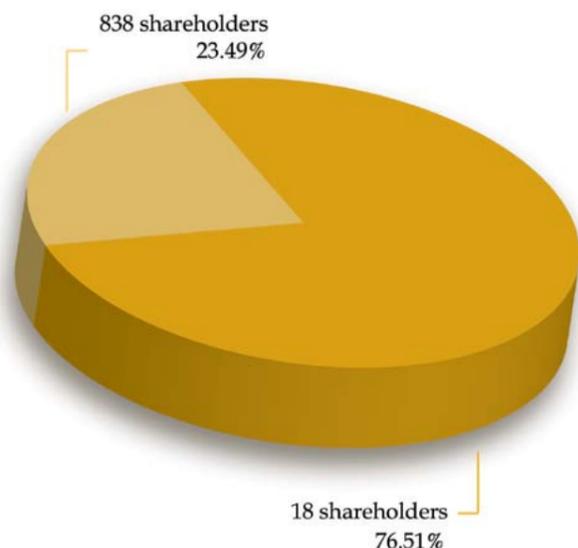
The Bank has 2.1 billion issued shares, each with a book value of AED 2.14 (as at 31/12/2013).

Share Book Value

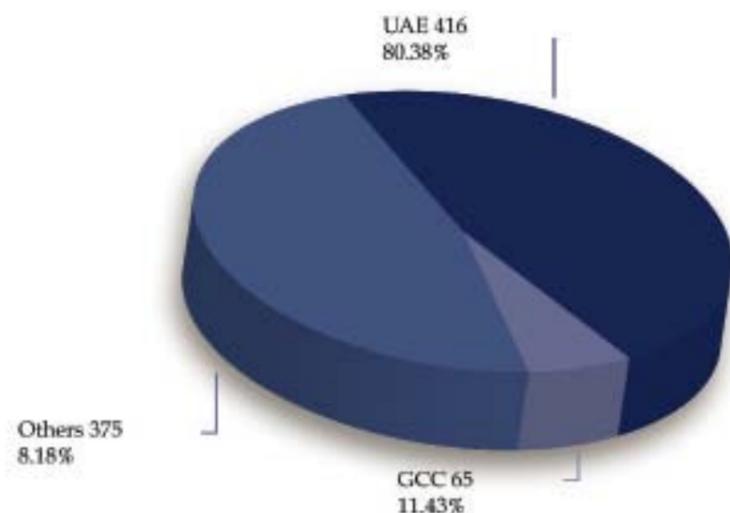


A - Composition of Shareholders (as at 31/12/2013)

Of the 856 shareholders, 18 shareholders own 76.51% of shares, and the remaining 838 shareholders own 23.49%.



416 shareholders holding 80.38% are of United Arab Emirates nationality, 65 shareholders holding 11.43% are GCC Nationals, and the remaining 375 shareholders holding 8.18% are of other nationalities.



B - Dividends

Bank of Sharjah has increased its capital since inception from AED 15 Million to AED 2.1 Billion.

Shareholders were paid cash dividends for a total amount of AED 2.2 billion, and bonus issue shares of 840.5 Million Shares.

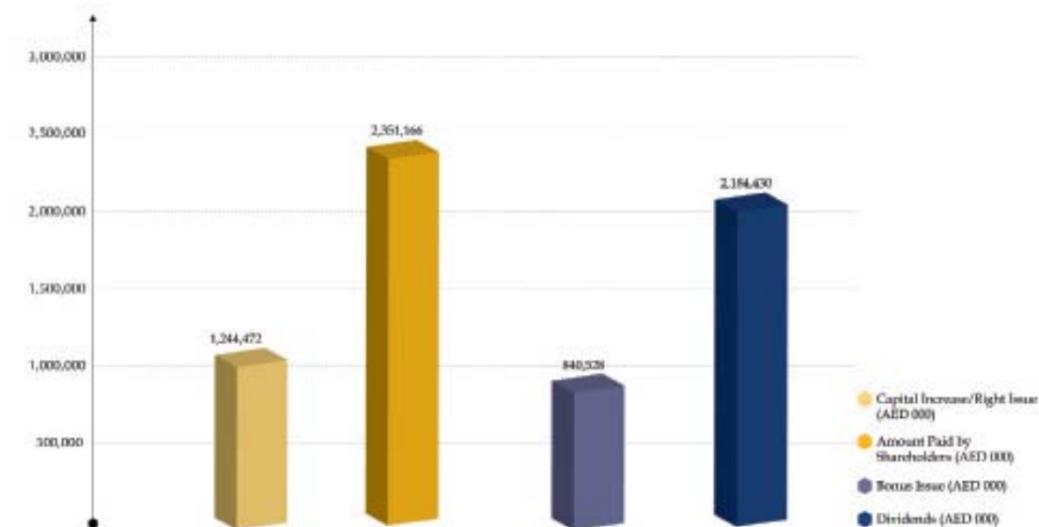
The Bank distributed 10% Cash Dividends (AED 193.5 million) to its shareholders for the year 2012.

In March 2006, the Bank issued AED 500 Million convertible Bonds at a nominal price of AED 1/Bond.

In March 2008, the Bonds were converted into shares by paying a premium of AED 2/share, to reach a capital of AED 2 Billion.

In June 2010, the Bank requested the approval of the Central Bank and the Securities and Commodities Authority to buy back 10% of its shares.

The total shares bought by the Bank reached 165 million shares, to be sold by 19th January 2015.



The Ordinary General Assembly meets once a year in Sharjah. Shareholders attending should represent not less than half of the capital.

The Bank ensures that all shareholder rights, as per the UAE law, the guidelines of the UAE Central Bank and the Securities and Commodities Authority (SCA), are upheld.

A notice to shareholders to attend a General Meeting shall be published in two local daily Arabic newspapers and addressed by registered letters not less than twenty one days before the date set for the meeting. The notice shall include the agenda of the meeting, subject to the approval of the relevant authorities and filing the Annual Balance Sheet and the Company's accounts. Copies of the notice shall be sent to the competent authority.

The business of the General Meeting shall include: hearing and approving the Board's report on the Company's activities and financial position during the year, the auditor's report, the balance sheet for the financial year and the profit and loss account; approving the Board's proposals concerning the distribution of profits; electing directors whenever required; appointing External Auditors and fixing their fees and resolving to release the Directors and the auditors of any liability.

A shareholder may appoint another person, who is not a Board member, to represent him, provided the number of shares held by the representative does not exceed 5% of the Bank's capital.

The owners of shares registered at ADX one working day preceding the General Assembly Meeting shall be deemed as holders of the Right to Vote.

The owner of shares registered at ADX 10 days after the General Assembly Meeting is entitled to Cash Dividends & Bonus Issues.

The owner of shares registered at ADX 10 days preceding the subscription date has the right to the Increase of the Capital.

The Shareholders may review the financial statements on the ADX website or the Bank's website.

The Bank must pay dividends within 30 days of the General Assembly date; by Demand Draft to be sent to the address registered at ADX, or by crediting the account of the shareholder.

An Extraordinary General Assembly can be called at any time to discuss certain issues related to the increase/decrease of the capital, amendments to the Articles of Association, Merging, winding up or selling the company.

The Extraordinary General Meeting shall not be validly held unless it is attended by shareholders who represent not less than three quarters of the corporate capital.

Shareholders' Meetings



*40th
Anniversary*



H.E. Juan Zarate
Senior Advisor at the Center for
Strategic International Studies in
Washington, DC

Under the patronage of H.E. Sultan Bin Nasser Al Suwaidi, Governor of the UAE Central Bank, leaders from the government, businesses and industries came together on December 15 to celebrate the 40th anniversary of Bank of Sharjah. A keynote speech was addressed by the former Deputy National Security Advisor to the US President H.E. Juan Zarate about the crucial role of financial integrity in maintaining national security.

“As the UAE becomes an ever more important component of the global financial system, the country’s financial institutions will be increasingly judged by whether their systems are effective and addressing real threats and specific risks,” said H.E. Zarate. “Financial integrity is central to national and regional security, especially given the interconnected banking system in the 21st century. The financial system itself needs to be protected from illicit financing, with banks serving as guardians at the gate of the financial system.”

Mr. Ahmed Al Noman, Chairman of Bank of Sharjah, stated that: “Over the last four decades, Bank of Sharjah has been one of the many beneficiaries of the UAE Central Bank’s tireless efforts, under the leadership of H.E. Sultan Bin Nasser Al Suwaidi, to build a regulatory regime that meets the highest international standards of integrity and transparency. Coming during a period of resurgence in the UAE banking sector, H.E. Zarate’s keynote address was a timely reminder of why upholding these values is as important to the ongoing success of the UAE as a trusted global center of banking and finance.”

Varouj Nerguizian, Executive Director and General Manager at Bank Of Sharjah, stated, “Ever since inception, Bank of Sharjah has been a model of compliance with written and understood procedures for combatting money laundering and terrorism financing. The vigilance that is instilled in the spirit and procedures of the Bank is constantly upgraded to ensure that reputational risk is mitigated by sound judgment.”



Code of Conduct

Bank of Sharjah Group

The reputation of Bank of Sharjah depends on its employees and representatives; each employee is expected to ensure that their behaviour preserves this reputation and that they act in line with the Bank's code of conduct.

Objectives

This code imposes an obligation to act beyond mere compliance and to support the underlying core values of Bank of Sharjah, (PETICQ)

Performance, Ethics, Transparency, Initiative,
Commitment and Quality.

The Code should be a guide; personal values and integrity are fundamental in ensuring ethical business practice.

The Code is based on principles that must be followed in a comprehensive manner.

This code is adopted by the Board of Directors, and is applicable to all employees in the Bank of Sharjah Group. Violations of this Code will be fully investigated and could result in disciplinary action.

Principles

Ethics and Transparency

To gain the trust of clients, staff members should act ethically and transparently in all their professional actions, and fulfil their responsibility with trust and integrity.

Commitment and Quality

Staff members shall work with the customers' best interests in mind so as to provide customers with quality service and to be committed to act in compliance with the laws and professional standards, in line with the

requirements and the reputation of the Bank. The staff members are committed to comply with the professional ethics of the Bank and its internal policies related to conflicts of interest, respect of disclosure, confidentiality of information and any other principle which ensures ethical business practice.

Performance and initiative

The staff members shall seek to provide customers with suitable services, information that is not misleading, and financial advice. The initiative should be undertaken to ensure the quality of service.

Process to respect the code

Acceptance of the code by all the employees. The code of conduct is sent to all employees to be signed by each one, formalizing their commitment to Bank of Sharjah professional ethics. The signed copy is recorded in each employee file, kept with the Human Resources department. Any amendment to the code of conduct will be displayed on the Bank's internal website.

Any breach of this Code will be seen not only as a breach of Bank regulations but also of the Bank's core values. A breach of the Bank regulations is seen as a serious incident since it could potentially damage the reputation of the Bank. Disciplinary action therefore will be severe and could lead to termination of contract; the Bank reserves the right to further action, including judiciary proceedings.

If a staff member is aware of any breach of the Code of Conduct then they have a responsibility to report it to the Legal and Compliance department; to ignore such a breach could create personal liability.



Our new premises in Al Khan Area

المركز الرئيسي
الجديد في
منطقة الخان