

Corporate Governance Report

For the Year 2012

Bank of Sharjah was established in 1973, and since its inception, good corporate governance practice has been part of the Bank's culture. It is integral to the way in which the Bank operates and is managed. It is our governance model, built on our core values with tight internal controls, that has ensured that Bank of Sharjah has always remained successful, in even the most testing economic environments.

Our core values are built into everything we do and form the basis of decision making. These are:

| | | | | | |
|-------------|----------|--------------|------------|------------|----------|
| P | E | T | I | C | Q |
| Performance | Ethics | Transparency | Initiative | Commitment | Quality |

Bank of Sharjah has keen, experienced and highly skilled Board Members, focused on achieving best practice in terms of governance, while ensuring the Bank has clear direction, guidance and a positive outlook. Our Board Members concentrate on Bank of Sharjah's long-term sustainability and consider the Bank's valued shareholders in all decision making.

Bank of Sharjah's Board of Directors, is composed of eleven members who are majority independent. Board meetings are held at least six times per year. The Board has five Board Committees:

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

*The 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*

Board Audit and Compliance Committee:

Role

*Verify the independence of the Bank's External Auditors.
Assess the integrity of the Bank's financial statements and disclosures.
Ensure the Bank has an effective and efficient internal auditing process.
To ensure that the Bank is in compliance with all regulatory and legal requirements in line
with the Bank's Code of Conduct.*

Board Compensation, Remuneration and Nomination Committee

Role

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

Board Risk Committee

Role

*To assist the Board to 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 disclosures regarding risk are comprehensive, timely and relevant*

Board Corporate Governance Committee

Role

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

The Board Committees all meet at least four times per year. The Board and all of its Committees are conducted in accordance with the Board Charters and Policies as well as the Bank's Articles of Association. The Board's role is set in line with Principle One of Basel 'Principles for Enhancing Corporate Governance' (2010:7) 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.
The Board is also responsible for providing oversight of Executive Management'*

The Board considers transparency and disclosure as the fundamentals of good governance and, consequently, communicate with the Senior Management team consistently.

Management's role is separate from that of the Board. The Senior Management team is approved and overseen by the Board. The Board ensures that all business is conducted in line with the Bank's Mission Statement and believes that the best interests of the Bank's stakeholders and shareholders are of paramount importance.

Bank of Sharjah'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.'

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

In line with best practice, under Principle Four of Basel 'Principles for Enhancing Corporate Governance', Bank of Sharjah, as the parent company, must ensure adequate Corporate Governance across the Group. Bank of Sharjah takes its responsibilities seriously and a Group strategy has been developed, focusing on transparency and disclosure, in line with international standards. The development of a comprehensive Corporate Governance framework for the Group has been managed effectively with Board Charters and Committee Charters being aligned in accordance with the legislative practices in the respective Countries.

Internal policies such as the Code of Conduct, Code of Ethics, Disclosure Policy and Conflict of Interest Policy have also been standardised at the Group level.

Board of Directors Attendance:

| Name | Meeting Date | 14/02/2012 | 24/03/2012 | 24/03/2012 | 02/06/2012 | 06/10/2012 | 15/12/2012 | TOTAL |
|---------------------------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------|
| Meeting No. | | 185 | 186 | 187 | 188 | 189 | 190 | 2012 |
| Mr. Ahmed Al Noman | | 1 | 0 | 0 | 0 | 1 | 1 | 3 |
| Sh. Mohamad Bin Saud Al Qasimi | | 1 | 1 | 1 | 1 | 1 | 0 | 5 |
| Sh. Saif Bin Mohd. Bin Butti Al Hamed | | 0 | 1 | 1 | 0 | 1 | 1 | 4 |
| H.E. Humaid N. Al Owais | | 1 | 1 | 1 | 0 | 1 | 1 | 5 |
| Mr. Abdulrahman Bukhatir | | 1 | 0 | 0 | 1 | 1 | 1 | 4 |
| Mr. Abdul Aziz Al Midfa | | 1 | 1 | 1 | 1 | 1 | 1 | 6 |
| Mr. Abdul Aziz Mubarak Al Hassawi | | 0 | 1 | 1 | 1 | 1 | 0 | 4 |
| Mr. Saud Al Besharah | | 1 | 1 | 1 | 1 | 1 | 1 | 6 |
| Mr. Francois Dauge | | 1 | 0 | 0 | 1 | 1 | 1 | 4 |
| Mr. Jean-Jacques Santini | | 1 | 1 | 1 | 1 | 1 | 1 | 6 |
| Mr. Varouj Nerguizian | | 1 | 1 | 1 | 1 | 1 | 1 | 6 |

Shares Statistics

| Major Shareholders | % | No. of Shares |
|----------------------------|---------------|----------------------|
| Government of Sharjah | 15.02% | 315,482,878 |
| Al Saqr United Group | 11.07% | 232,535,275 |
| Mr. Ahmed Abdalla Al Noman | 5.06% | 106,243,575 |
| Total | 31.15% | 654,261,728 |

| Board of Directors holding more than 01% of shares | % | No. of Shares |
|---|---------------|----------------------|
| Mr. Ahmed Abdalla Al Noman | 5.06% | 106,243,575 |
| Mr. Abdulaziz Al Hassawi | 4.19% | 88,065,254 |
| Sheikh Mohammed Bin Saud Al Qasimi | 4.03% | 84,729,081 |
| Mr. Abdul Rahman Bukhatir | 2.87% | 60,350,228 |
| Mr. Abdulaziz Al Midfa | 1.09% | 22,929,995 |
| Other Board Members | 0.75% | 15,836,171 |
| TOTAL | 18.01% | 378,154,304 |

| Senior Management Shareholding | % | No. of Shares |
|---------------------------------------|--------------|----------------------|
| Mr. Varouj Nerguizian | 0.27% | 5,693,571 |
| Mr. Mario Tohme | 0.07% | 1,524,409 |
| Mr. Fadi Ghosn | 0.07% | 1,542,352 |
| TOTAL | 0.41% | 8,742,332 |

| Total number of shareholders: | 831 | | |
|--------------------------------------|----------------|----------------------------|----------------------|
| | % | No. of shareholders | No. of Shares |
| UAE nationals holding shares: | 80.91% | 405 | 1,699,109,867 |
| GCC nationals holding shares: | 11.39% | 66 | 239,174,400 |
| 'other' nationals holding shares: | 7.70% | 360 | 161,715,733 |
| Total number of shares | 100.00% | 831 | 2,100,000,000 |

The Bank's full Corporate Governance Report can be found on the website (www.bankofsharjah.com), this information is updated regularly and any changes to governance practices or structure are amended accordingly. This report contains all publically disclosed information relating to governance issues, including full Board structure; Board Charter; roles and responsibilities of Directors; Directors status including the definition of independent, non-executive and executive Directors; the Board Committees and their Charters. The Bank's management structure is also outlined including information on key management personnel. Information regarding the Bank's shareholder statistics are available.

The Bank is also active in supporting local awareness and advancement through both membership and involvement in various organisations focused on building Environmental, Social and Governance in the Region.

The Bank is a founding sponsor and key supporter of:



‘The Pearl Initiative’, a networking and research group that works in cooperation with the United Nation, focus on Corporate Governance, CSR and Sustainability.



‘Hawkamah, The Institute for Corporate Governance’ Corporate Sponsor, a ‘think and do’ tank organisation leading the way in Corporate Governance development across the region.



‘Arab Forum for Environment and Development’, an institution designed to promote environmental and sustainability awareness in the Arab world.

Other Corporate Social Responsibility Initiatives:

Bank of Sharjah also focuses on the preservation of our local environment. The Bank believes that small steps and making small changes make a big difference.

The Bank has an internal ‘reduce, reuse, recycle’ programme in place and is looking to further this through partnerships with local environmental groups.



Bank of Sharjah participated in ‘Earth Hour’ on March 31st 2012. All branches across the UAE turned off their lights for one hour in line with the Global initiative to reduce fossil fuel consumption and to raise awareness of climate change and the need to preserve our planet.