



Internal Audit Department

CHARTER

Approved by the Board Audit Committee on 6th February 2026

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1. Abbreviations

Acronym/Term	Description
BOD	Board of Directors
BAC	Board Audit Committee
CBUAE	Central Bank of United Arab Emirates
CEO	Chief Executive Officer
Charter	Internal Audit Charter of NBF
Control Functions	Risk Management, Compliance and Internal Audit
GIAS	Global Internal Audit Standards
CIA	Chief Internal Auditor
EQA	External Quality Assurance
IAD	Internal Audit Department
IIA	The Institute of Internal Auditors
IPPF	International Professional Practices Framework
ISAD	Internal Sharia Audit Department
Management	Executive and Senior Management
NBF	National Bank of Fujairah and its subsidiaries
Staff	All persons working for NBF except members of the BOD
MAR	Management Awareness Rating
Matter of Significance	A matter, or group of matters, that would have a significant impact on the activities or financial position of the Bank.
2 nd Line of Defense	NBF's Risk Management and Compliance Departments

2. Introduction

2.1. This Charter defines IAD's purpose, authority and responsibility and establishes IAD's position within NBF. As per CBUAE Regulations & Standards on Internal Control, Compliance & Internal Audit, IAD is an independent function that provides independent assurance to the Board of Directors and Senior Management on the quality and effectiveness of the Bank's internal control, risk management and governance systems and processes, thereby helping the Board and Senior Management protect their organization and its reputation. This Charter also formalises IAD's access to records, information systems, staff and physical properties of NBF relevant to the performance of engagements and defines the scope of IAD's activities in line with the following:

- (a) CBUAE regulations and standards applicable to Internal Audit which includes: (i) Internal Control, Compliance and Internal Audit Standard and Regulation number 161/2018 dated 29 August 2018 and amendments thereafter, if any and (ii) Corporate Governance Regulations & Standards and amendments thereafter, if any.
- (b) The Institute of Internal Auditors' GIAS mandatory guidance which incorporates five Domains and fifteen guiding Principles together with Topical requirements and Supplemental guidance.

IAD will govern itself by adherence to GIAS mandatory guidance which constitutes the fundamental requirements for the professional practice of Internal Auditing and the principles against which the effectiveness of the IAD's performance will be evaluated. The CIA is accountable for IAD's implementation of and conformance to GIAS. All staff within IAD are responsible for ensuring adherence with the principles and standards relevant to performing their job responsibilities as outlined in the GIAS.



- 2.2.** The BOD of NBF have appointed a BAC to provide oversight of the financial reporting process, the audit process and NBF's system of internal control and compliance with applicable laws and regulations. The BOD and the BAC requires IAD to act professionally and ethically in discharging its role and accountabilities as outlined in the BAC approved Charter.
- 2.3.** NBF's IAD reports to the BAC and is managed by the CIA who functionally reports to the Chairman of the BAC and administratively to the CEO. In addition, the Head of Internal Sharia Audit who functionally reports to the ISSC, will administratively report to the CIA.
- 2.4.** The CIA has unfettered access to all members of the BAC and Senior Management.
- 2.5.** The Charter will be reviewed, published on the Intranet and NBF's website and updated at least once every three years or when significant changes to audit requirements are made by the CBUAE and/or the IIA. Any amendments to this Charter will only be effective upon BAC approval.
- 2.6.** The CIA is also the Secretary to the BAC and will seek BAC's Chairman approval on the agenda and timing of BAC meetings.

3. Purpose

IAD is an independent function that provides assurance to the BOD through the BAC and Management of NBF on the quality and effectiveness of Internal Controls, Risk Management, Compliance, Corporate Governance, Systems and Processes.

4. IAD's Mission

To provide independent and objective value adding assurance and advisory services that enhances and synergizes the effectiveness of NBF's internal control environment to minimize "unknown risks" and facilitate "positive change".

5. IAD's Authority

5.1. The CIA is authorized to:

- 5.1.1.** Ensure IAD staff have full and unrestricted access to all activities, functions, records, files, data, information systems, physical property, staff and management of NBF.
- 5.1.2.** Request and expect staff and management to provide information and explanations within a reasonable period of time.
- 5.1.3.** Allocate resources, set frequencies, select functions/process/incidents for audit/review, determine scope of audits/reviews and apply appropriate techniques to accomplish the objective of the audit or review.
- 5.1.4.** Coordinate with other control functions such as risk management and compliance as needed.
- 5.1.5.** Upon request meet with regulators and external auditors.
- 5.1.6.** Authorized to make amendments to the BAC approved plan to accommodate change in NBF's risk profile and obtain approval from the BAC.
- 5.1.7.** Conduct performance review of IAD staff and recommend to the BAC promotions and salary adjustments.



5.1.8. Make recommendations to the BAC for appointment of staff within IAD.

5.2. The CIA and IAD staff are not authorized to:

5.2.1. Perform any operational activities across NBF including but not limited to designing, implementing or operating any internal control measures.

5.2.2. Initiate or approve accounting transactions unrelated to IAD.

5.2.3. Initiate or approve any business transactions across NBF.

5.2.4. Direct the activities of any staff not employed to work in IAD except to the extent such employees have been appropriately assigned to IAD or are otherwise assisting IAD in a review.

5.2.5. Perform any activity that would impair IAD's independence and/or objectivity.

6. Internal Audit's Roles and Responsibility

The primary role of IAD is to conduct Internal Audit activities and deliver Internal Audit Services as outlined below:

6.1. Plan, conduct and report on audit engagements included in the BAC approved annual plan.

6.2. Provide advisory/consulting services at the request of BAC or Management without involvement in day to day activities or assuming management responsibility.

6.3. Ensure audits and reviews are executed in line with the process outlined in IAD procedure manual.

6.4. Ensure documents and information provided to IAD during the reviews are handled in the same prudent and confidential manner similar to the employees accountable for them.

6.5. Ensure audit fieldwork is conducted in an objective, professional and timely manner and all audit observations and conclusion are clearly communicated prior to finalisation of the report.

6.6. Ensure exchange of information with external auditors and/or other assurance providers is in line with the procedures outlined in IAD procedure manual.

6.7. Follow up on the state of corrective action of issues raised by Internal Audit and or other issues as requested by BAC and or CEO.

6.8. Assist in the investigation of (a) fraudulent/whistleblowing incidents together with the associated operational lapses and (b) standalone operational incidents and update the BAC with the outcome of such engagements.

6.9. Ensure full adherence to NBF's Code of Conduct and IIA's Code of Ethics and Standards.

7. Scope of Work

7.1. IAD's scope of work includes every function, including outsourced functions of NBF with the exception of Islamic Banking which is covered by ISAD to evaluate the:



- 7.1.1.** Effectiveness and efficiency of Internal Control, Risk Management and Compliance Systems.
- 7.1.2.** Reliability and integrity of management information systems and processes.
- 7.1.3.** Compliance with laws, regulations, standards and the instructions of the CBUAE.
- 7.1.4.** Safeguarding of assets.
- 7.1.5.** Engagements whose frequency is mandated by regulatory authorities.

7.2. IAD provides the following three types of services:

- 7.2.1.** Assurance services are defined as services through which Internal Auditors perform objective assessments to provide reasonable assurance that control operates as designed and cover the risks to which NBF is exposed.

Advisory services are defined as services through which Internal Auditors provide advice to NBF's stakeholders without providing assurance or taking on management responsibilities. The nature and scope of advisory services are subject to agreement with the relevant stakeholders and will only be considered as long as the Advisory service does not impair IAD's objectivity or independence and does not involve IAD assuming management responsibility and are based on specific requests from the BOD, BAC or Management with an agreed upon scope.

- 7.2.2.** Investigations: Independently evaluate allegations or suspicions of improper/unauthorised activities including misuse of NBF's resources, fraud, financial irregularities, significant control weaknesses and unethical behaviour or actions.

- 7.3.** In providing advisory services, the CIA will ensure the scope of the engagement is sufficient to address the agreed-upon objectives and are subject to restrictions outlined in this Charter. If the CIA at any stage of the engagement has any concerns of potential impairment of IAD's objectivity and/or independence, then these concerns will be assessed by the CIA to determine whether to continue with the engagement.

- 7.4.** Follow up on the state of remedial action taken to address issues raised by IAD or other issues as requested by the BAC and or CEO.

8. Independence and Remuneration

- 8.1** All IAD staff report to the CIA who reports to the Chairman of the BAC. The performance assessment and financial remuneration of the CIA is conducted by the Chairman of the BAC whereas the performance assessment, financial remuneration and promotion of staff within IAD is conducted and recommended by the CIA to the BAC. Financial remuneration of IAD staff is based on the overall assessment of IAD by BAC and individual achievements.
- 8.2** Staff in IAD are compensated in a way that makes their incentives independent of the lines of business and based on achievement of BAC approved objectives.
- 8.3** The CIA meets with the BAC at least once a year to discuss any matters that either the CIA or BAC believe should be discussed without the presence of Management and on an annual basis the CIA confirm independence of IAD to the BAC in writing and will immediately report to BAC any instances of interference and/or restrictions placed on the activities of IAD.

- 8.4** The restriction on IAD's activities outlined in this Charter is intended to protect and maintain IAD's objectivity and independence.
- 8.5** All instances of non-conformance to (a) CBUAE regulation and standards related to Internal Audit and (b) IIA's Ethics or Standards together with any instance of impairment to IAD's objectivity or independence will immediately be reported to the Chairman of the BAC.

9. Responsibilities of Management

- 9.1.** Respect and promote the independence of IAD.
- 9.2.** Ensure IAD has unrestricted access to data, records, information, personnel and physical assets during the course of their activities or enquiries.
- 9.3.** Developing, implement and maintain adequate and effective risk management, internal control and governance processes.
- 9.4.** Notify IAD in a timely manner of (a) updates to NBF's policies, procedures, business objectives, organisational structure that impacts the risk governance framework (b) new and/or update in regulatory instructions as communicated by CBUAE or other relevant regulatory authorities (c) results of regulatory inspections together with incidents of regulatory, policy non-compliance and regulatory criticisms/sanctions (d) operational errors, incidents, near misses and frauds and (e) new developments, initiatives, projects, products and operational changes.
- 9.5.** Provide responses to audit observations in a timely manner.
- 9.6.** Discuss the final report and corrective action.
- 9.7.** Ensure that timely and appropriate actions are taken on all Internal Audit observations and outline the overall corrective action plan or the rationale for disagreement to an observation and or report conclusion.

10. Responsibilities of CIA

- 10.1.** Establish procedures to guide IAD in line with CBUAE instructions and GIAS .
- 10.2.** Define IAD Strategy and prepare an annual Internal Audit plan using a risk-based methodology that identifies the material risks of NBF and present the plan to BAC for approval.
- 10.3.** Ensure adequate coverage of risk/functions/process/incidents that are mandated either by CBUAE or required by policy.
- 10.4.** Implement the BAC approved annual Internal Audit plan together with special reviews/investigations or consulting engagements as requested by the BAC or the CEO.
- 10.5.** Issue Terms of Reference to the BOD or its committees for assignments that are executed based on their specific directives.
- 10.6.** Establish a follow up process to monitor and report on the status of Management's corrective actions.
- 10.7.** Update the BAC on the execution status of the approved Internal Audit plan.



- 10.8.** Update BAC on the results of audit activities.
- 10.9.** Manage the update of audit activities to parties within and outside NBF.
- 10.10.** Update the BAC on sufficiency of IAD staffing and systems requirements.
- 10.11.** Appointing IAD staff with approval from BAC and assessing their performance regularly.
- 10.12.** Establish a quality assurance program to ensure the activities of IAD are in line with GIAS.
- 10.13.** Resource the department with individuals with sufficient qualifications, experience and skills to develop collective competence of IAD to examine all areas in which NBF operates.
- 10.14.** With prior approval of BAC engage and/or retain co-sourced consultants at NBF's expenses in relation to discharging its duties if IAD has gaps in knowledge, skills, or resources to perform all or part of the engagement. The appointment of co-sourced consultants should be recommended to the BAC after ensuring the objectivity of the proposed consultant is not impaired as a result of previous or current engagements at NBF.
- 10.15.** Evaluate and direct IAD activities and facilitate ongoing training and development of IAD staff.
- 10.16.** Manage investigations and special reviews and keep the BAC updated.
- 10.17.** Review IAD's Charter at least every three years and recommend changes to BAC.
- 10.18.** Provide periodical self-assessment on IAD's activity and its consistency with the Charter (purpose, authority, responsibility) and performance relative to the BAC approved plan.
- 10.19.** At least once in five years, with approval of the BAC, facilitate an EQA review of IAD using an independent consultant. The EQA consultant will be appointed by the BAC and the final report will be addressed to the Chairman of BAC which will be supplemented with a presentation and discussions with BAC.
- 10.20.** Confirm the independence and present the qualifications of the shortlisted EQA consultants to the BAC prior to the final selection and appointment by BAC.
- 10.21.** Execute responsibilities in line with BOD approved Whistleblowing Policy and update the BAC.
- 10.22.** Coordinate and exchange findings and reports with 2nd line of Defence and ISAD.
- 10.23.** Ensure all IAD related paper records are retained in line with NBF'S Information Security Record Management Procedure and IAD electronic records are retained in line with NBF's Electronic Data Retention Policy.
- 10.24.** Promptly report to the CBUAE violations of the CBUAE Law, regulations, instructions and any matters of significance in normal course in coordination with the Compliance Department or in exceptional circumstances directly to CBUAE.

11. Reliance on the Work of Others

IAD may place reliance on the work of other control functions, external auditors and consultants provided the use of such information does not impair IAD's objectivity.