



In the Name of Allah, The Beneficent, The Merciful

Date: 13 February 2020

**FATWA WITH RESPECT TO NATIONAL BANK OF FUJAIRAH 'S
ISLAMIC PROFIT RATE SWAP WITH CAP FEATURE**

We, the undersigned, the scholars composing the National Bank of Fujairah PJSC – Islamic Finance Division (“NBF”) Internal Shariah Supervisory Committee (“ISSC”) have been presented with the Islamic Profit Rate Swap with Cap Feature (“Product”) by NBF for our Shariah review and approval.

The Product is a treasury product similar to an Islamic profit rate swap (IPRS), which will be used as a hedging instrument against fluctuation in market rates. The Product might give rise to a different cash flow structure whereby NBF’s promise is only triggered when the underlying benchmark exceeds a given strike/cap rate.

The proposed Product is an improvement on the straightforward IPRS whereby a customer can take advantage of the variable market rate until the CAP strike level is reached and will be hedged if the market exceeds the same. Based on the proposed structure, a customer who is paying the LIBOR rate on a finance facility may protect himself against a rise in rates by having a cap at 4.0%. If the LIBOR exceeds 4.0% in a given period the payment received from the structure can be used to help make the profit payment for that period, thus the profit payments are effectively "capped" at 4.0% from the customer's point of view. However, they will continue to benefit from a lower market (continue to pay variable rate) until the cap is reached.

The proposed Product will use the existing approved IPRS with a Single Sale Structure. For the purpose of this Product, there will be 2 Designated Future transactions (“DFT”) Terms undertakings (Wa’ad). One undertaking will be from NBF, exercisable only when agreed strike is breached, and the other undertaking will be from the customer. These undertakings are independent of each other and mutually exclusive. For the purpose of this Product, only one of the two undertakings or Wa’ads, set out in the DFT Terms confirmation for the Fixed Profit Rate leg and for the Floating Profit Rate leg, will be exercisable against the undertaking party (i.e. the Buyer) by the exercising party (the Seller), depending on which specified condition to exercised (the Exercise Condition) is met in relation to a Calculation Period.

In respect of each Calculation Period, the Exercise Condition will be met in relation to only one leg of the IPRS. Therefore, only one of the two Wa’ads will be exercisable, and one Murabaha Sale will be entered into between the parties, in relation to the Fixed Profit Rate leg (profit rate cap). Accordingly, there will be only one asset-flow and one cash-flow between the parties in relation to each Calculation Period for the IPRS.

NBF Islamic will be executing a back to back arrangement with NBF conventional, which in turn will have similar arrangement with provider of conventional interest rate cap. This arrangement is temporary and is subject to review from time to time. In the future, when a suitable Islamic Profit Rate Cap is offered in the market, NBF Islamic will enter into such Islamic Profit Rate Cap product with the relevant counterparties.

We have reviewed the following documents and its appendices (the “Documentations”) in relation to the Products:

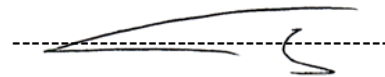
1. ISDA Master Tahawwut Agreement;
2. Master Agency Agreement; and
3. DFT Terms with necessary changes in formulas.

Pursuant to our review of the Documentations and subject to the Product application as per the approved Documentation therein we are of the opinion that the Product and its Documentations is in compliance with the requirements of the glorious Shariah principles.

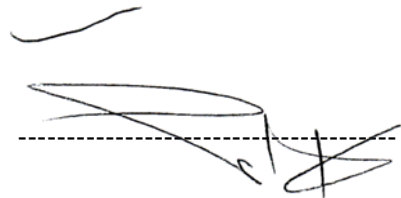
Allah Almighty knows best.

APPROVED BY:

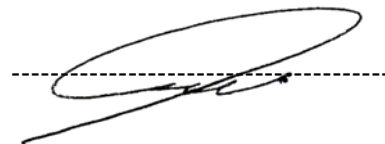
Dr. Mohamed Ali Elgari (Chairman)



Dr. Mohd Daud Bakar (Member)



Dr. Muhammad Amin Ali Qattan (Member)



Dr. Osama Al- Dereai (Member)

