



## ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT (ESG)-2021

# NATIONAL BANK OF UMM AL QAIWAIN

## ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT (ESG) - 2021

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## **ABOUT THIS REPORT**

We are proud to present our second annual Sustainability Report for 2021, showcasing our deep commitment to implementing, monitoring and reporting on our environmental, social and governance performance during the year and our plans for next. It highlights sustainable business practice initiatives along with our related community work.

This report has been prepared based on the Global Reporting Initiatives GRI standards criteria and efforts have been made to align with GRI G4 Financial Services Sector disclosure, the United Nations Global Compact (UNGC) principles, United Nations Sustainable Development Goals (SDGs) and the UAE Vision 2021.

We have provided the disclosures with comparative performance across 2019, 2020 and 2021 wherever possible to highlight the significant improvements. Our Financial statements are independently audited by Ernst & Young which is forming part of our reports. Other non-financial data is prepared and revised through our relevant internal stakeholders and are independently verified through an assurance process which will provide our stakeholders with the required amount of confidence in the accuracy of the disclosed data.

We would like our readers to refer to our website <https://www.nbq.ae> for additional information.

For any inquiries on this report, please contact:-

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***Company Secretary***

***Email address: Dalia.saeed@nbq.ae***  
***Telephone Number: 06-7066858***

## **MESSAGE FROM OUR CHIEF EXECUTIVE OFFICER**

I am pleased to present the NBQ annual Environmental, Social and Governance Report for the year 2021 (ESG Report) depicting the performance and the key highlights across the environmental, social, governance and economic practices.

We published our first Sustainability Report in 2020 and have considerably improved our performance since. This is highlighted in our 2021 report.

We are committed to aligning our business goals with a sustainability frame of mind which is in line with the Global Standards and UAE vision 2021. We are also committed to pushing the sustainability agenda forward to align our stakeholders with the United Nation's Sustainable Development Goals (SDGs) and the efforts of the United Arab Emirates on the sustainability front. Whilst our initiatives will take time to mature and deliver tangible results, the purpose of this report is to highlight the initiatives that demonstrate our intent to create a positive change – and our direction towards adopting the sustainability banking practices as prescribed by the Global Standards and UAE Vision.

We are creating a sustainability work team that will be handling the initiatives, measuring the performance periodically and preparing disclosures, which can match the industry sustainability disclosures. We are extremely confident about the future and we intend to take bold steps to grow stronger in our journey for a sustainable future in the years to come.

**Adnan Al Awadhi**  
**Chief Executive Officer**

## **SCOPE OF THE REPORT**

This report covers the environmental, social and governance performance for the year 2021 for the National Bank of Umm Al Qaiwain (NBQ) and its subsidiaries and affiliates (hereinafter as NBQ or the Bank) for their operations within the UAE.

All the monetary values expressed in UAE Dirhams (AED) unless stated in the report elsewhere. Our financial performance and other figures are reported for the full group for their operations in the country.

## **Operations and business segments**

This report covers the operational activities, business segments, support functions and sustainability initiatives of the bank. Business segments include the wholesale banking division, retail banking division, treasury functions and other support functions, together with the functions of the subsidiary functions included in the group.

## **Financial and non-financial reporting**

This report includes financial information and non-financial information and extends beyond the reporting requirements. Non-financial performance includes the risks, outcomes, opportunities, events and other relevant information to demonstrate the sustainability value of the organisation and its activities related to sustainability. Financial information is reported in line with International Financial Reporting Standards, Central Bank requirements and Articles of Association, and it includes the subsidiaries and activities of the affiliates. Governance, risk and compliance are also included in the report. The sustainability initiatives are in line with global reporting initiatives (GRI), United Nations Sustainable Development Goals (UNSDG), ADX ESG guidelines and UAE Vision 2030.

## **Direction, focus and audience**

The report highlights sustainability activities and plans for next year (both with non-financial targets and the corporate focus). NBQ's sustainability agenda scopes activities with a longer focus, directed to the internal business needs, fostering external relationships and creating a positive environment and social ecosystem.

This report provides information to our investors, which includes our equity shareholders and prospective investors, who are interested in establishing a long-term relationship. It also aims to provide value to our other stakeholders including our employees, clients, regulators and society.

## **NBQ - SUSTAINABILITY MILESTONES – 2021**

**NET PROFIT INCREASED BY 24.74%**

**AROUND 40% EMPLOYEES ARE  
UAE NATIONALS**

**CAPITAL ADEQUACY RATIO IS 44.66%  
HIGHEST IN THE COUNTRY**

**HIGH WOMEN COMPOSITION IN  
THE MIDDLE MANAGEMENT  
EMPLOYEES**

**NON-PERFORMING ADVANCES RATIO  
REDUCED BY 13.48 %**

**25 NATIONALITIES  
REPRESENTED IN THE TOTAL  
WORKFORCE**

**NATIONAL ELECTRONIC SECURITY  
COMPLIANCE MATURITY LEVEL  
IMPROVED FROM 79% TO 99.56%**

**AWARDED PAYMENT CARD  
INDUSTRY DATA SECURITY  
STANDARDS (PCI-DSS)  
CERTIFICATION**

**ACHIEVED SWIFT CUSTOMER SECURITY PROGRAMME  
(CSP) COMPLIANCE**

## **KEY PERFORMANCE HIGHLIGHTS – A SNAPSHOT**

Our key performance highlights for the year 2021, which helped us to achieve our business goals and deliver commendable results on ESG, are as follows:

### **Our financial performance**

- net profit for the year of AED **264.17** million – up by **24.74%**
- capital adequacy ratio is **44.66%** – the highest in the country
- non-performing advances ratio improved by **13.48%**
- Tier 1 Ratio is **43.53%** – the highest in the country

### **Our environment**

- wastewater treatment adopted for plants to reduce water consumption
- recycled paper and savings **441,066** trees
- **90%** of lighting arrangements through LED lamps at HO premises
- reduced paper consumption consistently for three years

### **Our people**

- **306** full-time employees from **25** nationalities
- **451** training modules were carried out
- **193** nationals were trained
- maintaining consistently **above 40%** female employee's underemployment
- **100%** retention and return to work ratio during 2021 on employees who took parental leave
- the total amount of training hours increased by **47%** and training spending increased by **122%**
- health and safety measures undertaken to control the pandemic
- UAE nationals covered by insurance coverage
- around 90% of employees vaccinated against the pandemic

### **Data infrastructure and security**

- secured the **PCI DSS certification**
- compliance on **UAE NESAs** is confirmed as **99.56%** by the independent assessor
- achieved **Swift CSP Compliance**
- replaced 22 ATMs (5 CCDMs) with state-of-the-art technology

### **Our community**

- implemented strategies to identify firms with local suppliers
- arranged three community-related events with the participation of all nationals and other nationals
- 18% of the UAE nationals are in the leadership positions
- UAE nationals constitute **38%** of our full-time employees
- undertaken UAE National Fresh Graduate Programme to recruit and train UAE Nationals

**FINANCIAL PERFORMANCE FOR THE LAST THREE YEARS**

<b>Particulars</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Total Assets	14,297.00	13,546.00	13,142.00
Loans	8,263.00	7,640.00	6,589.00
Deposits	9,035.00	8,225.00	7,700.00
Market Capitalisation (In millions)	3511.20	3696.00	3418.80
Gross revenues	754.56	560.57	442.48
Net revenue	647.60	472.96	392.68
<b>Net profit</b>	<b>424.39</b>	<b>211.77</b>	<b>264.17</b>
Capital Adequacy ratio	38.23%	41.45%	44.66%
Tier 1 Ratio	37.10%	40.34%	43.53%
Common Equity Tier 1 Ratio	37.10%	40.34%	43.53%
Dividend %	11.00%	8.00%	8.00%
Cost to income ratio	21.97%	31.49%	34.81%
Net Interest Margin	5.84%	4.15%	3.90%
Basic EPS (Fils)	0.23	0.11	0.14
Return on Average Tangible Equity	9.19%	4.47%	5.42%
NPL Ratio	8.71%	9.94%	8.60%
Impaired Loan Coverage Ratio (Provisions and +Collateral)	185.68%	168%	198.38%
% of Annual Profits donated for community purposes	0.10%	0.07%	0.06%



## **OUR HISTORY**

National Bank of Umm Al Qaiwain (the ‘Bank’ or ‘NBQ’) is a public shareholding company incorporated in Umm Al Qaiwain by Amiri Decree Number (1) on 5 January 1982 issued by His Highness, the Ruler of Umm Al Qaiwain and commenced its operations with effect from 1 August 1982. The local government of Umm Al Qaiwain is the largest shareholder and promoter of the Bank.

The group comprises the National Bank of Umm Al-Qaiwain (PSC), Umm Al-Qaiwain, and Twin Towns Marketing Management (L.L.C.-SO), Dubai (see Note 3.3). The address of the Bank’s registered Head Office is P.O. Box 800, Umm Al-Qaiwain, United Arab Emirates.

The Bank is engaged in providing retail and corporate banking services through a network of 12 branches in the United Arab Emirates (UAE). The Bank carries out Islamic banking operations through its Islamic Banking window established in 2005 across its branch network. The Bank maintains consistently high capital adequacy and liquidity ratios which demonstrate the financial resilience developed through robust corporate governance and financial disciplines.

The Group maintains a general reserve and the contributions to this reserve are made at the discretion of the Directors. This reserve may be utilised for any purpose to be determined by a resolution of the shareholders of the Group at an Ordinary General Meeting.

## **VISION, MISSION AND VALUES**

### **Our vision**

*To be a bank of first choice, offering innovative financial services, built on trust, integrity and driven by a passion for excellence.*

### **Our mission**

*To maximise value and growth for all our stakeholders by delivering premium banking services and attracting and retaining our target customer groups.*

### **Our core values**

*"People Orientation, Customer Orientation, Performance"*

#### **People**

- *personal integrity*
- *open communications*
- *value and recognise teamwork*

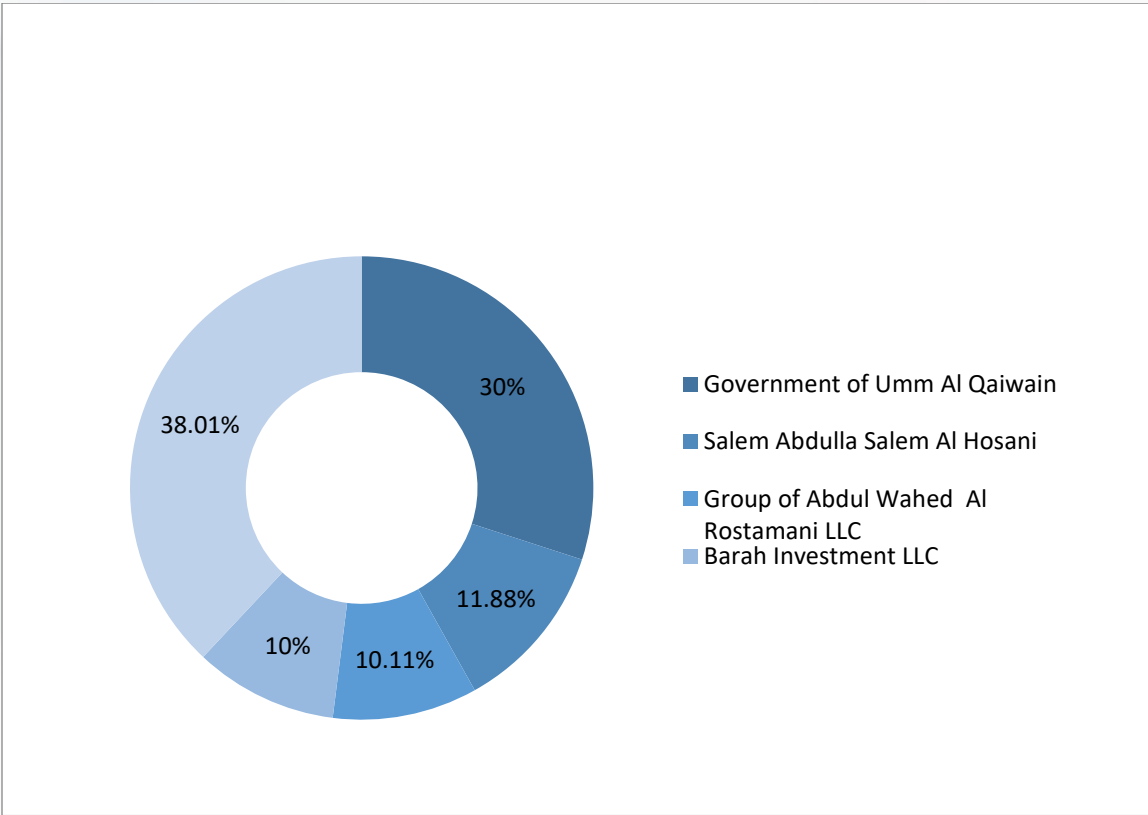
#### **Customer**

- *service excellence*
- *customer confidentiality*
- *meet and exceed customer expectations*

#### **Performance**

- *recognise and reward outstanding performance*
- *ensure continuous productivity*
- *focused on efficiency*
- *delegate authority, responsibility and empowerment*
- *committed to learning and development*

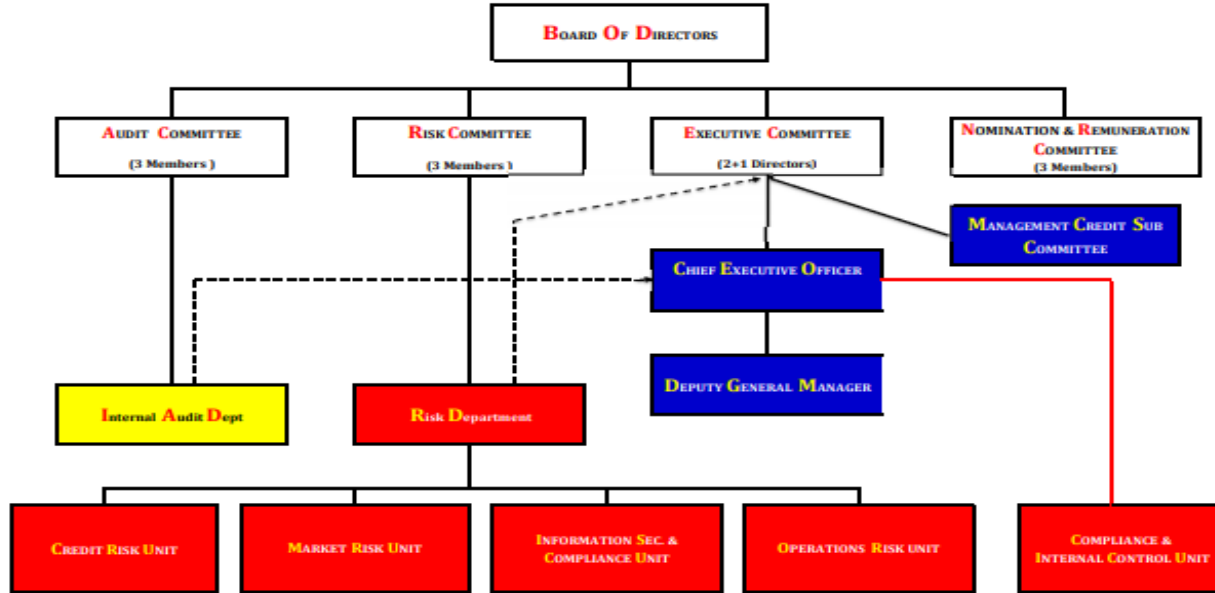
**OWNERSHIP STRUCTURE**



# ORGANISATION CHART



NBQ ORGANIZATION CHART 2021



**NOTES:**

IN ADDITION TO THE ABOVE MENTIONED PERMANENT BOARD COMMITTEES OTHER COMMITTEES MAY BE FORMED FROM TIME TO TIME.

- RED : RISK UNITS
- BLUE : ADMINISTRATIVE AND BUSINESS UNITS/ADHERENCE TO LAID DOWN POLICIES AND PROCEDURES
- YELLOW : BANK WIDE AUDIT
- : DIRECT REPORTING LINE AUTHORITY
- - - - : ADMINISTRATIVE AND RECTIFICATION

## **AWARDS AND RECOGNITION**

### **Our awards**

NBQ has won numerous prestigious awards and these can be attributed to its growth and success in the banking market sector.

- the best call centre of the year (2013)
- the highest percentage of localisation in the banking sector (2012)
- Emiratisation CEO – banking sector (2006)

### **Our ESG contributions in earlier years**

Before 2021, the bank participated in numerous ESG initiatives, of which some are mentioned below:

- appreciation certificate from Zayed University for contributing to the professional development of Zayed University students (2006 & 2007)
- appreciation from the organising committee to Rashid Bin Saud Al Mualla for sponsoring a football tournament
- participation with the Ministry Of Justice and House Of Justice in Umm Al Quwain (UAQ)
- appreciation for NBQ's support of the Emirates Institute for Banking And Financial Studies (EIBFS) for 25 years of progress – a silver anniversary (2008)
- participation from the UAQ medical district for sponsoring the celebration of International Nursing Day (2010)
- appreciation letter from the Ministry of Presidential Affairs for NBQ's participation in dropping the citizen's bad debt remediation fund (2020)

## **GOVERNANCE, INTEGRITY, COMPLIANCE, RISK MANAGEMENT, ETC**

### **Board of Directors**

The Board of Directors consists of seven members, including Chairman and Vice-Chairman, as stated in the Memorandum and Articles of Association. Board Members are highly qualified and experienced in financial, investment and managerial fields. They possess the relevant knowledge to follow up, monitor and implement the Bank's policies, to ensure its progress and development.

The Board meets at least once every quarter, or more frequently should the need arise, complying with the regulatory requirement of a minimum of six meetings a year. There is a clear division of responsibility, ensuring a balance between the Chairman, who controls and directs the Board meetings along with the Vice-Chairman, who in turn carries the responsibility for running the Bank's business through subcommittees.

### **Audit Committee**

The Audit Committee (hereinafter referred to as the 'Committee') is a Board-level committee of Directors. It ensures the independence of external and internal auditors, reviews the effectiveness of internal control systems, controls the environment, oversees the integrity of the financial reporting process, and reviews the adequacy of compliance relating to local laws, the stock exchange, the UAE Central Bank and other statutory regulations.

The Audit Committee assists the Board of Directors in fulfilling its responsibilities in respect of the following:

- external audit of financial statements
- financial reporting processes
- internal audit function
- internal control systems

### **Risk Committee**

The Risk Committee is a Board-level Committee of Directors, which ensures the effectiveness of risk management processes and assists the Board of Directors in fulfilling its responsibilities in respect of the risk management function.

### **Composition**

The Risk Committee is established through a formal resolution of the Board of Directors.

- a) The Chair of the Risk Committee must be an independent member of the Board, who is distinct from the Chair of the Board, and the Chair of other committees.

- b) The Risk Committee must be made up of a majority of independent members of the Board and must include members who collectively have experience in risk management issues and practices.
- c) Quorum is two, of which one will be the Chairman.

### **Nominations and Remunerations Committee**

The Nomination and Remunerations Committee (hereinafter referred to as the 'HR Committee') is a permanent committee comprising of Directors to address the strategic human resources (HR) issues of the organisation. The HR Committee provides assistance and support to the Board of Directors in fulfilling the Bank's responsibilities to shareholders in respect of the following: the composition of the Board; the independence of the Directors; the avoidance of conflict of interest; determining core executive management; assessing the skills of the Human Resources department; remuneration matters; and strategic alignment with business objectives and the value creation of NBQ. The main objective of this mandate is to build a performance-driven culture in the organisation.

### **Insider trading**

Board members comply with the regulations regarding trading, clearing, settlement, transfer of ownership and custody of securities issued by the Securities and Commodities Authority (SCA).

The Chairman, Board of Directors, senior management and employees, who have knowledge of the fundamental information of the Bank, shall not deal by themselves or through others in shares of the Bank during the following periods:

- **ten (10) business days** before the announcement of any significant information which would result in the share price increasing or decreasing unless the information was a result of sudden unforeseen circumstances.
- **fifteen (15) days** before the end of each financial quarter, the semi-annual or annual financial period until the publication of the Bank's financial statement. This comprises the statement of financial position, statement of income, statement of cash flows, statement of changes in equity, and clarifications on the financial statements, in accordance with the International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS). These are issued after the external auditor's report is drafted and are signed by the Board or the authorised signatories or are approved at the Annual General Meeting along with the auditor's report and the Board of Director's report (in the case of being the annual financial results).

As per SCA regulations, any transactions made by the above-mentioned persons, either personally or through a third party in contravention of the regulations, shall be null and void.

The Board of Directors acknowledges disclosing any such stock trading transactions as described above. During 2020, there were no such transactions by Board members, their spouses or children in the Bank's shares.

### **Related party transactions**

The Bank consistently discloses related party transactions in its financial statements, which are audited by external auditors. The management team reviews the movements of related party transactions and when deals are conducted. The Bank discloses these transactions and any dealings with related parties. Disclosures are maintained as per the relevant accounting standards and are verified by the external auditor through its quarterly review and annual audits.

The Group carries out transactions in the ordinary course of business with related parties, defined as shareholders who have a significant equity interest in the Group, and all Directors of the Group and companies in which such shareholders and Directors have a significant interest, and key management personnel of the Group.

During the year, the Group entered into the following significant transactions with related parties in the ordinary course of business.

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
Interest income	2,151	4,768
Interest expense	28,560	48,951
Other income	81	93
Directors' fees	2,800	3,000

### **Remuneration of key management personnel**

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
Salaries and other short-term benefits	5,598	1,996
Employee end of service benefits	113	78

The Group has entered into transactions with related parties which were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with third parties. Outstanding balances at the end of reporting date from transactions with related parties are as follows:

	<b>2021</b>	2020
	<b>AED'000</b>	AED'000
<b>Related parties (excluding key management)</b>		
Loans and advances and Islamic financing receivables	82,996	82,798
Customer deposits and Islamic customer deposits	2,750,770	2,728,217
Irrevocable commitments and contingent liabilities	205,706	260,229



**Key Management**

Loans and advances and Islamic financing receivables	-	534
Customer deposits and Islamic customer deposits	822	412

Loans and advances and Islamic financing receivables given to related parties have been secured against collateral amounting to AED 61.15 million (2020: AED 61.15 million). All loans and advances to related parties are classified as Stage 1 (31 December 2020: Stage 1) with a corresponding ECL of AED 1.91 million (31 December 2020: AED 1.88 million).

## **Data security and privacy Projects and accomplishments**

A data security and privacy framework is an important component for the Bank to be able to build a protective, reliable and long-standing relationship with its customers and other stakeholders. Data security systems and data privacy measures protect customer data held at the Bank and meet compliance and regulatory requirements.

The Bank's Information Security & Compliance Department is mandated to ensure data security and privacy. Periodic reviews and audits are conducted by internal and external parties which evaluate the adequacy of the controls and reports to the Risk Department. The control environment is also reviewed by third-party vendors who identify gaps, which are then addressed by the Bank's management team. The Bank is in the process of implementing NESA and Payment Card Industry Data Security Standard (PCI DSS) and all gaps will be identified with suitable change management processes. Board-level committees are being appraised of these initiatives and regulatory reporting will be pursued.

The Bank has engaged one of the big four external auditors for UAE Information Assurance (NESA) gap assessments as per the UAE Central Bank requirements. It has also engaged a Qualified Security Assessor (QSA) listed by the Payment Card Industry (PCI) Council for the audit and certification of PCI DSS. The Bank is currently working with the QSA to fix the gaps identified in the gap report and conclude the certification process.

In 2021, the Bank achieved several milestones in its efforts to maintain and safeguard the data security and privacy of its customers. They included completing an IT General Control audit by the external auditor; achieving full compliance to SWIFT CSP controls, and initiating the evaluation of various security solutions to improve the overall information security position of the Bank.

There have also been regular staff security awareness sessions, vulnerability assessments, and penetration testing exercises as well as updated and improved Information Security Management System (ISMS) policies to align with current risks and controls requirements.

The Bank has adequate coverage on cyber-crime through its Bankers Blanket Policy held with reputed insurance companies.

### **2021 completed and ongoing projects**

- Data classification and data loss prevention (DLP) solution – Completed
- Internal and external vulnerability and penetration testing – Completed
- Application security assessment and penetration testing - Completed
- Enterprise fraud management solution – vendor evaluation stage
- Risk-based authentication – planning stage
- Engagement of various consultants to address NESA controls – Completed

## **Data accessibility and breaches**

	Amount in AED'000	
	2021	2020
Number of ATM theft events (last 12 months)	0	0
Value of losses due to external frauds	0	2.00
Number of whistleblower cases reported	0	0
Number of ATM	22.00	27.00
Number of customer complaints related to system accuracy	1.00	0
Number of cyber security incidents	0	0
Number of cyber security attempts	0	0

## **Anti-bribery and anti-corruption policy**

The Bank, its subsidiaries and affiliates strive to conduct all business-related activities with responsibility, efficiency, and integrity – and in a transparent manner towards all its stakeholders. The Bank specifies minimum standards that meet the current laws of the UAE and the regulations of the UAE Central Bank. Corruption and bribery are criminal offences in the UAE and would expose the bank and its employees to prosecution, fines, imprisonment, and loss of reputation. This policy charter is approved by the Nominations and Remunerations Committee and the Board and is applicable across the Bank, its subsidiaries and affiliates.

## **Code of conduct policy**

As per the UAE Central Bank's guidelines, all employees and Directors of the Bank must comply with the Bank's professional code of conduct. This policy provides clear guidance on how to comply, including the purpose of the code of conduct, its applicability, reporting responsibilities, confidentiality and disclosures, the importance of honesty and integrity, and a list of violations. Correct reporting procedures are also mentioned in detail to ensure compliance. This charter is approved by the Nominations and Remunerations Committee and the Board – and is applicable across the Bank, its subsidiaries, and affiliates.

## **Insider trading policy**

The Bank has a defined insider trading policy to exercise control on share movements through deals by insiders who have unpublished price sensitive information about the Bank. All insiders are informed about the policy requirements, the instances of price-sensitive information, and all restrictions. The 'no-trade period' is enforced by ADX and no insiders are allowed to trade in the Bank's shares during this period. This charter is approved by the Nominations and Remunerations Committee and by the Board and is applicable across the Bank, its subsidiaries, and affiliates.

## **Whistleblower policy**

The whistleblower policy explains the purpose, scope, reportable offences, and procedures to follow. The Bank maintains anonymity and all false allegations are considered a punishable offence. The Bank maintains the utmost confidentiality on reported incidents unless required otherwise through legal procedures or lawful disclosures. This charter is approved by the Nominations and Remunerations Committee and the Board and is applicable across the Bank, its subsidiaries and affiliates.

## **Basel implementation**

The Bank adheres to the UAE Central Bank's guidelines required for Basel compliance and implementation, including the submission of an annual Internal Capital Adequacy Assessment Process (ICAAP) report to the UAE Central Bank. The Bank is also in compliance with Central Bank of UAE norms for the standardized approach for the computation of capital adequacy ratios. In 2020, the UAE Central Bank adopted Basel III and published enhanced regulatory capital requirements as prescribed rules. It also issued Basel III capital regulations and introduced minimum capital requirements at three levels, namely Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Total Capital.

Additional capital buffers – the Capital Conservation Buffer (CCB) and Countercyclical Capital Buffer (CCyB) with a maximum of up to 2.5% for each was introduced over and above the minimum CET1 requirement of 7%.

Stress tests are regularly carried out to assess credit risk, liquidity risk and interest rate risk in the banking book and equity price risk. Results reveal that NBQ is comfortably placed in line with the risk profile. There is also a substantial buffer between available capital and regulatory capital to cover any unexpected losses from other risks as well.

## **Compliance**

The Bank has committed to maintaining its reputation in combating money laundering and terrorism financing (ML/TF) through effective implementation of local regulatory requirements as well as applicable international best practices through:

- building a suitable compliance culture
- introducing the right set of policies, processes and procedures to enable a strong contribution in mitigating compliance risks and threats
- raising staff awareness across all business lines and functions
- providing the right technology to apply these policies and procedures

The Bank assigned the Board of Directors as the primary responsible stakeholder to oversee compliance risks, including approving compliance-related policies and ensuring effective implementation of compliance controls. As a result of increasing expectations from the UAE Central Bank and other regulatory agencies towards implementing this regulatory framework across all UAE banks, senior management has now increased the level of its involvement, attention and oversight of the Bank's overall compliance status.

The compliance department operates as the second line of defence, in alignment with governance regulations.

## **Risk Management**

### **Financial risk management**

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business and operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance. The Group's exposure can be broadly categorised into the following defined material risks:

- credit risk
- liquidity risk
- market risk (includes currency risk and interest rate risk)
- operational risk (includes risks arising from Group's processes, personnel, technology, legal, regulatory requirements and information security risks)

Reputational and strategic business risks are interrelated to the above-defined material risks. These risks are considered through the Bank's strategic planning and general risk management activities. The risk management strategy is focused on ensuring awareness, measurement and appropriate oversight to these defined material risks.

The Group remains focused on further developing its enterprise risk management culture, practices and processes proactively on an ongoing basis.

It has complied with the new 'Capital Adequacy Regulations' issued by the UAE Central Bank during 2017, which is in accordance with the revised rules outlined by the Basel Committee on Banking Supervision in 'Basel III: A global regulatory framework for more resilient banks and banking systems. The relevant information is disclosed in note 35.

### **Credit risk**

The Group assumes credit risk as part of its lending operations, which is identified as the risk that the counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk exposures arise principally in loans and advances, due from banks and investment securities measured at amortised cost. There is also credit risk in off-balance sheet financial arrangements such as letters of credit, guarantees and undrawn loan commitments. The credit risk management and control are centralized in the Credit Risk Department with the following objectives:

- to measure, monitor and mitigate risks both at the micro as well as macro-level
- to facilitate building and sustaining a high-quality credit portfolio and minimise losses
- contain non-performing assets through preventive and curative management
- to identify early warning signals and initiate timely corrective action

The Credit Risk Department has various units: Portfolio and Rating unit, Remedial Unit and Risk Containment Unit. Internal risk rating systems are implemented to comply with IRB Foundation norms of Basel II. Remedial Unit and Risk containment units are functioning to prevent the accretion of non-performing assets through timely action and maximise recoveries through vigorous follow-up, classification of delinquent exposures and negotiating compromise proposals, wherever required.

### **Credit risk mitigation**

It is a common practice to obtain collateral securities to safeguard the interest of the Group in case of default. Such mitigants are backed by proper documentation and legally binding agreements. The most common forms of tangible securities accepted by the Group are land and building, listed equity shares, fixed deposits under lien and vehicles. Others include personal guarantees and corporate guarantees, which are also taken as comfort, wherever deemed essential.

### **Market risk**

Market risk refers to the value of its on or off-balance sheet positions adversely affected due to movements primarily in interest rates, currency exchange rates and investment prices. Subsequently, the volatility in market level of interest rates, foreign exchange rates and investment prices expose the Group's earnings and capital to risk. The market risk department of the Group addresses these risks to the Assets and Liability Committee (ALCO) regularly based on stipulated norms for Asset Liability Management and Investments. The ALCO takes corrective measures as per the Group's internal market risk policies and strategic business directions.

### **Liquidity risk**

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management looks to diversify funding sources continuously and manage assets with liquidity in mind. The day-to-day funds' management is carried out at Treasury to maintain satisfactory liquid assets. The liquidity position is monitored and reported to top management daily. The Group's ALCO has put in place the policies to manage the liquidity risk and monitor the position regularly.

As part of the ICAAP, the Bank assesses the impact on the capital adequacy of liquidity risk including concentrations by carrying out stress tests. In preparation for compliance with Basel III requirements, the Group has implemented a system for calculating Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) in line with the UAE Central Bank's regulations and is working on strengthening processes and qualitative requirements proactively.

### **Interest rate risk**

Interest rate risk is the potential that changes in interest rates may adversely affect the value of a financial instrument or portfolio or the condition of the Group as a whole. Although interest-rate risk arises in all types of financial instruments, it is most pronounced in debt instruments, derivatives that have debt instruments as their underlying reference asset, and other derivatives whose values are linked to market interest rates. In general, the values of longer-term instruments are often more sensitive to interest-rate changes than the values of shorter-term instruments. A part of interest rate risk can be labelled as yield curve risk, which refers to the imperfect correlation of interest rates of different maturities.

### **Currency risk**

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored by the Treasury Department.

### **Operational risk**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. This definition includes legal risk but excludes strategic and reputational risk. Operational risk is inherent in all business activities and management of this risk is vital to the strategic

objective of the Group. While operational risk cannot be fully eliminated, management endeavours to minimise the losses by ensuring effective infrastructure, controls, systems and individuals are in place throughout the Bank.

To accomplish the above objective, the Group has a dedicated operational risk management function, which is proactive in developing and implementing new methodologies for the identification, assessment, monitoring, and control of operational risk. Systems and procedures are in place with clear segregation of duties and reporting lines to reduce operational risk. Compliance with the guidelines is monitored through robust internal control and a comprehensive internal audit system.

The role of the Internal Audit Function is to provide independent and objective assurance that the process for identifying, evaluating and managing significant risks faced by the Group is appropriate and effectively applied. In addition, it also provides an independent check on the compliance, laws, regulations and measures with the Group's policies and procedures. Additionally, the Internal Audit Function provides consulting services which are advisory and are generally performed at the specific request of senior management. It is led by the Head of Internal Audit who reports to the Audit Committee of the Board, with an administrative reporting line to the general manager. To perform its role effectively, the function has organisational independence from management, to enable unrestricted evaluation of management activities and personnel.

During the year, the UAE Central Bank issued several standards and regulations on the various elements of the overall Risk Management and Capital Management Framework. The standards and regulations include but are not limited to financial reporting, external audit, internal controls, compliance and internal audit, operational, country and transfer risk, market risk and interest rate and rate of return risk, effected in 2021. The Group had taken measures to adhere to the aforementioned new standards and regulations to ensure compliance from the effective implementation date.

The Group has implemented under noted processes aimed at monitoring and mitigating operational risks.

- bottom-up approach (risk and control assessment) for identification and assessment of operational risks at all business units
- establishing a centralised database for capturing operational risk losses

A comprehensive business contingency and continuity plan to anticipate stress situations and mitigate the risk associated with them is under implementation.

## **Data Security and Privacy – Initiatives and agenda**

Data security and privacy are of high importance to NBQ and we have the appropriate framework in place to facilitate the best standards of data protection and to safeguard the customer's assets. This is an important factor which is needed to build up a reliable relationship with our customers. It protects customer information at all times and protects our customers' privacy. Data privacy focuses on the data protection compliance regulations and the ethical handling of the personal data of customers safely entrusted to the Bank.

We have a dedicated Section Information Security and Compliance (IAC) under the umbrella of risk management, which handles data security ensuring that appropriate security controls are in place to safeguard the data and to ensure that controls are in place. Annual audits are conducted by Internal Audit Department and external auditors to ensure that the appropriate controls are in place. Third-party experts also conduct vulnerability analysis, present gap reports and mitigation plans to senior management and the relevant Board committees for information and actions.

NBQ's security programme includes security, privacy and protocols which is accredited to internal best practice standards including PCI DSS IN 2021 and are also in the process of getting initiatives cleared from NESAs. NESAs are a recognised standard for Information Security Management System for UAE, providing assurances on our security practices to regulators, business partners, customers and other stakeholders. We are in advance compliance levels and near to full compliance.

Information security and compliance continuously handles awareness programmes and training to internal resources through virtual training, awareness sessions and through e-learning programmes. The Bank has built robust data encryption techniques, network security and other tools into the products, services and technologies. It works closely with government agencies and regulatory bodies to secure security intelligence and guidance.

NBQ as an initiative to improve customer awareness on growing digital crime. It has continuously communicated to customers via SMS and email about the various types of fraud including email fraud, phone fraud, business email compromise, social engineering and advance-fee scams. Fraud awareness posters were also placed in branches, while additional information and details were provided on our website with security tips and information on national security awareness programmes.

NBQ, as a mitigant of the residual risk and as a final line of defence, has created insurance coverage on cyber threats and other related policies to ensure that financial impacts can be created through data protection issues and challenges. A data security and privacy framework are a very important component for the Bank to be able to build a protective, reliable and long-standing relationship with its customers and other stakeholders. Data security systems and data privacy measures protect customer data held at the bank and meet compliance and regulatory requirements.

The Bank has a separate department (Information Security and Compliance), reporting to the Head of Risk which is mandated to ensure data security and privacy. Periodic reviews and audits are conducted by internal and external auditors who evaluate the adequacy of the controls. The control environment is also



reviewed by third-party vendors, which are then addressed by the bank management team with time deadlines. Board-level committees are being appraised of these initiatives and regulatory reporting is also pursued.

In 2021, NBQ secured PCI DSS certification for its payment card operations. The Bank has also engaged one of the big four external auditors for UAE Information Assurance (NESA) assessments and gap identification as per the UAE Central Bank requirements. The Bank has achieved a good overall compliance level against NESA controls.

The Bank achieved several other milestones in 2021, in its efforts to maintain and safeguard the data security and privacy of its customers. They include completing an IT General Control audit by the external auditor, achieving full compliance to SWIFT CSP controls with independent external assessment and initiating an evaluation of various security solutions to improve the overall information security position of the Bank.

There have also been regular staff security awareness sessions, vulnerability assessments and penetration testing exercises as well as updated and improved Information Security Management (ISMS) policies to align with the current risks and control requirements. The Bank has adequate coverage on cyber-crime through its Bankers Blanket Policy held with a reputable insurance company.

### **Outlook for 2022**

The Bank intends to focus on the following:

- enhance the security standards through the implementation of the Security Operations Center (SoC)
- appoint a data protection officer specific for the job
- enhance the resources strength of the section for bringing more focus to the data privacy and integrity standards and compliance

### **Financial Crime Handling**

NBQ is focused on mitigating the risk of financial crimes by implementing appropriate policies, procedures and monitoring mechanism to combat crimes which includes fraud, corruption, bribery, money laundering, terrorist Financing and other regulatory breaches. The Bank has invested in technologies to prevent such risks and have plans to invest more in this aspect in the years to come.

### **Anti-bribery and corruption**

NBQ has zero-tolerance on bribery and corruption and is committed to handling its strategies and business operations openly and transparently with robust integrity. Anti-bribery and corruption policies have been implemented in the bank and will be revised every year to incorporate the latest trends of such actions in our processes and procedures. Related controls to mitigate the risk are embedded into our strategies, controls, processes, procedures which are communicated across the Bank.

### **Anti-fraud**

Fraud prevention is a key objective in the operational landscape and the Bank's defined strategies. Frauds on our card transactions are closely monitored through a dedicated team of experts who aim to prevent frauds before they happen. Proactive strategies are also in place through our call centre. Vulnerability analysis and penetration testing are also conducted at periodic intervals to identify vulnerabilities and suitable mitigating actions are planned. HR policies are defined and framed in such a way to prevent fraud from happening. We coordinate with regulatory agencies and federations to share the intelligence – which can be used to revise our policies, procedures and controls.

### **Employee screening, training and recruitment practices**

Recruitment practices include the screening of employees before they are recruited and this includes background checks and reference checks. Induction training is also conducted on major policies of the bank, while anti-money laundering training is mandatory for the employees across the organisation. HR policies ensure that employees are aware by circulating the policies and making them easily available on the intranet. External training initiatives are also used to ensure compliance among staff.

### **Customers screening and transactions monitoring**

NBQ follows regulatory guidelines and best practices while onboarding customers concerning 'Know Your Customers' and other client identification requirements. Extended due diligence is carried out for high-risk customers and risk rating is carried out at the onboarding stage to prevent the opening of undesirable customer accounts. Transaction monitoring is carried out via applications designed for the lists available internally and internationally. These systems facilitate monitoring, tracking and reporting cases and suspicious transactions across channels. Regular screening of the customers and counterparties are regularly screened against databases that are available internationally which includes sanctions checks as well.

### **Outlook for 2022**

- The Bank intends to conduct an enterprise-wide fraud risk assessment in detail with wider coverage
- upgrade of a state-of-the-art technology anti-money laundering system is planned
- risk control self-assessments are planned through an operational risk platform

- align the Bank with the regulatory guidelines regarding Basel, Pillar III and corporate governance

## **RESPONSIBLE EMPLOYMENT**

### **TALENT MANAGEMENT**

#### **Communication**

We recognise different cultures, ethnicities and backgrounds. We understand people have career aspirations and growth expectations and so handle their job profile to meet their expectations – and at the same time meet the goals of excellent customer service. The Bank takes the views of the people in framing their strategies and in improving our culture and working environment.

#### **Training and development**

We have an in-house training facility and facilities externally, while virtual training is also promoted to a great extent. Training focuses on Emiratisation, talent development, systems and processes and performance management and capability. Performance appraisals are used to promote interactive discussions at different levels.

#### **Leadership development and training**

The Bank provides training, especially to UAE Nationals who aspire to take leadership positions. UAE Nationals are identified as successors for leadership positions and are trained on the job with close monitoring. Identification of high talents and potential leaders are conducted at the time of the appraisal process. Enhancing skill set for highly technical positions are done through internal faculties and external faculties.

#### **Training**

The Bank has conducted training sessions internally and externally for UAE national employees and expatriate employees under different domains which included compliance, governance, management, security and regulatory guidelines and standards. External training was mostly from Emirates Institute of Banking and Financial Studies and other reputed training centres. Focus has always been given to UAE nationals while providing training to upskill them to migrate potentially to leadership positions.

The main strategic pillars of our training initiatives were agenda based and this includes upskilling, re-skilling and skilling so staff reached the required levels of competencies. The bank endeavours to trace the knowledge gaps and provide mentoring services to Nationals to take them into leadership roles.

The number of training sessions has been lower during 2020 and 2021 due to the COVID restrictions and there is a consistent increase of training to UAE nationals in different domains which is aligned to the strategic plan of the bank. Major domains of training included the following which depicts the direction of the bank and its focus on responsible banking with responsible employees:

- anti-money laundering and compliance related
- risk management and related subjects
- audit and regulatory-related topics

YEAR	INTERNAL TRAINING			EXTERNAL TRAINING		
	Number of training	Nationals trained	Expatriates trained	Number of training	Nationals trained	Expatriates trained
2021	80	115	161	371	78	117

2020	60	97	117	34	27	30
2019	143	93	103	314	65	109

Despite the pandemic situation during the years 2019, 2020 and 2021, training has been widespread and our training spending considerably increased during 2021.

Years	Training hours	Training spend (AED)
2021	7728	694,583
2020	1960	400,648
2019	2889	889,849

The Bank has conducted training through external agencies on regulatory guidelines on consumer protection and anti-money laundering topics which includes senior management. The training was mostly virtual, which showcases the bank's responsibility towards sustainability standards, to beat the pandemic challenges and to safeguard its employees in the bargain.

#### **Outlook for 2022**

- UAE nationals preferred for external training initiatives
- focus on core subjects including anti-money laundering, consumer protection, risk management and leadership
- the job training will be provided to middle management levels with a special focus on UAE nationals

## **Employee Wellbeing**

NBQ takes good care of its workers – their well-being both inside and outside of work is of utmost importance as they are the Bank's key assets. There are services, facilities and tools through which the Bank addresses the physical, mental and financial well-being of its employees. It has framed policies to handle the well-being of the employees which includes:

- flexible attendance
- nursing hours for young mothers
- medical insurance with reputed insurance companies
- health awareness and medical leave as per labour law
- hospital emergency care services with the support of hospitals
- group policies with substantial compensation to employees with prolonged serious illness

## **COVID-19**

Management has been planned in a well-thought manner since the pandemic started in 2020 and is being continued without reducing its intensity. Our primary concern has been the health and wellbeing of our staff, families and stakeholders – without which we would not be able to continue with our activities. This was achieved through our robust Business Continuity and Contingency Plan (BCCP) in place. The Bank strictly observed the protocols such as temperature checking at the entrance for both staff and customers, and strictly followed personal preventive measures. **Over 90% of staff are fully vaccinated.** Despite high levels of vaccinations, if there are instances of infected staff, strict quarantine rules are followed. Further disinfection sanitisation was carried out in the Bank premises when reported positive cases in addition to the frequent planned sanitisation efforts. Continuity strategies also included virtual /digital platforms both for the customers and employees within all our premises. We also promoted Covid vaccination and booster doses for the staff.

The following are the important measures are adopted to maintain the protocols and to reduce their spread:

- work from home when and where appropriate
- safe distancing enforced among employees on-site and on escalators
- awareness continuously created among employees via internal communication
- Covid-19 positive cases are immediately isolated and handled in a swift manner
- continuous sanitisation initiatives are undertaken inside the offices
- joining of employees post-Covid and leave, are administered through well-defined protocols
- vendor's representatives and vendor's resources are admitted with protocols
- temperature monitoring is done before entering the premises
- meetings are mostly administered through Teams and WebEx sessions including board meetings
- laptops are provided to head of departments (hods) and to other employees recommended by HODs

Vaccinations have been made compulsory unless for reasons justified by employees. NBQ expects to continue the same protocols through the year 2022 and continuous vaccination initiatives will result in the return to pre-pandemic conditions in some months' time.

<b>Parental Leave</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Number of female employees that took parental leave	16	13	11
Number of female employees who returned to work	15	13	11
% of female employees who returned to work	94%	100%	100%
<b>Retention rate</b>	<b>94%</b>	<b>100%</b>	<b>100%</b>

## **Diversity and Inclusion**

Gender diversity is a key focus of the Bank and has a healthy ratio of females to the total workforce. We have engaged with staff in preparing strategic plans and in building up the balanced scorecard involvement of management and middle management of UAE national staff members.

<b>Particulars of gender diversity</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Male employees	211	203	213
Female employees	167	150	151
Female employees in middle management	25	23	22
Female employees in senior management	3	3	2
Female national employees as a %	44%	42%	41%
% of female employees among new hired	5 out of 13	2 out of 10	6 out of 31

The Bank has 25 different nationalities most of which constitute UAE Nationals. These nationalities blend harmoniously and work for the development of the bank.

<b>Workforce by countries</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
United Arab Emirates	136	126	129
India	118	111	115
Egypt	26	24	22
Sri Lanka	16	15	15
Pakistan	15	14	14
Oman	6	6	6
Other Countries	61	57	63
Total number of nationalities	24	23	25

The majority of the staff members are in the middle age segment. The Bank also hires predominantly between the ages of 31

<b>Workforce by age and gender</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Employees aged between 18-30	63	46	36
Employees aged between 31-50	263	257	270
Employees aged above 51	52	50	58
Total new employee hires	13	10	31
New employees between 18-30	4	1	7
New employees between 31-50	9	7	22
New employees aged above 51	0	2	2

## **EMPLOYEE ENGAGEMENT**

### **Operations Excellence Committee – engaging with employees**

Formed in 2021, the Operations Excellence Committee fine-tunes and simplifies existing processes and policies to ensure the operational processes are customer-friendly and prompt without compromising on regulatory and compliance requirements. To achieve this objective, policies need to be well documented and changed in line with market practice, processes need to be automated wherever possible.

We have formed focus groups and all staff were invited to provide suggestions through focus group members to achieve the objective of achieving operational excellence. The response has been overwhelming as 400 suggestions were received covering process improvements, automation, improving SLAs, go green and digitisation initiatives.

### **Strategic plan initiatives**

Bank has undertaken strategic initiatives with clear participation among the staff members of the bank under the leadership of the Chief Executive Officer during 2021. Strategic meetings were held with the Department Heads singly and jointly and the following were the deliverables:-

- overall human resources strategy
- overall information technology strategy
- optimisation of resources and aligning the resources required with the business plans
- process automation and process simplification initiatives
- pain points and the redressal of the grievances
- identification of the balanced scorecard for the department and the bank
- operational and strategic budget planning



## **RESPONSIBLE FINANCING**

### **BUSINESS SEGMENTS**

The Group is organised into two main business segments:

#### **Retail and corporate banking**

Retail banking comprises private customer current accounts, savings accounts, deposits, credit and debit cards, customer loans and mortgages. Corporate banking involves transactions with corporate bodies including government and public bodies and comprises loans, advances, deposits and trade finance transactions.

#### **Treasury and investments**

Incorporating the dealing room, related money market, foreign exchange transactions with other banks and financial institutions including the UAE Central Bank and operations by the Bank's Head Office, none of which mutually constitute a separately reportable segment.

#### **Others**

Consists of assets, liabilities, income and expenses attributable to either head office or not directly related to business segments.

Transactions between the business segments are on normal commercial terms and conditions. There are no material items of income and expense arising between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the condensed consolidated statement of financial position items.

#### **Primary Segment Information**

	<b>Retail and corporate banking</b>	<b>Treasury and investments</b>	<b>Others</b>	<b>Total</b>
<b>31 December 2021</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>
<i>Net interest income and income from Islamic products net of distribution to depositors</i>	261,338	15,814	-	277,152
<i>Net fees and commission income</i>	43,975	-	(193)	43,782
<i>Other operating income</i>	17	3,411	34,410	37,838
<b>Gross income</b>	<b>305,330</b>	<b>19,225</b>	<b>34,217</b>	<b>358,772</b>
<i>Operating expenses</i>	(34,326)	(2,065)	(100,378)	(136,769)

<i>Investment gains</i>	-	34,104	-	34,104
<i>Share of loss from an associate</i>	-	-	(197)	(197)
<i>Provision for impairment on financial assets and non-financial assets</i>	15,120	(3,125)	(3,737)	8,258
<b>Segment result</b>	<b>286,124</b>	<b>48,139</b>	<b>(70,095)</b>	<b>264,168</b>
<b>Segment assets</b>	<b>6,834,666</b>	<b>5,569,045</b>	<b>738,314</b>	<b>13,142,025</b>
<b>Segment liabilities and equity</b>	<b>7,917,828</b>	<b>-</b>	<b>5,224,197</b>	<b>13,142,025</b>

### **Environmental performance**

NBQ focused on environmental performance through planned strategies in reducing our energy consumption and water consumption. In 2021, the Bank consumed 637,120 gallons of water at its Head Office. The Bank implemented a wastewater treatment system, whereby the water consumed was recycled and used for watering its plants. It achieved two goals through this recycling, including saving water for plants and growing plants to make the area more environmentally friendly. It implemented a building management system to optimise electricity consumption and switched to LED lamps for 90% in our Head Office lighting. Savings are expected to be 135, 552 KW a year.

<b>Environment initiatives</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Saved Trees	NA	305.15	441.66
Saved Water(Gallons)	NA	125,650	181,860
Saved energy (KWs)	NA	71,800	103,920
Weights of Paper Shredded/Recycled (KGs)	NA	17,950	25,980
Total Electricity consumption (KWH)	3,320,000	3,294,928	3,356,509
Drinking water Drinking consumption (HO)	14,145	13,365	13,560
Fuel Consumption (Litres)	31,522	24,410	23,738
Water Consumption (Gln)	584,046	569,140	637,120

### **Paper consumption**

The Bank has consciously looked to reduce its paper consumption by soft copying of the files, communication of emails, storing images and usage of virtual channels. Through its waste management exercises, paper-reduction and shredding of old records initiatives, it secured an environmental stewardship certificate in 2021.

<b>A4 paper consumption</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Paper consumption inboxes	1,200	1,100	1,000
Paper consumption in sheets (in millions)	300	275	250
Reduction rate	NA	8.33%	9.09%

The above table indicates that the Bank has saved paper consumption through clear strategies and consistent efforts. Additional efforts are being initiated to reduce consumption further in the years to come. The paper consumption reduction rate from 2019 to 2021 is 16.67%.

### **Other environmental initiatives**

The Bank planned environmental management initiatives in 2021, which reduced its impact on the environment in the following ways:

- controlling electricity usage through a building management system (BMS) in Head Office
- proactive water-saving practices by using wastewater for plants in Head Office
- effective waste management through shredding and recycling documents

## **Accessible Banking**

Digitisation remains one of the main strategies under the digital transformation plans and remains the key driver in the Bank's consumer commitment goals. It is focused on customer acquisition, engagement, experience, which is built on the digitisation plans and building of banking platforms.

The Bank provides e-banking and mobile banking channels for improved customer service and easy accessibility. We have and state of art ATMs for customer needs which includes, cash deposits, cheque deposits and cash withdrawals. Our ATMs are located in highly-populated and lowly-populated areas to have wider coverage. We are highly focused to provide quality service to our customers and are in the process of upgrading our customer relationship management (CRM) software to incorporate all the service level agreements with improved timelines.

From the perspective of sustainability, easy accessibility, inclusion and to improve customer experience NBQ has provided the following features:

- height of ATMs adjusted to have free access to people in wheelchairs
- access ramps are already provided for easy and smooth access
- bilingual literature materials are available for visual guidance
- multi-lingual resources available to manage the customers
- ATMs are provided with Covid-19 protocols such as having sanitisers and are cleaned regularly

## **Digital banking customers and transactions**

Digital customers are on the increase and so also digital transactions as is evidenced in the table below.

<b>Particulars</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Retail customers	468	493	555
Corporate customers	359	246	318
Credit Card Payment	1075	1598	1668
Funds transfer outside UAE	1006	1705	1960
Funds Transfer Own Account	1743	2265	3515
Funds Transfer Third party	1539	2514	3594
Funds Transfer within UAE	2338	8285	17813
Prepaid Card Payment	382	1103	2215
Utility Payment	2297	3652	5866

## **Outlook for 2022**

From an accessibility perspective, the Bank has planned for the following:

- cheque scanners are planned to be provided to customers
- digital banking trade-related transactions
- CRM system to include a higher number of SLAs to enhance our customer service
- improving customer complaints handling through dedicated sections

## **POSITIVE SOCIAL IMPACT AND COMMUNITY AGENDA**

### **Community engagement**

The Bank has been supporting communities and this has been the cornerstone of our community development strategy since our establishment in 1982. It has strengthened the communities by collaborating with non-profit organisations and has worked on community and civic development through partnership programmes and sponsorships to meet community needs in the UAE.

### **Charitable partnerships for the UAE**

We have consistently supported various social causes and charitable organisations in the UAE, including an annual contribution to the Saoud bin Rashid Al Mualla Charitable and Humanitarian activity institution.

### **Other community and social initiatives and contributions**

The Bank also contributes to social initiatives in different sectors of the community such as sports and health, through national events and awareness campaigns. In the sports sector, the Bank sponsors the Al Arabi Sports & Cultural Club for different activities during the year. In the environment sector, the Bank sponsored Umm Al Quwain Cooperative Society for Fishermen's environmental campaign. The Bank also provides support for national events and public awareness campaigns, which includes support for the annual celebrations of the Umm Al Quwain government for National Day.

NBQ also periodically participates in community and customer awareness initiatives such as the National Fraud Awareness campaign which was introduced by the UAE Bank Federation (UBF), aiming to increase customers' awareness of different types of fraud.

The Bank is also keen to permanently participate in the UAE Central Bank ATM awareness campaign by displaying the various campaigns on the Bank's ATM screens. The following are the campaigns that were participated during 2021:

<b>CENTRAL BANK AWARENESS ATM SCREEN CAMPAIGNS</b>	
Her Highness Sheikha Fatima Bint Mubarak Programme for Excellence	Campaign from 29 February until the end of September 2021
Awareness Campaign – Sudden Deviation	Campaign from 18 February until the end of March 2021
Ramadan Campaign 1442 Hijri our Youth our Responsibility our Zakat our Immunity	Campaign from 25 March until 31 December 2021
Celebration Emirati Children's day 15 March 2021	Campaign from 11 March until 11 April 2021
Give Way in the Fast Lane	Campaign from 23 March until 16 April 2021
Safe Driving. Necessity & objective	Campaign from 28 March until the end of June 2021
Commit to quit world no tobacco Day 2021 – 31 May	Campaign from 29 May until 31 May 2021
We are committed ... No to Drugs	Campaign from 26 June until 10 July 2021
Towards a safe summer on the Roads	Campaign from 29 June until 29 September 2021
Report messages promoting illegal substances through eCrime Platform	Campaign from 18 August until 18 September 2021
Prohibiting the possession of a dangerous animal	Campaign from 22 August until 22 September 2021

Be a role Model	Campaign from 2 September until 30 October 2021
Beach Safety and security 2021	Campaign from 4 October until 21 Dec 2021
Our services are at your fingertips	Campaign from 28 September until 19 October 2021
Campaign for Dubai Police – Services at Expo 2020	Campaign from 17 October until 31 October 2021
Celebration the UAE 50 <sup>th</sup> National Day with a new Banknote	Campaign from 9 December until 9 Jan 2022
Don't be a victim of eCrime Campaign	Campaign from 6 December until 6 Feb 2022
The survey by Dubai Police	Campaign from 13 December until 31 December 2021

### **UAE Centricity**

As a national bank, we have a focus on UAE Nationals and local initiatives as per the UAE vision 2021 and Abu Dhabi Economic Vision 2030. Our strategic focus is on the business being owned and controlled by UAE Nationals. The Bank would like to expand this involvement in our strategy for procurement, Emiratisation of the workforce, community engagements and other related initiatives, which provide good value in the environment and social initiatives.

### **Emiratisation**

Emiratisation was one of our key priorities, which is clearly evidenced by the high ratio of UAE Nationals to the total number of employees of the bank. Our focus is to improve the status and make the Bank a preferred employer to UAE nationals by aligning the pay and benefits with other competitors. We are meeting the Emiratisation target points set by the regulators and focus on improving the points to higher levels in a planned manner. We have robust strategies of succession planning and leadership plans to slowly migrate to a bank that will be controlled by UAE nationals.

Particulars of Emiratisation	2019	2020	2021
Nationalisation of Senior Management	3	3	4
Nationals among the total workforce	39%	38%	38%
Total number of National employees	136	126	129
Number of female national employees	121	111	112

### **Procurement**

The Bank has a new policy of prioritising procurement from UAE nationals practised through a new approval mechanism that identifies such organisations at the time of onboarding. Procurement is centralised through the General Services Unit which sets policies and guidelines. Major purchases are handled through the unit and facilitate contracts with the suppliers and sourcing strategies. Environment and social initiatives of our suppliers are also included in the assessment of new vendors while

onboarding them.

### **Community engagement and assistance**

The Bank has celebrated Flag Day, Ramadan special initiatives, National Day with the full involvement of UAE National staff members and expatriate staff members. The Bank continued to provide relief to COVID-19 affected customers by granting loan repayment deterrents as per the requirements of CBUAE. During the year, 37 customers have been provided deferments amounting to AED.177 Million. The Bank has provided relief to UAE Nationals under National Defaulted Debt Settlement Scheme. Since Inception to date, the bank partially waived a debt of 69 UAE nationals under this scheme and provided debt relief to 15 UAE nationals under arrangements by waiving debt amounting to AED.2.46 million.

### **Outlook for 2022**

- consistently achieving the Emiratisation points as defined by the regulator
- gender diversity to be maintained
- procurement from local suppliers to be improved to at least 25% for 2022
- national engagement in the strategic initiatives to be improved in community activities
- community and social activities with the active involvement of UAE nationals to be increased
- UAE Special National Recruitment Programme is expected to add fresh UAE nationals



## ESG DISCLOSURES- DATA TABLES



# **ESG DISCLOSURES- DATA TABLES**

## **HUMAN RESOURCES**

### **TRAINING INITIATIVES**

YEAR	INTERNAL TRAINING			EXTERNAL TRAINING		
	Number of trainings	Nationals trained	Expatriates trained	Number of trainings	Nationals trained	Expatriates trained
2021	80	115	161	371	78	117
2020	60	97	117	34	27	30
2019	143	93	103	314	65	109

### **TRAINING HOURS AND TRAINING SPEND**

Years	Training hours	Training spend (AED)
2021	7728	694,583
2020	1960	400,648
2019	2889	889,849

### **PARENTAL LEAVE AND RETENTION RATE**

Parental Leave	2019	2020	2021
Number of female employees that took parental leave	16	13	11
Number of female employees who returned to work	15	13	11
% of female employees who returned to work	94%	100%	100%
Retention rate	94%	100%	100%

### **GENDER DIVERSITY**

Particulars of gender diversity	2019	2020	2021
Male employees	211	203	213
Female employees	167	150	151
Female Employees in Middle management	25	23	22
Female employees in Senior Management	3	3	2
Female national employees as a %	44%	42%	41%
% of female employees among new hired	5 out of 13	2 out of 10	6 out of 31

### **DIVERSITY BY NATIONALITIES.**

Workforce by countries	2019	2020	2021
United Arab Emirates	136	126	129

India	118	111	115
Egypt	26	24	22
Sri Lanka	16	15	15
Pakistan	15	14	14
Oman	6	6	6
Other Countries	61	57	63
Total number of nationalities	24	23	25

### **DIVERSITY BY GENDER**

<b>Workforce by age and gender</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Employees aged between 18-30	63	46	36
Employees aged between 31-50	263	257	270
Employee aged above 51	52	50	58
Total new employee hires	13	10	31
New employees between 18-30	4	1	7
New employees between 31-50	9	7	22
New employees aged above 51	0	2	2

### **ENVIRONMENTAL**

<b>Environment initiatives</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Saved Trees	NA	305.15	44.166
Saved Water(Gallons)	NA	125,650	181,860
Saved energy (KWs)	NA	71,800	103,920
Weights of Paper Shredded/Recycled (KGs)	NA	17,950	25,980
Total Electricity consumption (KWH)	3,320,000	3,294,928	3,356,509
Drinking water Drinking consumption (HO)	14,145	13,365	13,560
Fuel Consumption (Litres)	31,522	24,410	23,738
Water Consumption (Gln)	584,046	565,400	637,120

### **PAPER CONSUMPTION**

<b>A4 Paper consumption</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Paper consumption inboxes	1,200	1,100	1,000
Paper consumption in sheets (In millions)	300	275	250
Reduction rate	NA	8.33%	9.00%

## **POSITIVE SOCIAL IMPACT**

### **AWARENESS CAMPAIGNS**

<b>CENTRAL BANK AWARENESS ATM SCREEN CAMPAIGNS</b>	
Her Highness Sheikha Fatima Bint Mubarak Programme for Excellence	Campaign from 29 February until the end of September 2021.
Awareness Campaign – Sudden Deviation	Campaign from 18 February until the end of March 2021.
Ramadan Campaign 1442 Hijri our Youth our Responsibility our Zakat our Immunity	Campaign from 25 March until 31 December 2021.
Celebration Emirati Children's day 15 March 2021	Campaign from 11 March until 11 April 2021.
Give Way in the Fast Lane	Campaign from 23 March until 16 April 2021.
Safe Driving. Necessity & objective	Campaign from 28 March until the end of June 2021.
Commit to quit world no tobacco Day 2021 – 31 May	Campaign from 29 May until 31 May 2021.
We are committed ... No to Drugs	Campaign from 26 June until 10 July 2021.
Towards a safe summer on the Roads	Campaign from 29 June until 29 September 2021.
Report messages promoting illegal substances through eCrime Platform	Campaign from 18 August until 18 September 2021.
Prohibiting the possession of a dangerous animal	Campaign from 22 August until 22 September 2021.
Be a role Model	Campaign from 2 September until 30 October 2021.
Beach Safety and security 2021	Campaign from 4 October until 21 Dec 2021.
Our services are at your fingertips	Campaign from 28 September until 19 October 2021.
Campaign for Dubai Police – Services at Expo 2020	Campaign from 17 October until 31 October 2021.
Celebration the UAE 50 <sup>th</sup> National Day with a new Banknote	Campaign from 9 December until 9 Jan 2022
Don't be a victim of eCrime Campaign	Campaign from 6 December until 6 Feb 2022
Survey by Dubai Police	Campaign from 13 December until 31 December 2021

## **EMIRATISATION**

<b>Particulars of Emiratisation</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Nationalisation of senior management	3	3	4
Nationals among the total workforce	39%	38%	38%
Total number of national employees	136	126	129
Number of female national employees	121	111	112

## **GOVERNANCE, RISK AND COMPLIANCE**

### **GOVERNANCE, COMPLIANCE AND RISK**

<b>BOARD OF DIRECTORS</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Number of Directors	7	7	7
Number of independent Directors	3	3	3
Number of female Directors	0	0	0
Number of Executive Directors	0	0	0

### **DATA ACCESSIBILITY AND BREACHES**

<b>Data Accessibility and data breaches</b>	<b>Amount in AED'000</b>	
	<b>2021</b>	<b>2020</b>
Number of ATM theft events (last 12 months)	0.00	0.00
Value of losses due to external frauds	0.00	2.00
Number of Whistleblower cases reported	0.00	0.00
Number of ATMs	22.00	27.00
Number of customer complaints related to system accuracy	1.00	0.00
Number of cyber security incidents	0.00	0.00
Number of cyber security attempts	0.00	0.00