



## CORPORATE GOVERNANCE REPORT - 2022

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# CORPORATE GOVERNANCE REPORT

## 1- Introduction

National Bank of Umm Al Qaiwain (the 'Bank' or 'NBQ' or "Group") 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 Bank is engaged in providing Retail and Corporate banking services through a network of 11 branches in the United Arab Emirates (UAE). The Bank maintains consistently high capital adequacy and liquidity ratios which demonstrates the financial resilience developed through robust Corporate Governance and financial disciplines.

## 2-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 maximize 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.

#### 1- Customer

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

#### 2- Performance

- Recognize and reward outstanding performance
- Ensure continuous productivity
- Focused on efficiency
- Delegate authority, responsibility and empowerment
- Committed to learning and development

#### 3- People

- Personal integrity
- Open communications
- Value and recognize teamwork



### 3. Corporate Governance System, Procedures and Implementation

The Bank has robust corporate governance policies and highly effective risk management functions, which contribute to the success of the organizational goals and this augments its culture. It has the highest standards of corporate governance, which provides confidence and trust to our stakeholders. The Bank has a Board consisting of seven members – they all have the requisite industry knowledge and have Board committees with specific functional responsibilities. The Bank has framed policies to ensure that the Directors are involved in the Bank and work in its best interests. The Board also provides strategic direction to the senior management. The majority of the Directors are independents and the Bank complies with the requirements of Securities and Commodities Authority, ADX and Central Bank of UAE.

First line of defense : Business units  
Second line of defense : Support units and control functions  
Third line of defense : Assurance and auditing

*Note: Please also refer to the Corporate Governance Section contained in the Annual Report. We have committees as explained below and they are governed by properly mandated Charters that are approved by the Board of Directors. Charters are reviewed periodically and suitable changes are made based on the industry changes and changes in the internal controls environment.*

### 4. Internal Control, Risk Management Governance Matters

NBQ Internal Control Framework provides a common understanding of the internal control responsibilities of all Bank's employees. The effective internal control system is a basic standard for both the operational and financial integrity of results, and is an integral component of a well-managed, quality operation.

The main objective of internal control system in NBQ is to assist the bank perform better using its resources. Through internal control system, the bank identifies its weaknesses and takes appropriate measures to overcome the same.

#### **Primary Objectives of Internal Control:**

- Efficiency and effectiveness of activities (performance objectives).
- Reliability, completeness and timelines of financial and management information.
- Compliance with applicable laws and regulations (compliance objectives).
- Ensure systematic and orderly recording of transactions.
- Provide reasonable assurance that undesired events will be prevented or detected and corrected.

**NBQ internal Control Framework is a set of principles structured into five interrelated components:**

#### **Control Environment:**

- Demonstrate Commitment to integrity and ethical values
- Establishing oversight responsibilities
- Founding Structure, Responsibility, and Authority
- Exhibit Commitment to Competence, Enforce Accountability

#### **Risk Assessment:**

- Define Objectives & Risk Tolerance
- Identify, analyze & respond to risk
- Assess fraud risk
- Analyze response to change

Risk appetite is established and aligned with strategy while serving as a basis for identifying, assessing, and responding to risk.

### Control Activities:

- Design control activities
- Design activities for the information System
- Implement Control activities

Risks that may impact the accomplishment of strategy and business objectives need to be identified and evaluated. Risks are ranked by severity in the context of risk appetite. The organization then selects risk responses and takes a portfolio view of the amount of risk it has assumed. The results of this process are reported to key risk stakeholders

### Information & Communication

- Use Quality information
- communicate internally
- communicate externally

Continual process of obtaining and sharing necessary information, from both internal and external sources, which flows up, down, and across the Bank.

### Monitoring

- Perform Monitoring Activities
- Remediate Deficiencies

NBQ internal Control frame work mandates all business units of NBQ to support and maintain a system of internal control that is optimized to provide stockholders, the Board of Directors, and management with an assurance, based on a weighing of costs and benefits, that:

- Transactions are executed in accordance with Management's general or specific authorization.
- Transactions are recorded as necessary,
- To permit preparation of financial statements in conformity with generally accepted accounting principles.
- To maintain accountability and responsibility for assets and bank resources.
- Transactions are consummated at reasonable cost, beneficial and necessary for the business of the Bank.
- Access to assets and resources is permitted only in accordance with management's general or specific authorization.
- Recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.
- Financial information is released outside access bank only upon proper corporate authorization and after consideration of the interest of the bank.
- Complete and accurate records and accounts are maintained to reflect transactions and the disposition of assets.
- Business Objectives will be met.
- Compliance with Applicable and Regulations of Other Regulatory Agencies

### **Basel Implementation**

NBQ adheres to CBUAE guidelines issued for Basel III compliance vide notice CBUAE/BSD/N/2020/4980, including submission of annual ICAAP report to Central Bank of the UAE. During the year 2022, CBUAE published ICAAP guidelines vide notification CBUAE/BSD/2022/5280 dated 30/12/2022.

Stress tests are regularly carried 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 and there is substantial buffer between available capital and regulatory capital to cover any unexpected losses from other risks as well.

### **Risk Management**

Risk department comprises of Credit Risk, Market Risk, Operational Risk, Information security compliance and Fraud Risk Management Units. Its key responsibilities include (i) Supporting the Board to review and approve bank wide risk governance framework and implement the same.(ii) Developing a risk governance, risk management framework, risk appetite and policies and procedure to facilitate business to grow within acceptable risk criteria.(iii) Identifying material individual, aggregate and emerging risks, (iv)Assess and measure these risks (v)Ongoing monitoring to ensure risk taking activities and risk exposure are in line with the Board approved risk appetite, risk limits and corresponding capital or liquidity needs. (vi) Establishing an early warning or trigger system to ensure that breaches to the risk appetite are reported to the Risk committee/Board (vii) Influencing and when necessary challenging material risk decision (viii) Periodic reporting of risk matters to Senior Management and the Board or Board

Risk committee (ix) Planning the Bank's ICAAP and Capital Management analysis, including Pillar II capital assessment models and Stress Testing; and other Basel III reporting (x) Developing and managing the Bank's IFRS9 Model models and computation of ECL, ensuring appropriate governance controls are in place and in line with internal and regulatory expectations (xi) Conflict of interest in all credit matters is avoided. Underwrites do not have any business targets

## **Compliance Function**

The compliance department of the Bank acts as 2nd line of defense. The department functions under the guidelines issued by CBUAE, FIU and international agencies on various aspects of Customer onboarding, KYC/CDD, Sanctions Screening, AML/CFT transaction monitoring, Regulatory guideline implementation and reporting. During the year, the compliance department was strengthened by the recruitment of staff in key functional areas of Quality Assurance and MLRO and introduction of a new AML monitoring system. The department has a direct reporting to the Board Risk Committee which act as a platform for discussing and guidance on regulatory matters. Moreover the department also makes presentations to the Audit Committee as well as the Board of Directors to appraise them on critical matters relating to compliance. The Board is actively involved in providing action points as well as guidance to ensure that all the requirements as laid out in the regulations as well as the Law of the country are adhered to. The compliance team members are qualified and trained to handle the various desks handled by them.

## **Senior Management**

Senior management staff as per the regulatory definition includes Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Head of Internal Audit and Head of Compliance. Bank maintains a fit and proper guide for the recruitment of the senior management officials and obtains the approval of Central Bank after the candidate is identified by the Bank and approved at the Nominations and Remunerations Committee. Remuneration structure is also fixed and assessed at the Board Committee level and revised as their decisions. NBQ has an efficient team of Senior Management officials who are experienced and qualified in discharging key management functions. They are delegated with the responsibility of managing the affairs of the bank in a professional manner while managing the internal control, compliance, governance with risk management focus. Board of Directors through their Committees directs the Senior Management Team to apply due diligence and caution to protect the interests of the bank and its shareholders.

## **5- Statement of Ownership and Transactions of Board Members, Spouses ,and Children During 2022**

Total sale and purchase transactions during 2022 is: Nil

## **6- Board of Directors and Their Details**

### **Board Composition, Appointment and Period of Membership**

NBQ is a listed company and is established as per the UAE laws and in accordance with the Federal Laws related to commercial companies. As per the Articles of Association (Article No:19) bank's activities are overseen by seven elected directors including Chairman and Vice Chairman. These directors are elected for a period of three years.

The present directors were elected in the Annual General Meeting held on 15/03/2020, and term ends in 2023 and hence election of the Board of Directors are to be held in the Annual General Meeting to be held on 9<sup>th</sup> March 2023.

In 2022, Board was composed of 4 Independent, Non-executive Directors and 3 Non-independent, Non-executive Directors as of 31/12/2022.

### **Selection of the Board of Directors**

Board members are elected through a process of secret Ballot and nominations are screened at the Nominations and Remunerations Committee which is held for the purpose. All the nominations are screened thoroughly with the qualifications and experience the candidates possess.

Publication for the nomination for the Board membership will be done in the newspapers as prescribed by the law and it would be kept open for the period of at least ten days and the list of candidates is sent to the Central Bank of the UAE for approval.

Based on the Central Bank's approval, Board Secretary shall call a meeting of the Nominations and Remunerations Committee for the review and validation of the final short list of the candidates. The proceedings of the meetings will be minuted for records and for future references. Final list is then sent to the Securities and Commodities Authority and Abu Dhabi Securities Exchange and published in the official website of NBQ.

## **Responsibilities of the Board of Directors**

Board of directors are responsible for all the activities of the bank ranging from establishing a corporate governance framework, establishing risk management strategies, maintaining internal control culture and processes, developing long term strategies and creating corporate values.

Their main responsibilities include but not limited to the following:-

- Developing a strong risk culture through its operations within the established risk appetite and risk limits set for the transactions considering the competitive and regulatory landscape.
- Setting strategies which uphold the corporate values and create targets and expectations to the Senior Management through the Key Performance Indicators for their performance.
- Ensure that all the business is conducted in a legal and ethical manner across the functions and rendering the Senior Management responsible for any violations.
- Maintain proper communication with the Senior Management in all important and critical matters and render them accountable for actions which are not as per the expectations of the board.

In short, Board must ensure that Senior Management acts as per the expectations of the Board in implementing systems, processes, controls and apply proper risk management strategies as per the regulatory standards and ethical standards set which includes independent risk management, internal control and Audit and Compliance functions

Sr	Name	Category (executive, non-executive, and independent)	The period spent as a Board member from the date of the first election	Membership and positions at any other joint-stock companies	Positions in any other important regulatory, government or commercial positions
1	H.H. Sheikh Rashid Bin Saud Al Mualla	Non-executive Non-independent	Approx. 12 years.  (Elected as Chairman of NBQ in February 2011)	Chairman of the Board of Directors of National Bank of Umm Al Qaiwain psc	H H Shk. Rashid is the Crown Prince of Umm Al Qaiwain Emirate and the Chairman of Executive Council of Umm Al Qaiwain.
2	Shk. Nasser Rashid AbdulAziz Al Moalla.	Non-executive Non-independent	Since 1982 (41 years)	1)National Bank of Umm Al Qaiwain: Vice-Chairman of the Board of Directors of NBQ and Chairman of the Executive Committee and the Credit Committee and member of Nominations and Remuneration Committee  2)Union Insurance company PSC: Chairman of the Board of Directors	N/A
3	Mr Marwan Abdulla Hassan Al Rostamani	Non-executive Non-independent	Approx. 17 years.  (Elected in 2006)	1) Al Rostamani Group: Chairman of the Board of Directors 2)Dubai Insurance Company: Vice-Chairman of the Board of Directors 3)National Bank of Umm Al Qaiwain: Member of the Board of Directors of National Bank of UAQ & Chairman of Nominations & Remuneration Committee & member of Real Estate Evaluation Review Committee.	N/A

4	Shaikh Sager Saud Rashed Ahmed Al Mualla.	Non-executive Independent	15 March 2020 till date	National Bank of Umm Al Qaiwain: Member of the Board of Directors of National Bank of UAQ and Chairman of Real Estate Evaluation Review Committee and member of Executive Committee and the Credit Committee	Chairman, Smart Government Department in UAQ
5	Mr.Abdulla Mohamed Salih Al Zarooni	Non-executive Independent	Approx. 6 years.  (Elected in 2017)	1)National Bank of Umm Al Qaiwain: Member of the Board of Directors of National Bank of UAQ and Chairman of Audit Committee and member of Risk Committee and member of Executive Committee and member of the Credit Committee.  2) Al Buhaira National Insurance psc Co: Member of the Board of Directors of Al Buhaira National Insurance Co Psc since 2022.	Member of the Board of Directors of Marsa Umm Al Quwain LLC
6	Mr.Ali Rashed Sultan AlKaitoob	Non-executive Independent	15 March 2020 till date	1)National Bank of Umm Al Qaiwain: Member of the Board of Directors of National Bank of UAQ and Chairmain of the Risk Committee, and member of Audit Committee and member of Real Estate Evaluation Review Committee and member of Nominations and Remuneration Committee, from 15 March 2020 till date.  2) Union Insurance psc Co : Vice-Chairman of the Board of Directors and Chairman of Audit Committee, from 10-June-2021 till date.	Registered Accounting and Banking Expert in Dubai Court (Government).
7	Mr.Ahmed Mohamed Dhaen Al Nuaimi.	Non-executive Independent	15 March 2020 till date	National Bank of Umm Al Qaiwain: Member of the Board of Directors of National Bank of UAQ and member of Audit Committee and member of Risk Committee.	N/A



## **Female Representation in the Board - 2022**

The election of the Board of Directors for the three years was made on 15 March 2020. Due to the non-availability of any other candidates during the AGM meeting of 15/03/2020, there was no female representation for the Board election period from 2020 to 2023. The Bank agreed to comply with the requirement of the Corporate Governance guidelines regarding female representation and will continue with the same, however, NBQ did not receive any nominations from any female candidates during the AGM for the year 2020.

## **Board of Directors Remuneration**

According to the Laws and Articles of Association, Board of director's remuneration should not exceed 10% of the annual profit. As such, the Board of Directors remuneration is proposed by the Board and is approved at the Annual General Meeting every year. No sitting fees are payable to the Directors for attending the Board meetings.

### **1-Total remunerations paid to the Board members for the fiscal year 2021:**

The shareholders approved the remuneration of the Board of Directors of AED 2,800,000/- (in addition to the value-added tax of 5%) for the fiscal year 2021, through the Annual General Assembly meeting of the National Bank of Umm Al Quwain held on 14 March 2022.

### **2-Proposal concerning the remuneration of the members of the Board of Directors for the year 2022:**

The proposal concerning the remuneration of the members of the Board of Directors for the year 2022 will be presented at the Annual General meeting to be held on 9<sup>th</sup> March 2023, a proposal will be AED 2,800,000/- .The decision to adopt the remuneration proposal will be left to the General Assembly. There are no allowances, salaries or additional fees received by a member of the Board of Directors in 2022, other than allowances for attending Board Sub committees.

## **7- Board Meetings**

The number of the Board of Directors meetings held during the 2022 fiscal year along with their convention dates, personal attendance times of all members, and members attending by proxy:

During the year 2022, Eight (8) Board meetings of the National Bank of Umm Al Quwain were held:

<b>Name of Director</b>	<b>H.H. Shk Rashid Al Mualla</b>	<b>Shk. Nasser Al Moalla</b>	<b>Shk.Sager Al Mualla</b>	<b>Mr Marwan Al Rostamani</b>	<b>Mr Abdulla Al Zarooni</b>	<b>Mr Ahmed Al Nuaimi</b>	<b>Dr Ali Al Kaitoob</b>
Meeting 1 06/01/2022	YES	YES	YES	YES	YES	YES	YES
Meeting 2 05/02/2022	YES	YES	YES	YES	YES	YES	YES
Meeting 3 09/02/2022	YES	YES	NO	YES	YES	YES	YES
Meeting 4 21/04/2022	NO	YES	YES	YES	YES	YES	YES
Meeting 5 09/06/2022	NO	YES	NO	YES	YES	YES	YES
Meeting 6 23/06/2022	YES	YES	YES	YES	YES	YES	NO
Meeting 7 09/11/2022	YES	YES	YES	YES	YES	YES	YES
Meeting 8 21/11/2022	NO	YES	NO	YES	YES	YES	YES
Number of attendees by proxy	Nil	Nil	Nil	Nil	Nil	Nil	Nil

## 8- Board Resolutions During 2022

Some of Board resolutions during the 2022 fiscal year, along with its meeting convention dates:

Sr No	Decision	Ratification date
1	Review and approve of Draft of Audited consolidated Financial statement and independent auditor's report of NBQ and subsidiary company for the year ended 31 December 2021	09/02/2022
2	The Board of Directors of NBQ approved to increase the bank's capital from AED 1,848,000,015 to AED 2,000,000,000, through the issuance of 151,999,985 bonus shares at a rate of 8.225% of the bank's capital distributed to the bank's shareholders in proportion to the shares owned by each of them, bringing the bank's capital after issuing the bonus shares to Two billion Dirhams in line with UAE Central Bank Circular No. 12 of 2021 issued on April 25, 2021, which stipulates a minimum capital for national banks of no less than Two billion dirhams, and to place it for shareholders' approval.	21/04/2022
3	Board approved the Authority list for approving capital/revenue expenditures with effect - -from 01/07/2022	09/06/2022
4	Lending against Equity shares - Review of listed shares approved to take as collateral	09/06/2022
5	Approve Finance National Housing Loans Product	09/11/2022
6	Board approved the Institutional oversight and governance Policy.	09/11/2022
7	Board approved the Human Resources & Emiratization committee charter	21/11/2022
8	Board approved to place Remuneration Policy for the Board of Directors of NBQ and Its committees, executive management, and employees for the annual general assembly approval.	21/11/2022

## 9. Powers delegated to the Executive Management Members

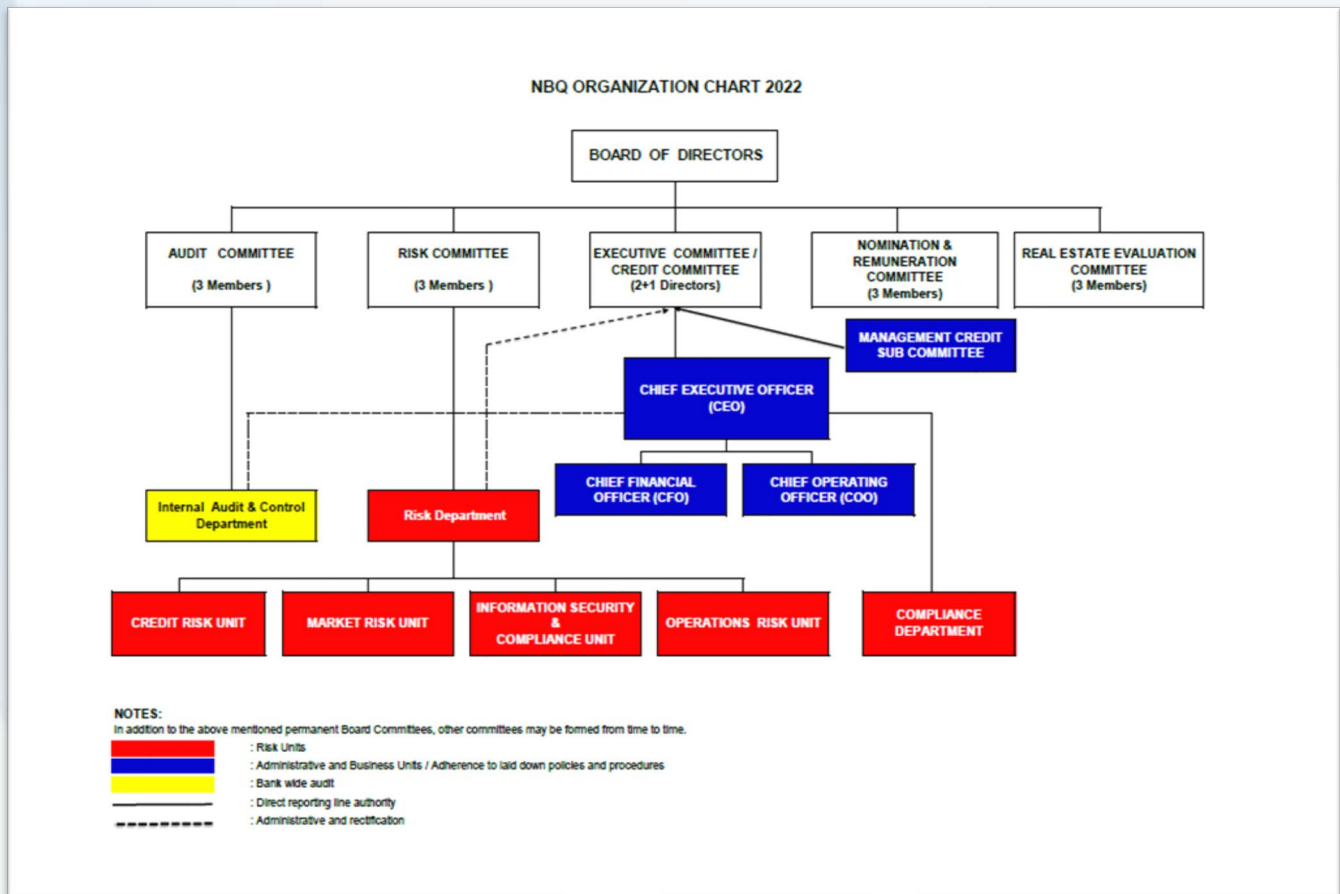
Statement of Board duties and powers exercised by Board members or the executive management members during 2022 based on an authorization from the Board, specifying the duration and validity of the authorization according to the following schedule:

Sr. No,	Name of the Authorized Person	Power of Authorization	Duration of Authorization
1	N/A	N/A	N/A

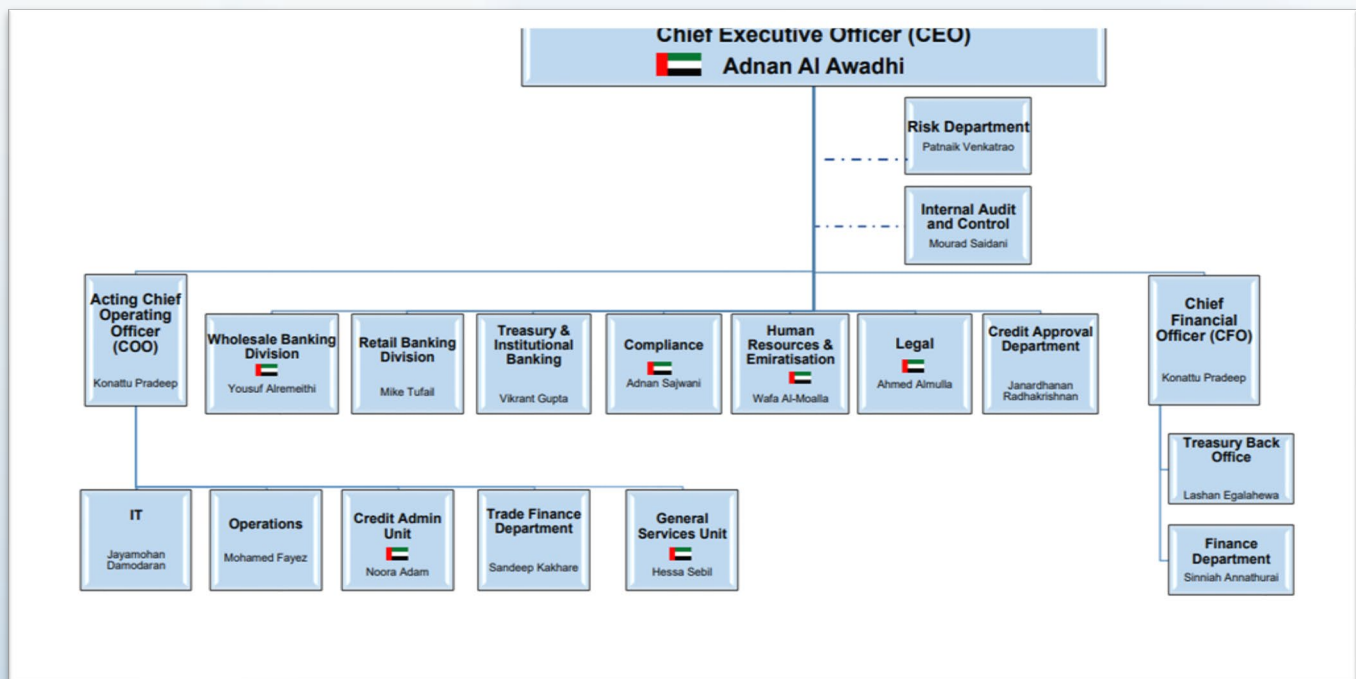
## 10- Statement of the Details of Transactions with Related Parties (Stakeholders) During the Year 2022.

The Bank consistently discloses the related party transactions in their financial statements which are audited by external auditors. Management reviews the movements of related party transactions and when the deals are conducted. The Bank discloses the transactions and dealings with the related parties and the disclosures are maintained as per the relevant accounting standards and are verified by the external auditors through their quarterly review and yearly audits. Related party disclosure for the year 2022 is disclosed in the financial statements under note number 27.

## 11- NBQ Organization Structure



## 12- NBQ Management Structure



### 13- Senior Executive Management

A detailed statement of the senior executives in the first and second grade according to the company organizational structure, their jobs and dates of their appointment with a statement of the total salaries and bonuses paid to them, according to the following table

Sr. No	1	2	3	4	5	6
Name	Adnan Al Awadhi	K.G. Pradeep	Mike Tufail	B.V.Patnaik	Mourad Ali Saidani	Adnan Sajwani
Position	Chief Executive Officer	Acting Chief Operation Officer/CFO	AGM- Head of Retail Banking Group	Head of Risk	Head of Internal Audit	Head of Compliance
Appointment date	03/01/2021	27/06/1992	29/06/2008	09/08/2006	13/01/1996	01/03/2020
Total salaries and allowances paid for the year 2022	4,644,000 (total salaries paid during the year)					
Total remuneration paid for the year 2022(Bonuses)	192,637 (fixed bonus paid)					
Any other cash rewards for the year 2022/due in the future	NA					

### 14- External Auditor

Overview of the company auditor to shareholders:

#### **External Auditor**

Ernst & Young (EY) was appointed as external auditors of the Bank and the Group for the year 2022. EY conducts the quarterly audit and the year-end Financial Statements. It is one of the leading auditing firms worldwide.

#### **Statement of fees and costs for the audit or services provided by the external auditor:**

Name of the audit office and partner auditor:	Ben Wareing – Ernst and Young - Dubai
Number of years he served as the Bank external auditor	2 Years
The number of years that the partner auditor spent auditing the company's accounts	2 Years
Total audit fees for 2022 in (AED)	Fees were set at AED.475,000/- + VAT.
Details and nature of the other services carried out by the bank's external auditor (if any). If there are no other services, this matter shall be stated expressly.	No other services provided by EY
Fees and costs of other private services other than auditing the financial statements for 2022 (AED), if any, and in case of absence of any other fees, this shall be expressly stated.	No other fees
Statement of other services that <u>an external auditor other than the Bank accounts auditor</u> provided during 2022 (if any). In the absence of services provided by another external auditor, this shall be stated explicitly	Auditor: PwC Assessment of UAE Information Assurances Services conducted.

**Statement clarifying the reservations that the Bank External auditor included in the interim and annual financial statements for 2022, and In the absence of any reservations, this must be stated explicitly:**

No qualified opinions were made by the Bank's external auditor in the quarterly and annual financial statements for the year 2022.

## 15- Board Audit Committee

### A. Introduction

#### 1. Objectives

Board Audit Committee is a Board level Committee of Directors that ensures the independence of external and internal auditors, the effectiveness of internal control systems, a controlled environment, oversees the integrity of the financial reporting process, and reviews the adequacy of compliance relating to local laws, Stock Exchange, Central Bank and other statutory regulations.

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

Respect of the following:

1. External audit of Financial Statements.
2. Financial reporting processes.
3. Internal Audit Function.
4. Internal control systems.

### B. Name of Audit Committee Members, Their Competencies and Tasks

Committee Members	Membership Status on Board	Position on the Committee
Mr. Abdulla Mohamed Salih Al Zarooni	Independent	Chairman
Mr. Ali Rashed Sultan AlKaitoob	Independent	Member
Mr. Ahmed Mohamed Dhaen Al Nuaimi	Independent	Member

### C. Number of meeting of meeting held during 2022

Number of meetings held by the Audit Committee and their dates to discuss matters related to financial statements and any other business:

Sr. No	Meeting No	Date
1	(01/2022)	27/01/2022
2	(02/2022)	03/03/2022
3	(03/2022)	30/06/2022
4	(04/2022)	19/07/2022
5	(05/2022)	13/10/2022

## 16- Nomination & Remunerations Committee

### A. Introduction

Nomination and Remunerations Committee is a permanent committee comprising of Directors to address strategic human resource issues. It provides assistance and support to the Board of Directors in fulfilling the responsibilities to the shareholders in respect of the composition of the Board, independence of the Directors, avoidance of conflict of interest, determination of core executive management, assessment of skills of human resources and remuneration matters and its strategic alignments with business objectives and value creation of the Bank. The main objective of this Charter is to build a performance-driven culture in the organization.

### B- Names of the Nomination and Remuneration Committee members, their competencies and tasks assigned to them:

Committee members	Membership status on Board	Position on the Committee
Mr. Marwan Abdulla Hassan Al Rostamani	Non-independent	Chairman
Shk.. Nasser Rashid AbdulAziz Al Moalla	Non-independent	Member
Mr. Ali Rashed Sultan AlKaitoob	Independent	Member

### C- Number of Meetings held during 2022

Statement of the number of meetings held by the Committee and their dates, and statement of all Committee members' attendance of times:

Sr. No.	Meeting No.	Date
1	(01/2022)	24/02/2022
2	(02/2022)	20/09/2022

### D- Committee to Follow up and Supervise the Dealings of Insiders:

Board is handling the insider's job. If there are any material movements of the shares, then the discussion of this happens at the Top Level. Bank has established an insider policy for compliance.

## 17- Board Risk Committee

### A- Introduction

#### Objectives

Board Risk Committee is a Board level Committee of Directors, which ensures the effectiveness of risk management process and assists the Board of Directors in fulfilling its responsibilities in respect of the Risk Management Function.

### B. Name of Committee Members, Their Competencies and Tasks Assigned

Names of Risk committee member, clarifying its competencies and tasks assigned.

Committee members	Membership status on Board	Position on the Committee
Mr.Ali Rashed Sultan AlKaitoob	Independent	Chairman
Mr.Abdulla Mohamed Salih Al Zarooni	Independent	Member
Mr.Ahmed Mohamed Dhaen Al Nuaimi.	Independent	Member

### C. Number Number of Meeting Held in 2022

Statement of the number of meetings held by the Risk Committee, their dates and all Committee members' attendance times.

Sr. No.	Meeting No	Date
1	(01/2022)	23/03/2022
2	(02/2022)	30/03/2022
3	(03/2022)	19/05/2022
4	(04/2022)	11/08/2022
5	(05/2022)	18/08/2022
6	(06/2022)	25/10/2022

## 18 Real Estate Evaluation Review Committee

### A- Introduction

#### Objectives

The Real Estate Evaluation Review Committee is a Board level Committee of Directors, which:

- Ensures optimization on an acquisition of real estate securities belonging to distressed borrowers of the Bank.
- Ensures that real estate portfolio is on optimum credit terms.

### B- Names of the Committee Members

Names of Committee Members, clarifying its competencies and tasks assigned:

Committee Members	Membership Status on the Board	Position on the Committee
Shaikh Sager Saud Rashed Al Mualla	Independent	Chairman
Mr. Marwan Al Rostamani	Non-independent	Member
Dr. Ali Rashed Sultan AlKaitoob Al Nuaimi	Independent	Member

### C- Number of Meeting Held in 2022

Statement of the number of meetings held by the Committee, their dates and Committee members' attendance.

Sr No	Meeting No	Date
1	(01/2022)	20/04/2022

## 19 Executive Committee

### A- Names of the Committee Members

Committee Members	Membership status on the Board	Position on the Committee
Sheikh Nasser Rashid Al Moalla	Non-independent	Chairman
Shaikh Sager Saud Rashed Al Mualla	Independent	Member
Mr. Abdullah Mohammed Saleh Al-Zarouni	Independent	Member

### B- The Committee Meetings attended by:

- Chief Executive officer (Member)
- Acting Chief operation officer/Chief Financial Officer (Member)
- Head of Risk

**A- Names of the Committee Members**

Committee members	Membership status on the Board	Position on the Committee
Sheikh Nasser Rashid Al Moalla	Non-independent	Chairman
Shaikh Sager Saud Rashed Al Mualla	Independent	Member
Mr. Abdullah Mohammed Saleh Al-Zarouni	Independent	Member

**B- The Committee Meetings attended by:**

- 1) Chief Executive officer
- 2) Acting Head of Corporate Banking Services.
- 3) Head of Risk
- 4) Head of Credit Approvals

**21- Internal Control Framework**

The internal Control Framework is a set of principles structured into five interrelated components:

- Control Environment: Governance sets the organization's tone, underlining the significance of, and establishing oversight responsibilities for Enterprise Risk Management. Culture relates to ethical values, desired behaviors, and understanding of risk in the organization.
- Risk Assessment: A risk appetite is established and aligned with strategy while serving as a basis for identifying, assessing, and responding to risk.
- Control Activities: Risks that may impact the accomplishment of strategy and business objectives need to be identified and evaluated. Risks are ranked by severity in the context of risk appetite. The organization then selects risk responses and takes a portfolio view of the amount of risk it has assumed. The results of this process are reported to key risk stakeholders.
- Information and Communication: Enterprise risk management requires a continual process of obtaining and sharing necessary information, from both internal and external sources, which flows up, down, and across the organization.
- Monitoring: By assessing entity performance, an organization can consider how well the enterprise risk management components are functioning over time and considering significant changes, and what revisions are needed.

The term "Internal Controls" refers to the overall operating framework of practices, systems, organizational structures, management philosophy, code of conduct, policies and procedures and actions which exist in the BANK and designed to:

- Ensure that essential business objectives are met including the effectiveness and efficiency of operations and the safeguarding of assets against loss.
- Ensure the reliability of financial reporting and compliance with general accounting principles.
- Ensure compliance with applicable laws and regulations.
- Ensure systematic and orderly recording of transactions.
- Provide reasonable assurance that undesired events will be prevented or detected and corrected.

The primary objective of internal control system in NBQ is to help the bank perform better using its resources. Through internal control system, the bank identifies its weaknesses and takes appropriate measures to overcome the same. The main objectives of internal control are as follows:

- Efficiency and effectiveness of activities (performance objectives).
- Reliability, completeness and timeliness of financial and management information (information objectives)
- Compliance with applicable laws and regulations (compliance objectives)

NBQ internal Control frame work mandates all business units of NBQ to support and maintain a system of internal control that is optimized to provide stockholders, the Board of Directors, and management with an assurance, based on a weighing of costs and benefits, that:

- Transactions are executed in accordance with Management's general or specific authorization.
- Transactions are recorded as necessary,
- To permit preparation of financial statements in conformity with generally accepted accounting principles.
- To maintain accountability and responsibility for assets and bank resources.
- Transactions are consummated at reasonable cost, beneficial and necessary for the business of the Bank.
- Access to assets and resources is permitted only in accordance with management's general or specific authorization.
- Recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.
- Financial information is released outside access bank only upon proper corporate authorization and after consideration of the interests of the bank.
- Complete and accurate records and accounts are maintained to reflect transactions and the disposition of assets.
- Business Objectives will be met.
- Compliance with Applicable Laws and Regulations of Other Regulatory Agencies



The Internal Audit & Control Department (IACD) is responsible for monitoring compliance with the Internal Control Framework Standards.

IACD is the fourth line of defense after the Front Office, Risk Management and Operational Risk Management/Compliance functions.

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve the Bank's operations. It helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and corporate governance.

The IACD assesses and makes appropriate recommendations to improve the Bank's governing process for making strategic and operational decisions. It oversees risk management and control, promoting appropriate ethics and values, ensuring effective organizational performance management and accountability, communicating risk and control information to appropriate areas of the Bank. It also coordinates the activities of and communicating information among, the Board, external and internal auditors, other assurance providers and management

In addition to the above, the IACD assesses the design, implementation, and effectiveness of the Bank's ethics-related objectives, and if there is proper documentation. It adopted the following steps while performing all types of audits /checks: risk identification, risk assessment, risk prioritization, response planning and risk monitoring. Two factors were used to assess the risk exposure: loss frequency or probability and loss severity.

## 22- Internal Control System

- Ensure that Bank has a comprehensive policy on internal control and is well communicated (all Bank policies are approved by Board).
- Ensure that all highlighted critical observations to the business are escalated to management and Board Audit Committee to set a further course of action.

### A- **Board Audit Committee responsibilities are as follows:**

- a) Review interim and annual audited financial with management, external auditor and the Head of Internal Audit before presenting them to Board. It focuses on any changes in accounting policies and practices and their impact on the financial statements, major accounting entries based on the exercise of judgment by management including provision requirements, management overview of financial results for the quarter/year and executive session with senior financial management, significant and unusual and complex transactions and accounting estimates adopted in preparing financial statements, current developments in auditing, accounting, reporting and disclosure requirements.
- b) Review the annual financial plan and budget – and monitor its performance quarterly against the actual performance.
- c) Discuss the financial information and earnings guidance provided to the external analysts and rating agencies.
- d) Approve the appropriate systems for internal control, including internal controls over financial reporting and for the detection and prevention of frauds and errors.
- e) Consider the effectiveness of the Bank's internal control system, including information system/ technology security and control.
- f) Understand the scope of internal and external auditors' review of internal control over financial reporting and obtain reports on significant findings and recommendations together with management's responses.
- g) Understand the scope of internal auditor's review of internal control over all other processes, and obtain reports on significant findings and recommendations, together with management's responses.
- h) Review investigation and special assignment reports relating to any misconduct, conflict of interest and fraud and actions initiated to mitigate recurrences.
- i) Ensure remedial actions are in place and implemented as per deadlines set for the same.

### B- **NAME OF THE DEPARTMENT DIRECTOR, HIS QUALIFICATIONS AND DATE OF APPOINTMENT:**

- Mr. Mourad Ben Ali Saidani.
- Qualifications: Master's degree in psychology and 2 parts of CIA.
- Date of Appointment: 13 January 1996

### C- **NAME OF THE COMPLIANCE OFFICER, HIS QUALIFICATIONS AND DATE OF APPOINTMENT:**

- Mr. Adnan Sajwani.
- Qualification: Bachelors, Business Administration.
- Date of Appointment: 2 November 2019.

**D- HOW THE INTERNAL CONTROL DEPARTMENT DEALT WITH ANY MAJOR PROBLEMS AT THE COMPANY OR THOSE THAT WERE DISCLOSED IN THE ANNUAL REPORTS AND ACCOUNTS**

The Internal Audit Control Department (IACD) is the fourth line of defense after Front Offices, Risk Management and Operational Management/Compliance functions. Internal Auditing and Internal Control is an independent, objective assurance and consulting activity designed to add value and improve the Bank's operations. It helps the Bank to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and corporate governance.

Its objective is to help management with an analysis, recommendations and relevant comments concerning any phase of the business activity that will be of service in running the business more efficiently. IACD is considered as valuable resource to Executive Management & Board of Directors in accomplishing overall goals and objectives as strengthening internal control and organizational governance.

The IACD conducts a review and assesses the effectiveness of management of risk and internal controls in all areas covered by the audits by:

- Evaluating emerging technologies
- Analyzing opportunities
- Examining global issues
- Assessing risks, controls, ethics quality and efficiency.
- Assuring that controls in place are adequate to mitigate unforeseen risks & evaluating the Bank's internal controls, evaluating process performance identifying deviations from management KPI's, recommendations for process and control improvements to achieve organizational goal.
- Assessing business requirements and objectives.
- Evaluating evidence in connection with any business issues.
- Review revenue Management and recognition
- Review of procurement of goods and services inventory management and supplier engagement logistics
- Provide Management and BOD assurance that:
  - a) Financial & operational information are reliable, accurate and timely.
  - b) Compliance with applicable laws, regulations, internal policies and procedures.
  - c) Operations and programs are effective and efficient, and assets are safeguarded
  - d) Risks are identified, appropriate risk responses selected, communicated and managed
  - e) Action plans for rectification of identified issues are in place.

**IACD adopted the following steps while performing all types of audits and checks:**

- a) Risk identification,
- b) Risk assessment,
- c) Risk prioritization,
- d) Response planning and risk monitoring.

**Two factors are used to assess the exposure to risk:**

- (i) Loss frequency or probability and
- (ii) Loss severity.

**The IACD is a continuous operation covering also the five components of the internal controls system:**

- (i) Control environment
- (ii) Risk assessment
- (iii) Control activities
- (iv) Information and communication
- (v) Monitoring

The IACD's scope does not end with the delivery of the findings report. Any critical observations are escalated to Management and Board Audit Committee to set further course of action. The aim of the Management team is for continuous improvement - with the internal audit function being the basis against which this objective can be measured.

**23- Number of Reports Issued By the Internal Control Department to the Bank's Board of Directors**

During 2022, Internal Audit department submitted 25 Reports to Audit committee during the year 2022.

**24- Violation of Regulatory Requirements in 2022**

The bank was not exposed to any financial violations from the regulatory authorities during 2022.

## 25- Contribution Made in 2022

Statement of the cash and in-kind contributions made by the Bank in developing the local community and preserving the environment.

NBQ has accepted Environmental, Social and Governance (ESG) initiatives are one of the key strategic objectives during the year and for the future. The Bank has adopted ESG policies in line with the requirements as visualized by the UAE Vision and the global practices. NBQ has a corporate social responsibility strategy that focuses on several aspects such as empowering women, supporting people with special abilities, and promoting Emiratization.

Bank has published the ESG report which provides details of other environmental, social and governance initiatives of the bank during the year 2022 which may be referred to the details.

Major Highlights during the year 2022 are as follows:-

- Bank has implemented systems to recycle to water the plans from the consumed water.
- Our papers consumed as stationery are of recyclable quality as confirmed by our suppliers.
- Paper consumption is reduced by 19.78% from year 2019 through prudent communication management.
- Waste management has been implemented in Head Office and Dubai branches using differentiated Bins through professional companies.
- Diesel consumption was reduced to Zero.
- Papers were recycled which tantamount to saving 123 trees, 50 K gallons of water and 29,040 KWs of energy.
- LED lamps were implemented in our Flagship branch and Head Office and replacement of Air Conditioners Chiller contributed to considering savings in Electricity consumption.
- Saved 6.78% carbon footprint consumption compared to the previous year and petrol consumption reduced due to use of less number of vehicles from year 2019.
- Implemented safety of our premises through our protection and security mechanisms.
- Implemented ramps, wheel chairs, reserved parking for special needs at our branches and offices
- Vendor management and vendors onboarding has improved their controls through compliance screening, monitoring their activities, local involvement in the ownership and management, sustainability initiatives.
- Bank has contributed for social and environmental initiatives during the year which includes the community domain as well.

The Bank has a corporate social responsibility strategy that focuses on several aspects such as empowering women, supporting people with special abilities, and promoting Emiratization. It is also keen on initiatives in the community. NBQ has supported many activities including but not limited to sports activities, traditional camel racing, sponsored Book, Sponsored official National day celebrations...etc

### **Contribution During 2022 Related to Emiratization:**

Our Emiratization percentage has increased from 43.3% in 2021 to 45.80% in 2022.

We have explained our community participation in detail in our Sustainability Report 2022 which is published separately.

## 26 - General Information

### a. Statement of the Bank share Price in the Market (Closing Price, Highest Price, and Lowest Price) at the end of each Month During the Fiscal Year 2022.

Month	Highest	Lowest	Closing
January	1.89	1.70	1.71
February	1.85	1.61	1.85
March	2.00	1.64	1.64
April	2.00	1.80	2.00
May	2.00	2.00	2.00
June	2.00	2.00	2.00
July	2.10	1.90	1.90
August	1.82	1.82	1.82
September	1.88	1.65	1.88
October	1.88	1.60	1.83
November	1.80	1.80	1.80
December	1.80	1.70	1.79

### b. Statement of the Company comparative performance with the general market index and sector index to which the Company belongs during 2022.

NBQ's share price registered a fall of 3.24% during the year. The ADX General Index registered growth of 20.29% y-o-y while at the same time ADX financial index (Sector Index) rose by 47.04% y-o-y.

### c. Statement of the shareholders' ownership distribution as of 31/12/2022 (individuals, companies, governments) classified as follows: local, Gulf, Arab and foreign:

Sr. No	Shareholders classification	Percentage of owned shares			
		Individuals	Companies	Government	Total
1	Local	38.4%	30.520%	30%	98.920%
2	Arab	1.073%	0.0050%	Nil	1.078%
3	Foreign	0.001146%	Nil	Nil	0.001146%
	<b>Total</b>				<b>100%</b>

### d. Statement of shareholders owning 5% or more of the Company's capital as of 31/12/2022 according to the following schedule:

Sr. No.	Name	Number of owned shares	Percentage of owned shares of the Company's capital
1	Umm al-Quwain government	600,000,037	30%
2	Mr Salem Abdullah Salem Al Hosani	253,909,275	12.695%
3	M/s Abdul Wahed Al Rostamani Group LLC	202,241,465	10.112%
4	M/s. Barah Investment LLC	199,960,010	9.998%

## 27- Distribution of Shareholdings

### Statement of how shareholders are distributed according to the volume as on 31/12/2022:

Sr. No.	Share (s) Ownership	Number of Shareholders	Number of Owned Shares	Percentage of Owned Shares of the Capital
1	Less than 50,000	114	1,067,987	0.0534%
2	From 50,000 to less than 500,000	47	9,168,035	0.4584%
3	From 500,000 to less than 5,000,000	65	117,477,069	5.8739%
4	More than 5,000,000	34	1,872,286,909	93.6143%

## 28- Investor Relationship Officer and Communication

Statement of measures taken regarding the controls of investor relationships and an indication of the following:-

Name of the investor relationships officer and Data of communication with the investor relationships (e-mail- phone- mobile- fax):

Name	Alaa Khairy	Dalia Saeed
Direct No	06-7066748	06-7066858
Email	Investor.relations@nbq.ae	Investor.relations@nbq.ae

## 29- Special Resolutions Passed in the General Assembly

**Statement of the special decisions presented in the General assembly held during 2022 and the procedures taken in their regard:**

- 1) **In AGM dated 14 March 2022:** It was approved to amend the articles of the bank's articles of Association to comply with Federal Decree Law No. (32) of 2021 regarding commercial companies and Corporate governance for Banks issued by Central Bank of UAE and related circulars and decisions, the following are the Amendments made to Articles of Association of National Bank of Umm Al Qaiwain PSC: (Articles NO: 1 , 15 ,19 , 20 , 23 , 26 , 28 , 32 , 33 , 34 , 37 , 40 , 41 , 42 , 43 , 44 , 46 , 47 , 48 , 50 , 51 , 54 , 58).
- 2) **In General assembly meeting dated 20/06/2022:**
  - a) Approving the Board of Directors proposal to increase the bank's capital from AED 1,848,000,015 to AED 2,000,000,000, through the issuance of 151,999,985 bonus shares at a rate of 8.225% of the bank's capital distributed to the bank's shareholders in proportion to the shares owned by each of them, bringing the bank's capital after issuing the bonus shares to Two billion Dirhams in line with UAE Central Bank Circular No. 12 of 2021 issued on April 25, 2021, which stipulates a minimum capital for national banks of no less than Two billion dirhams.
  - b) Approving the Board of Directors proposal of amendment of Article (6) of the Bank's Articles of Association relating to the "Bank's Capital" in order to increase the capital from AED 1,848,000,015 to AED 2,000,000,000 (Two billion dirhams) through the issuance of 151,999,985 bonus shares at a rate of 8.225% of the bank's capital distributed to the bank's shareholders in proportion to the shares owned by each of them.

## 30- Rapporteur of the Board Meeting

Name of the rapporteur of the Board meetings: Dalia Saeed.

Date of appointment as rapporteur of the Board meetings: 30 October 2018 (Date of Appointment in NBQ: 01/07/1997).

## 31- Major Events and Important Disclosures During 2022

-Major events: Nil for 2022.

-A detailed statement of important disclosures that the Bank encountered during 2022:

Increase the bank's capital from AED 1,848,000,015 to AED 2,000,000,000.

## 32 Related Parties Transactions

A statement of the deals that the company has carried out with related parties during the year 2022, which are equal to 5% or more of the company's capital:

Related party transactions are reported in the Financial Statements for the year as per the normal disclosure requirements of the Bank.

## 33- Emiratization

Statement of Emiratization percentage in the Bank at the end of 2020, 2021, 2022:

Emiratization percentage is reported on a yearly basis

Emiratization %	2020	2021	2022
	42%	43.3%	45.8%

## 34- Innovative Projects and Initiatives

### **Statement of innovative projects and initiatives carried out by the Bank or being developed during 2022:**

In line with the bank's overall strategy, we continued to update technology platforms to ensure the latest features, high availability, performance, and compliance. We went live with Apple Pay to enable easy and secure payments to all NBQ customers. Various enhancements to the digital channel offerings also went live in this period ranging from mobile banking and IVR. We also invested significantly in the bank's Application Program Interface (API) infrastructure to enable seamless and secure integration internally as well as with external partners. This included implementing an industry-leading API solution for internal and external API management. We also upgraded our SWIFT infrastructure to comply with the latest MX standards. Further, implementing the state-of-the-art and industry-leading hyper-converged solution gives extreme flexibility, scalability, high availability, and performance which takes us one step closer to an internal cloud-ready infrastructure. Also, we invested in upgrading data security solutions and enabled more protection against ransomware attacks. On the compliance front, we completed the recertification of PCI DSS, made significant progress in UAE IA (NESA) standards, and complied with latest SWIFT Customer Security Controls Framework (CSCF).

End of Report