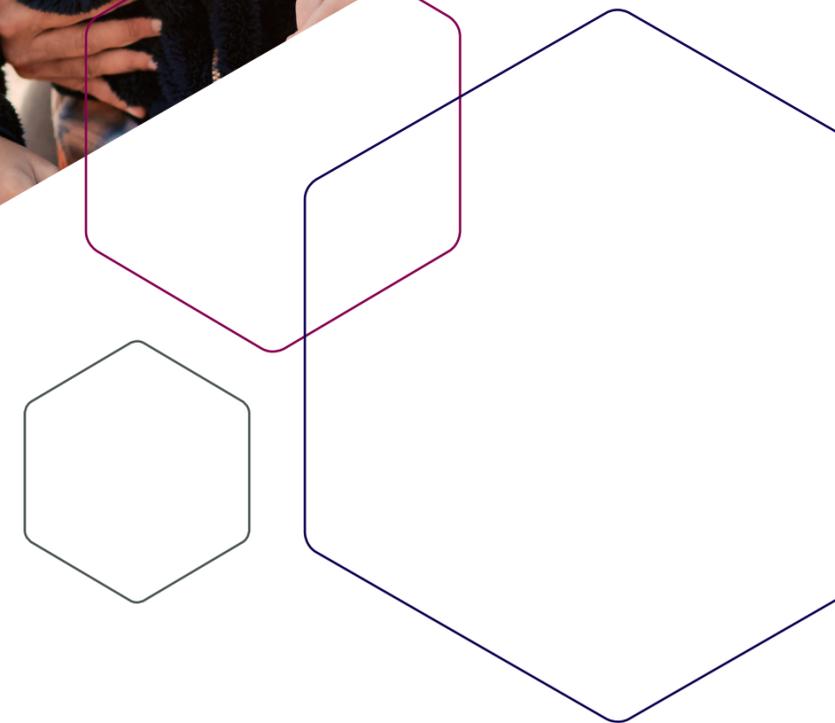


**CBI**  
Head Office  
3rd and 13th Floors  
Festival Tower, Dubai  
Festival City PO BOX  
4449 Dubai



**Annual Report**  
2018



 **CBI** banking on people

CBI offers a comprehensive portfolio of banking products, as well as tailor-made financial solutions in corporate, Islamic and retail banking; ranging from lending, trade services, cash management and treasury solutions to personal account services and credit cards.



## At a glance

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**AED 13.4bn**  
Loans & Advances

**Net Operating Income**  
Increase in net operating income (AED million)

**+7%**  
AED 928



**AED 15.2bn**  
Customer Deposits

**Net Profit**  
Increase in net profit (AED million)

**+29%**  
AED 226



**Operating Profit**  
(AED million)  
**519**  
+24%

**Net Fee & Commission Income**  
(AED million)  
**326**  
+41%

**Operating Expenses**  
(AED million)  
**409**  
-9%

- ◆ Full year net profit increased by 29% to AED 226 million from AED 175 million in 2017.
- ◆ **Net fee & commission income AED 326 million, up 41% year-on-year.**
- ◆ Operating profit up 24% to reach AED 519 million, highest level on record, driven by income growth and robust expense control.
- ◆ **Cost to income ratio down 8 percentage points year-on-year.**
- ◆ Credit provisions down 30% from previous year.
- ◆ **Capital Adequacy Ratio (CAR) remained stable at 14.1%.**

**Cost to Income Ratio**  
**+44%**  
-8ppt

**Credit Provisions**  
(AED million)  
**156**  
-30%

**Capital Adequacy Ratio (CAR)**  
**14.1%**

# Financial Highlights



# Chairman's Message

On behalf of the Board of Directors, I am pleased to present the Annual Report of Commercial Bank International (CBI) for the fiscal year ending on 31 December 2018.



“ CBI achieved solid financial performance during the year, with net profit rising 29% to AED 226 million. ”

**Mr. Mohammad Sultan Al Qadi**  
Chairman

I am pleased to inform you that, despite challenges facing global economy in 2018, CBI continues to achieve remarkable progress in its efforts towards strategic transformation. The Bank succeeded in achieving sustainable value for its clients and shareholders alike, as it continued to support the growth and development of economy in the UAE.

The success of the Bank's strategy is proven in its financial results. Net profits increased by 29% compared to the previous year, reaching AED 226 million, operating profit was up by 24%.

The Bank also increased its profits by maintaining focus on increasing income, controlling expenses, and ensuring the quality of assets. As a result, net operating income for 2018 increased by

7%, reaching AED 928 million, while expenses dropped by 9% to reach AED 409 million. This is owed to the meticulous precision in implementing our transformation strategy, along with our diligent emphasis on providing a unique banking experience for our clients.

On a relevant note, the cost-to-income ratio decreased by 8%, reaching 44%, while credit provisions have decreased by 30%. This is a result of the Bank's continued focus on strengthening its asset quality.

In the 2019 fiscal year, we will continue to implement our plans to meet the aspirations of our clients and enhance the business profits, which is in line with the economic and development goals set by the UAE Vision 2021.

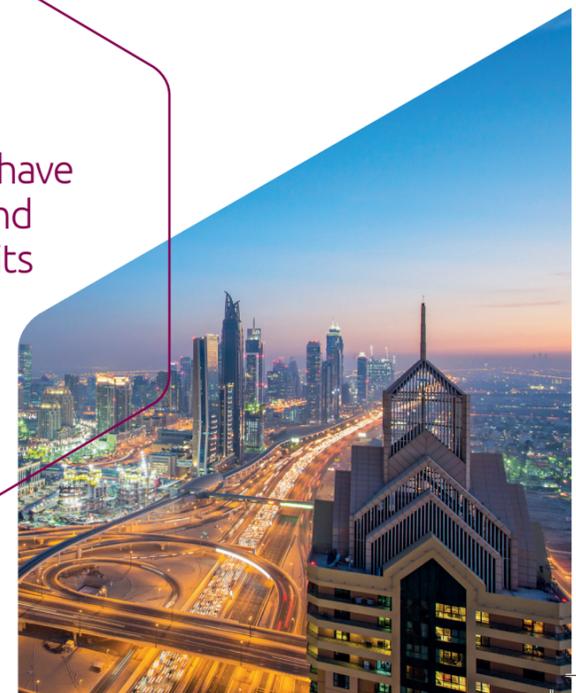
Dear brothers and sisters, on behalf of the Board of Directors and the executive management, I would like to thank you all and our customers for their continued support, and I would like to thank the senior management and staff of the Bank for their commitment and dedication during the past year.

In conclusion, and on behalf of all shareholders and the Board of Directors of CBI, I wish to express our deepest gratitude to His Highness Sheikh Khalifa bin Zayed Al Nahyan, President of the UAE; His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai; His Highness Sheikh Saud bin Saqr Al Qasimi, Ruler of Ras Al Khaimah; and His Highness Sheikh Mohammed bin Saud bin Saqr Al Qasimi, Crown Prince of

Ras Al Khaimah, for their wise leadership and vision which have made the UAE an economic role model for the region and the world.

**Mohammad Sultan Al Qadi**  
Chairman

“ Our total assets have grown by 10% and customer deposits by 9%. ”



# CEO's Message

Throughout 2018, we have been committed to placing our customers at the forefront of everything we do.



“ By making our extensive range of services simpler and better, we have also laid an important foundation upon which to continue our transformative journey in 2019. ”

**Mark T. Robinson**  
Chief Executive Officer

Throughout 2018, we have been committed to placing our customers at the forefront of everything we do, reflecting a major aspiration in achieving our strategic imperative to deliver a banking experience that is truly unrivalled in the UAE. By making our extensive range of services simpler and better, we have also laid an important foundation upon which to continue our transformative journey in 2019.

Total customer deposits have risen by 9% over the year, illustrating the increasing trust our clients place in us. Wholesale Banking loans and advances grew by 12% and deposits increased by 3%, reflecting our focus during 2018 on financing our corporate customers and deepening our key relationships in target sectors to improve profitability and optimise our capital allocation. True to our renewed customer-centric focus, we pledged to offer a 'same day service' to all our CBI First customers in 2018, and were rewarded both with highly encouraging positive feedback and more than 1,000 additional clients.

Launched in 2017, CBI First has re-positioned the focus of our Retail Banking services on affluent and mass affluent segments. Retail Banking and Business Banking customer deposits grew by 19% in 2018, while our current and savings accounts balance was up by 25%, as a result of a shift in our strategic approach to liabilities. We also launched insurance product sales for our Retail Banking customers, in partnership with two global insurance providers.

We have achieved a record operating profit in 2018, up 24% to AED 519 million. Net operating income was also up by 7%, while expenses fell by 9% year-on-year, creating a positive platform that will serve to support our future growth. As a result of our robust expense controls and focus, our cost-income ratio has dropped to 44% from 52% in 2017. Our net profit of AED 226 million is a 29% increase over last year. Our loan to deposit ratio has also remained healthy at 88%, while our year-end capital adequacy ratio is 14.1%. Meanwhile, net fee and commission income has risen by 41% and our balance sheet grew 10% during 2018.

**Wholesale Banking loans and advances grew by**

12%

**Retail Banking Group deposits grew by**

19%

**Return on Average Equity increased by**

3ppt

We have also developed our Transaction Banking capabilities and solutions and invested in digitisation to further improve the customer experience, by leveraging our upgraded core banking platform. These enabled us to provide faster and more effective services, leading to a 20% increase in operational efficiency in 2018 and dramatically improving turnaround times. We also invested in new design in a number of our branches to provide our customers with superior in-branch experiences.

Our successes in 2018 notwithstanding, we believe that further improvements can always be made to refine our offering and the quality of our customer services. Our journey has only just begun, but we have full confidence in our people to provide the drive and commitment necessary to achieve our strategic goals. From our front-line customer service agents to our back office staff, each member of the CBI family can be proud of their contribution to our ongoing transformation as an organisation.



## Board of Directors

**Mr. Mohammad Sultan Al Qadi**  
Chairman

**Mr. Ali Rashid Al-Mohannadi**  
Vice Chairman

**Mr. Mohammad Ali Musabeh Al Nuaimi**  
Board Member

**Mr. Mubarak Bin Fahed Al Mheiri**  
Board Member

**Mrs. Fareeda Ali AbulFath**  
Board Member

**Mr. Abdulla Gaith Al Suwaidi**  
Board Member

**Mr. Ahmad Majid Lootah**  
Board Member

**Mr. Faisal Ali Al Tamimi**  
Board Member

**Mr. Hamad Salah Al Turkait**  
Board Member

## Executive Management

**Mark Robinson**  
Chief Executive Officer

**Marc Adam**  
Chief Financial Officer

**James Greenwood**  
Chief Operating Officer

**Hessa Al Ghurair**  
Chief Human Resources Officer and Head of Corporate Social Responsibility

**Peter Rossiter**  
Chief Risk Officer

**Omar Khan**  
Head of Treasury

**Ali Sultan Rakkad Al Amri**  
Chief Wholesale Banking Officer

**Shaker Zainal**  
Head of Retail Banking Group

**Issam Dahman**  
General Counsel and Company Secretary

**Evren Altioek**  
Head of Strategy, Insight & Communications

# Business Overview

# Board of Directors & Executive Management

# Business Overview

## Retail Banking Group

In keeping with our strategic realignment to achieve unrivalled customer experience excellence in 2018, the past year has seen a major shift in our retail banking focus from products to relationships.

Our retail and business banking customer deposits increased by 19% year-on-year, from AED 5.2bn to 6.2bn over 2018, showing our customers' growing trust in and satisfaction with CBI. In addition, our current and savings account deposits have grown by 25%.

In particular, we have sought to improve the customer experience for our priority banking customers, and now all customer service requests from our CBI First clients are fulfilled within 24 hours, significantly improving customer satisfaction levels. Furthermore, our segment-specific focus has led 94% of our CBI First customers to state that they would now recommend us to their families and friends.

In 2018, we committed to building an integrated suite of products that cater to the full customer lifecycle, allowing for a diversification of our income streams toward more sustainable and less cycle-dependent sources.

Income from customer deposits grew during the year, and we launched a selective raft of new savings products and campaigns to support our affluent and emerging-affluent customers, including our e-Saver, Aspire and Fixed Deposit offers, which represent some of the best terms available in the market today.

Also, to enrich our product offerings, we launched distribution of a suite of comprehensive life insurance products in 2018, helping our customers better plan for their family's future and mitigate against unforeseen risks in life, in partnership with two global insurance providers.

At CBI, we aspire to provide our customers with the best possible customer experience. The results of our customer focus in 2018 have seen around 1,000 new affluent customers choose our services. We improved focus on the Smart Enterprise customers in



Customer deposits have risen over

19%

Current account and savings account deposits have grown by

25%

retail as well as business banking, which resulted in more than 50% of our customer deposits being contributed by them. Foreign exchange income, as well as the number of customer FX transactions, have more than doubled year on year.

Digitisation has been a key focus area during the year. We improved our internet and mobile banking services and launched our social media presence on Facebook and Instagram, through which we now provide insightful opinions and financial education as well. We also established an "Insights" section on our website and will aim to continue leveraging digital partnerships to secure new customer acquisitions.

As a result of our ongoing focus on digitisation, both the number of our online banking customers and the quantity of online financial transactions have increased by over 40% compared to 2017.

With a growing share of our customers turning to our digital banking channels, we took the opportunity during 2018 to optimise our branch footprint to cater for those customers, who prefer a personal touch. We upgraded our Bur Dubai and Dubai Mall Branches with our new flagship design and intend to roll

this concept out to the other branches in 2019. We also moved our Dubai Mall Branch to a more central location.

In 2019, we aim to provide the very best customer experience available to our target segments in the UAE market. Following the successful launch of our thriving CBI First priority banking proposition, we intend to introduce a new offering for the emerging affluent population of customers, which will serve to feed the growth of CBI First through the customer life cycle. We will continue to strengthen our focus on the Smart Enterprise customers. On the products front, we are on course to further strengthen our fee income line of products by launching distribution of investment products through our global partners.

We will also continue to invest in the digitisation of our infrastructure and customer touchpoints, whilst refreshing our branches with new state-of-the-art designs and facilities to ensure that all aspects of our banking experience provide the very best the industry has to offer. We will be enhancing our digital experience by adding instant remittances as an attractive feature on our internet banking and mobile banking platforms.



## Business Overview

### Wholesale Banking Group

Despite various economic headwinds, our Wholesale Banking Division recorded a strong performance in 2018. We have achieved growth in both assets and liabilities. Our loans and advances were up AED 1bn and our customer deposits up AED 255m. CBI Al Islami customer deposits have grown as well, exceeding AED 600m.

With a focus on optimising our capital and increasing the profitability of our activities, we have succeeded in strengthening our asset book by growing in key sectors, while simultaneously diversifying our liability profile.

In a highly competitive market, and led by our strategy to differentiate ourselves through our service excellence, we have sought to deliver distinguished customer experience to meet the requirements of our clients and even exceed their expectations.

We have also focused on growing our relationships, by providing our customers with the right financing solutions, and helping them to manage and mitigate prevailing uncertainties in the economic cycle.

The increase in interest rates witnessed over 2018 has pushed up yields across all our assets. Despite the rise in cost of funding, we managed to improve our net interest margins, supporting our profitability.

In accordance with the UAE government's vision and strategy, we have focused our growth on high value adding sectors and segments.

To provide our customers with higher quality services, we have further leveraged our upgraded core banking platform and our online service offering, and expanded our suite of cash management products.

We have secured a number of major deals during the course of the year and achieved record monthly income in December 2018. We are confident about our ability to build upon these successes and achievements in the year ahead.

We anticipate that government spending will increase in 2019, spurred by the preparations for Expo 2020 and other major projects, while the results of existing public sector initiatives will also begin to take shape in the coming year.



Our objective will be to continue to grow our business in a number of key sectors identified as major focus areas for the Bank, while closely monitoring and proactively responding to adverse market developments to maintain the quality of our assets.

We will also continue to deepen our engagement and long-term relationships with our key clients through enhanced customer service provision in 2019, in keeping with the strategic priority of the Bank by delivering unparalleled service excellence.

In accordance with the vision of H.H. Sheikh Mohammed bin Rashid Al Maktoum to develop Dubai as the regional hub for Islamic Finance, CBI Al Islami will continue to pursue sustainable growth by strengthening customer relationships and providing an unparalleled Islamic Banking experience.

### Treasury

In 2018, Treasury has focused on maintaining strong liquidity and funding to support the growth of the Bank's balance sheet and grow the income generated from Treasury products. Consequently, we have achieved an outstanding 15% increase in foreign exchange income, as a result of the growth in client activity.

As the Bank has focused on delivering exceptional customer experience, as a key competitive differentiator, we have developed innovative and structured solutions for our clients, to help them navigate successfully through a challenging market environment.

CBI's focus on providing our clients with end-to-end solutions has deepened our key relationships, as we moved away from a transaction-based approach to a relationship-driven strategy. This has allowed us to develop new income streams by offering a more creative and diversified suite of products, including those designed to encourage more long-term savings such as our new eSaver account. We are now also offering more liability products and have launched a range of structured deposits as well.

For 2019, our primary goal remains to provide the best possible customer experience for both our corporate and retail clients, applying rigorous professional and ethical standards to build a world class platform for the Bank that reflects the rapidly changing regulatory and market environment.

“ Our Wholesale Banking loans have grown by AED 1bn and customer deposits have grown by AED 255m. ”

## Our People

CBI launched a number of key initiatives in 2018 to support our people strategy and transformation agenda.

Significant productivity improvements were achieved during the year through a rigorous programme designed to ensure organisational effectiveness, comprising a comprehensive talent management framework, focused organisational design and the establishment of an HR analytics capability to facilitate data-driven decision-making.

In partnership with Harvard Publishing Services and The Talent Enterprise, we launched a world class, comprehensive leadership development programme for our key talents to strengthen our next generation leadership capabilities.

Our Banking on Women Conference attracted over 100 attendees from across the banking industry, who brainstormed ideas on how to remove barriers to gender equality in the corporate world and featured workshops and inspiring speeches delivered by women with successful careers in the UAE.

CBI takes "wellness" seriously and encourages its people to pursue a healthy life style. The CBI team ranked first in the "Groups" category of the 2018 Dubai Fitness Challenge, which saw 78 participants complete 1,300 activities and cover 12,800 kilometres.

Our focus on the development and well-being of our people in 2018 translated into a 5% increase in our employee engagement score, a significant improvement since the last survey.

CBI remains fully committed to building, investing and contributing to the development of the nation through its people. The attraction, development and retention of the UAE nationals is an integral part of our Emiratisation strategy and we are pleased that for the second year in a row we exceeded our UAE Central Bank Emiratization targets. CBI is one of the few banks in the UAE, in which Emirati senior executives lead both Corporate and Retail Banking divisions.

Looking ahead to 2019, we will build upon the progress achieved in 2018 and with our diverse workforce comprising 44 different nationalities, we will also strongly support the UAE Year of Tolerance initiative.

## Our Community

In support of the Year of Zayed, as declared by His Highness Sheikh Khalifa bin Zayed Al Nahyan, President of the UAE, we conducted ten events and initiatives to commemorate the memory of His Highness the late Sheikh Zayed bin Sultan Al Nahyan, the Founding Father of the UAE.

We continued to offer our summer internship programme for people of determination and sponsored the provision of wheelchairs for the Al Rowad Center. 2018 also saw the return of our annual blood donation campaign, in which 10% of our people participated.

Meanwhile, as part of our environmental commitment, we reduced our paper consumption by 40%, moving the Bank closer to a paperless operating environment. This process included the continuation of last year's initiative to move our customer base to electronic bank statements. On April 22, 2018 we also joined other organisations and individuals worldwide by switching off the lights, in support for the global Earth Hour initiative.

To mark the UAE Mother's Day, CBI delivered an initiative at Saqr and Khalifa hospitals, where our teams distributed gifts to children under the age of five and flower bouquets to the mothers of young patients.

CBI remains committed to fostering a culture that seeks to give back to the nation and the communities we serve, and will continue to support the government's humanitarian, social, economic and environmental development strategies.

“  
We reduced our paper consumption by 40%, moving the Bank closer to a paperless operating environment  
”

# Our People and our Community

CBI launched a number of key initiatives in 2018 to support our people strategy and transformation agenda.

# Corporate Governance

Strong corporate governance plays a fundamental role in the culture and business practices of CBI. We believe high standards of corporate governance are a key contributor to the long-term success of our Bank and create trust and valuable engagement with our stakeholders.

## Introduction

Commercial Bank International PSC and its group companies (CBI) considers sound corporate governance as a key factor to enhance its image, both locally and internationally, through a commitment to corporate culture that motivates directors, managers and employees to comply with sound principles of conduct. Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders.

Corporate governance also provides the structure, through which, the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Effective corporate governance is not an end, it is a means to the proper functioning of a financial institution and the banking sector overall. CBI's safety and soundness are key to its financial stability and the way it conducts its business; therefore, it is central to creating market confidence and business integrity.

## 1. CBI Corporate Governance Framework

CBI strongly believes that good corporate governance complements and significantly helps its long-term business success. This success has been the direct outcome of the CBI's key business strategies, including the commitment of the Board to the quality, integrity and transparency of its financial reports.

## 1.1 Objective

The Board of Directors (Board) and the Executive Management of CBI believe that corporate governance is an essential element to enhance shareholders' trust, particularly minority shareholders and stakeholders, by increasing the level of transparency of the ownership and control, and the implementation of effective monitoring systems for strategic business management. Hence, all necessary efforts were combined to create awareness of the importance of corporate governance within CBI.

CBI has adopted the corporate governance framework to support the effective functioning of the Board and its committees, to promote the interests of shareholders, and to ensure a common set of expectations as to how the Board, its various committees, individual directors and the Executive Management should perform their functions. The Board of Directors and the Executive Management believe that the primary objective of corporate governance is safeguarding stakeholders' and depositors' interest in conformity with public interest on a sustainable basis with a view to contribute to improved corporate performance and accountability in creating long-term shareholder value.

## 1.2 Commitment to Comply with Corporate Governance

In order to achieve CBI's objectives, the Board of Directors, the Executive Management and the employees of CBI commit themselves to the governance principles and best practices as detailed in the CBI Corporate Governance Code. Periodically, the Board ensures that functioning of CBI complies with the

principles of corporate governance, reviews and updates the professional codes of conduct, to align its governance practices with best practices. The Board also promotes the institutional values, policies and other internal procedures that apply to all members of the Board, Executive Management and employees of CBI.

## 1.3 Applying Corporate Governance Principles

Corporate governance standards in CBI are naturally pursued in a manner consistent with the applicable national laws, regulations and codes. It also follows the guidelines and international best practices issued by the Basel Committee on Banking Supervision (BCBS), the Organization for Economic Cooperation and Development (OECD) and regulations issued by the Securities and Commodities Authority (SCA) and the Central Bank of United Arab Emirates (CBUAE).

The Board has approved the execution of a comprehensive set of corporate governance policies and procedures within CBI. This assures that vigilance is exerted by the Board and the Executive Management, as this is compatible with the legal and regulatory requirements and reflects the real orientation to comply with international standards. The roles and responsibilities of the Board of Directors are segregated from the functions of the Executive Management, whereby the Board assumes the overall supervision of CBI and provides strategic direction through the approval of the strategic initiatives, key policies and objectives, the daily affairs of CBI are carried out by CBI's Chief Executive Officer (CEO) and the Executive Management Team.

#### 1.4 Promotion of Ethics and Integrity

Among other responsibilities of the Executive Management, is ensuring that the culture within CBI reinforces ethical behaviors and integrity, which are crucial in the banking industry. The example set by individuals at the top will always influence how the rest of the organization behaves. CBI encourages seniors to “lead by example” and report any unethical behaviors and misconduct through various tools meeting the highest standards and best practices, including anonymous “whistleblowing” reporting. In 2018, the Executive Management continued to promote awareness of the importance of everyone’s obligation to observe the code of ethics and safeguard CBI’s interests by reporting unethical behaviors such as, but not limited to embezzlement, fraud, corruption, bribery, conflicts of interest, customer privacy violations, discrimination, harassment, violations of laws and misrepresentation of facts.

#### 1.5 The Scope

CBI’s Corporate Governance program incorporates the application of wide-ranging measures of governance and contains the preparation of overall policies, procedures, manuals, organizational structure, job descriptions, key performance indicators, determination of relevant authorities and responsibilities, internal and external reporting requirements, Board Charter, the committees of the Board and the committees of the Executive Management.

In this context, this Annual Corporate Governance Report aims to ensure a transparent disclosure of the governance practices within CBI. It embodies the values of CBI and the policies that all stakeholders must abide by. The report includes the capital structure, controls, shareholders’ rights, development of the Board Charter and its committees’ systems, related parties’ transactions policy, and the periodic review of the principles of professional conduct, in order to ensure the application of best professional practices that meet the needs and objectives of CBI.

#### 2. CBI Achievements in 2018 to Enhance Corporate Governance Approach

CBI is continuously working on developing the inbuilt corporate governance framework with a vision to maintain a healthy corporate governance environment and adopt best practices. During 2018, the Executive Management have continued to assist all departments to develop sound and globally recognized corporate governance practices and build the appropriate culture at the Board level and the rest of staff by enhancing and applying the corporate governance principles across all departments and CBI’s group companies. The below topics summarize CBI’s key 2018 efforts with respect to the enhancement of the corporate governance framework.

##### 2.1 Corporate Governance Arrangements

Until November 2018, the Board had maintained its existing structure which started in 2017. Following the resignation of two of its members, the Board appointed new members and reformed its Board Committees, adding a new committee, namely “Board Special Assets Committee (BSAC)”, which was established to support the Executive Management in disposing of non-core assets, which are mainly comprised of the real estate portfolio.

The Board Committees are as follows:

1. Board Executive and Strategy Committee (BEXCO)
2. Board Audit Committee (BAC)
3. Board Risk Committee (BRC)
4. Board Credit Committee (BCC)
5. Board Nomination and Remuneration Committee (BNRC)
6. Board Special Assets Committee (BSAC)

##### 2.2 Compliance: A Key Corporate Governance Driver

In light of the increased risk environment, and heightened expectations of regulators and enforcement agencies, compliance risk-management within CBI is a focus of the Board, with oversight by the Board Risk Committee.

##### Compliance Monitoring and Oversight

Coping with ever-growing regulatory oversight and supervision, CBI has mechanisms in place to monitor and ensure proper implementation of regulatory requirements in a timely manner. The implementation of regulatory requirements is duly formalized and documented in CBI’s Compliance policies, clearly specifying the role and responsibilities of the concerned parties.

CBI maintains an efficient follow-up process to ensure completeness of actions required to be taken by relevant stakeholders across the organization. The follow-up is managed by Compliance Department, which directly reports to the Board Risk Committee.

An on-going effort is exerted to ensure compliance of new products, services and initiatives, as well as development of the existing ones, that are offered by different business units and support functions. During 2018, the Executive Management assisted in assuring compliance integrity of numerous activities, processes and supported CBI’s business and support departments to provide regulatory updates and seek approvals, where required.

CBI’s Compliance Department undertakes compliance monitoring to adequately oversee and continuously monitor various detailed requirements of the relevant regulatory authorities.

##### Healthy Relationship with Regulators: Openness is a Key Element of Transparency

CBI continued to strengthen and improve the communication channels with its regulators, to ensure that it provides the regulatory authorities with timely, accurate, clear and transparent information in order to assist them in their supervisory duties.

##### Regulatory Compliance

During 2018, CBI aimed to ensure effective, timely and proper reporting to the regulatory authorities of all new and existing data and information that were required.

Compliance Department assisted in answering or supporting the handling of regulatory enquiries and inspection reports and resolving the pending issues that may led to violations or financial penalties.

The Board of Directors approved the updated CBI Compliance Charter, which reflects the governance, roles and responsibilities of stakeholders, as well as the commitment of the Board and the Executive Management to support an effective compliance framework in the Bank.

##### Tax Reporting & Data Security: For Better Transparency

Due to the continuing change in the tax compliance landscape across the globe, and after having effectively implemented FATCA requirements, CBI has implemented the Common Reporting Standard (CRS) Program. The CRS was developed by the OECD, to tackle tax avoidance and evasion and improve tax compliance. CBI has also implemented effective procedures to collect and discharge its duties in relation to the newly introduced Value Added Tax, in compliance with the applicable laws and guidelines of the Central Bank of the UAE.

##### International Sanctions Programs and Tools

Compliance Department has a Sanctions Policy and monitoring system to support CBI’s commitment to complying with the relevant sanctions programs and different laws and regulations in all related jurisdictions.

The sanctions monitoring system, as well as the related embedded criteria, are regularly revisited and amended, considering the new updates and challenges in different sanctions programs and the applicable laws and regulations, taking into consideration the differences in the scope and requirements of each nature of sanctions.

CBI is committed to ensuring the on-going development, maintenance and oversight of the sanctions compliance function across the Bank. Moreover, the sanctions framework satisfies the requirement of maintaining a high-level/restrictive monitoring system and the escalation and reporting requirements up to the Board level.

Compliance Department rolled-out a new online Financial Crime (Anti-Money Laundering and Sanctions) and Compliance training and awareness program. This online training program focused on providing guidance on the Anti-Money Laundering requirements and international sanctions programs, as well as general Compliance requirements to enable CBI staff to have a better understanding and awareness on these subjects and be aware of the risks associated with breaching any of them.

##### Combating Financial Crime

The Board of Directors approved the updated Sanctions Policy, which reflects the governance, roles and responsibilities of stakeholders and also approved the Board Statement on Anti-Money Laundering (AML), Counter-Terrorist Financing (CTF) and Sanctions Policies and Principles confirming the commitment of the Board and the Executive Management to support an effective compliance framework in the Bank. The Risk

Appetite Statement approved by the Board also includes a section on the Bank’s Compliance Risk Appetite.

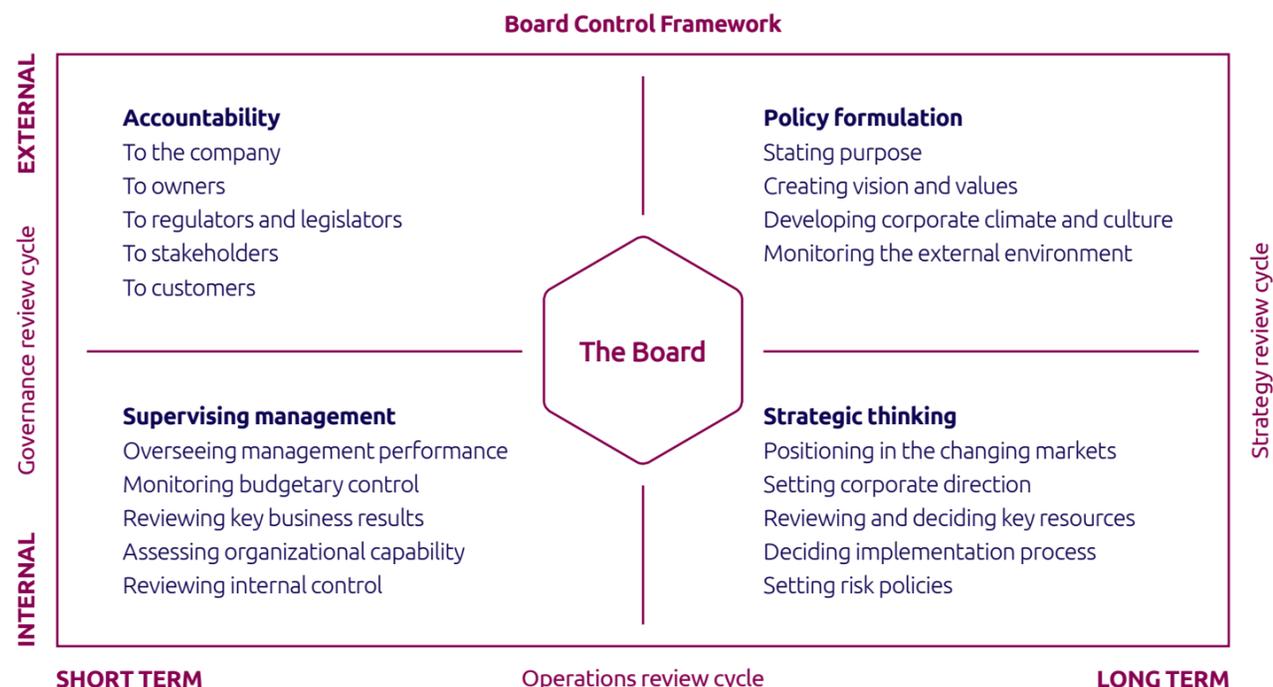
Compliance Department continued to review and improve the Suspicious Transaction Reporting (STR) to the CBUAE.

Compliance Department conducted various training programs in CBI on Compliance, AML/ CTF, sanctions, FATCA, CRS, etc. to convey the message of the importance of compliance and strengthening the compliance culture within CBI.

#### 3. The Board of Directors

The Board of Directors (Board) monitors and guides the organization’s strategies through the review and approval of CBI’s Risk Appetite Statement, Enterprise Risk Management Framework and related CBI policies, including the investment and credit policies, whether they originated directly from the Board or through the Board’s committees, to ensure adherence to specific standards in order to mitigate risks. The Board also ensures that CBI adopts a number of policies and rules that include the functions and responsibilities of the Board, along with defining the duties of its members. These policies and rules are developed in compliance with the provisions of applicable laws, allowing the possibility of being amended from time to time.

The Board plans to meet at least six (6) times a year to review and approve the annual budgets, capital expenditures, the strategic and business plans, periodic financial results and all new and renewed risk policies. Moreover, the Board regularly monitors CBI’s progress towards achieving its strategic goals and objectives, and recommends the necessary adjustments, where applicable. As part of its duties, the Board also ensures the implementation of an internal control system, including risk management, internal audit, compliance and financial control.



|   | Name                               | Nationality          | Title         |
|---|------------------------------------|----------------------|---------------|
| 1 | Mr. Mohammad Sultan Al Qadi        | United Arab Emirates | Chairman      |
| 2 | Mr. Ali Rashid Al Mohannadi        | Qatar                | Vice Chairman |
| 3 | Mr. Mohammad Ali Musabeh Al Nuaimi | United Arab Emirates | Member        |
| 4 | Mr. Mubarak Bin Fahed Al Mheiri    | United Arab Emirates | Member        |
| 5 | Mr. Ahmad Majid Lootah             | United Arab Emirates | Member        |
| 6 | Mrs. Fareeda Ali Abu Alfath        | Qatar                | Member        |
| 7 | Mr. Abdulla Ghith Al Suwaidi       | United Arab Emirates | Member        |
| 8 | Mr. Faisal Ali Al Tamimi           | Sultanate of Oman    | Member        |
| 9 | Mr. Hamad Salah Al Turkait         | Kuwait               | Member        |

**3.1 Board Structure**

In compliance with CBI’s Articles of Association, nine (9) members of the Board are elected or appointed for three (3) years, renewable for the same period. The Board has the widest authority to manage CBI and also the right to appoint several managers or authorized persons and to vest in them the right to sign, solely or jointly, on behalf of CBI.

**3.2 Board Composition and Size**

At the General Assembly held on March 30, 2017, nine (9) Members of the Board were elected. The term of the current Board expires in March 2020. In November 2018, two members resigned, and the Board appointed two new members in the vacant seats. The newly appointed members hold the required banking skills and experience to support the operation and growth of CBI.

In 2017, CBI’s Board of Directors elected Mr. Mohammad Sultan Al Qadi as the Chairman of the Board. Following the resignation of Mr. Ali Ahmed Al Kuwari as a Director in November 2018, the Board elected Mr. Ali Rashid Al Mohannadi as Vice Chairman of the Board.

Members of the Board must have the requisite expertise and skills that qualify them to conduct their duties towards CBI’s best interests. They are also committed to spending the required amount of time and attention towards the accomplishment of their duties for the duration of their tenure

**3.3 Board Responsibilities and Fiduciary Duties**

Each Board Member owes CBI the fiduciary duties of care, loyalty and compliance with the rules set out in related laws and regulations. Board Members act on an informed basis, in good faith, with due diligence and in the best interests of CBI and all shareholders and act effectively to fulfil their responsibilities towards CBI.

**3.4 The Chairman of the Board**

The Chairman is responsible for heading the Board Meetings and ensuring the proper functioning of the Board in an appropriate and effective manner, including timely receipt by the Board Members of complete and accurate information. He approves the agenda of every meeting of the Board, taking into consideration any matter proposed by any other Board Member. This task may be delegated by the Chairman to the Vice Chairman or any other Board Member, but the Chairman remains responsible for the proper discharge of this duty by the delegated Board Member. The duties of the Chairman, in addition to the provisions of the Board’s Charter, also endeavor to encourage all Board Members to fully and effectively participate in dealing with the affairs of the Board, to ensure that the Board is working in the best interest of CBI, in addition to ensure effective communication with shareholders and the communication of their opinions to the Board.

**3.5 Company Secretary**

The Board has appointed a Company Secretary. The Company Secretary is entrusted to work with the Chairman of the Board, the Chair Persons of each Board Committee and the Executive Management to ensure implementation of proper and effective corporate governance within the Bank and its Group Companies. The Company Secretary is also responsible to record, coordinate and register all the Board meetings, in addition to keeping custody of records, books and reports communicated to the Board. The Company Secretary’s functions include the distribution of information and coordination among Board Members and between the Board and the respective members of the Executive Management, to ensure the timely access of Board Members to all minutes of meetings and the implementation of the resolutions of the Board and the recommendations of its respective Committees.

The Board re-appointed Mr. Issam Dahman as the General Counsel and Company Secretary of CBI on 1st April 2017.

**3.6 Board Meetings**

According to CBI’s Articles of Association (Article 24), the Board is required to hold its meetings at least once in every two (2) months during the year. The meetings are held regularly or when called for by the Chairman or by two (2) Board Members. The invitation for the Board meeting should be communicated to all Board Members at least one (1) week prior to the meeting. In this regard, any Board Member can add a subject to the meeting’s agenda. The Board should periodically meet, in order to ensure that it is adequately fulfilling its roles and responsibilities, as well as to evaluate the performance of its members and the Board Committees.

In 2018, the Board held six (6) meetings with the following details:

| Name                                  | 4 Feb | 26 Apr | 3 Jul | 29 Oct | 13 Nov | 9 Dec |
|---------------------------------------|-------|--------|-------|--------|--------|-------|
| Mr. Mohammad Sultan Al Qadi           | √     | √      | √     | √      | √      | √     |
| Mr. Ali Ahmed Al Kuwari               | P+VC  | P+VC   | P+VC  | P+VC   | N/A    | N/A   |
| Mr. Ali Rashid Al Mohannadi           | P+VC  | P+VC   | P+VC  | P+VC   | P+VC   | P+VC  |
| Mr. Mohammad Ali Musabeh Al Nuaimi    | √     | √      | √     | √      | √      | √     |
| Mr. Mubarak Ahmad Bin Fahed Al Mheiri | √     | √      | √     | √      | √      | √     |
| Mr. Ahmad Majid Lootah                | √     | √      | √     | √      | √      | √     |
| Mr. Adel Abdul Aziz Khashabi          | P     | P+VC   | P+VC  | P+VC   | N/A    | N/A   |
| Mrs. Fareeda Ali Abu Alfath           | P+VC  | P+VC   | P+VC  | P+VC   | P+VC   | P+VC  |
| Mr. Abdulla Ghith Al Suwaidi          | √     | √      | √     | √      | √      | √     |
| Mr. Faisal Ali Al Tamimi              | N/A   | N/A    | N/A   | N/A    | N/A    | √     |
| Mr. Hamad Salah Al Turkait            | N/A   | N/A    | N/A   | N/A    | N/A    | √     |

√: Attended X: Absent P: Proxy VC: Video Conference N/A: Not Member/Resigned

The following Board Members had provided proxies to other Board Members to represent them in the Board Meetings:

| Proxy Granted By             | Proxy Granted To                      | Board Meetings                                      |
|------------------------------|---------------------------------------|---|
| Mr. Ali Ahmed Al Kuwari      | Mr. Mohammad Sultan Al Qadi           | 4 Feb, 26 Apr, 3 Jul, 29 Oct, 13 Nov and 9 Dec 2018 |
| Mrs. Fareeda Ali Abu Alfath  | Mr. Mubarak Ahmad Bin Fahed Al Mheiri | 4 Feb, 26 Apr, 3 Jul, and 29 Oct 2018               |
| Mr. Adel Abdul Aziz Khashabi | Mr. Abdulla Gaith Al Suwaidi          | 4 Feb, 26 Apr, 3 Jul, and 29 Oct 2018               |
| Mr. Ali Rashid Al Mohannadi  | Mr. Ahmad Majid Lootah                | 4 Feb, 26 Apr, and 3 Jul 2018                       |
| Mr. Ali Rashid Al Mohannadi  | Mr. Mohammad Ali Musabeh Al Nuaimi    | 29 Oct, 13 Nov and 9 Dec 2018                       |

### 3.7 The Committees of the Board

To appropriately perform their duties, the Board is assisted by six (6) specialized committees composed of Board Members and external specialized members, who report directly to the Board, perform functions on its behalf and improve its efficiency. These committees include, until the end of the year 2018, the Executive and Strategy Committee, the Credit Committee, the Audit Committee, the Risk Committee, the Nomination and Remuneration Committee and the Special Assets Committee. The following is a summary on the composition, duties and the working mechanism of these committees:

#### Board Executive and Strategy Committee (BEXCO)

The Board Executive and Strategy Committee is primarily responsible for the development and oversight of CBI's long-term strategy and its implementation. The Committee reviews CBI's annual budgets, business plans and expenditure limits for the Centralized Purchasing Committee, business planning, corporate social responsibility, marketing and communications, certain internal policies and matters relating to the Key Performance Indicators (KPIs) of the CEO and his/her direct reports.

The Committee also monitors CBI's quarterly performance against the strategy, business plans and budgets approved by the Board and Executive Management's implementation of the strategy and annual performance of CBI against the budgets. The Committee is chaired by the Vice Chairman of the Board and comprises of three (3) other Board Members. The CEO attends the meetings as an invitee (see table below for membership of the Committee).

| Membership   | Committee Composition  |
|--------------|--|
| Chair Person | Mr. Ali Rashid Al Mohannadi (previously Mr. Ali Ahmed Al Kuwari) |
| Vice Chair   | Mr. Mohammad Ali Musabeh Al Nuaimi                               |
| Member       | Mr. Mubarak Ahmad Bin Fahed Al Mheiri                            |
| Member       | Mr. Ahmad Majid Lootah   |
| Invitee      | Chief Executive Officer  |
| Invitee      | Chief Financial Officer  |
| Secretary    | General Counsel and Company Secretary                            |

The Committee aims to meet a minimum of four (4) times a year. The Committee held three (3) meetings during the year 2018.

#### Board Audit Committee (BAC)

The Audit Committee monitors the quality and integrity of CBI's accounting policies, financial reporting and disclosure, the soundness of the internal controls framework, compliance with legal and regulatory requirements, independence and qualifications of the external auditors and performance, output and reports submitted by the internal audit function.

The Committee obtains explanation from Management and Internal Audit Department and external auditors about the functioning of the control mechanisms within CBI and oversees special investigations, as and when needed.

The Committee comprises of the Chair Person who is nominated from among the Board Members, one (1) Board Member, and two (2) external subject matter experts, who have expertise in accounting, auditing and finance. The CEO attends the meetings as an invitee (see table below for membership of the Committee).

| Membership   | Committee Composition  |
|--------------|--|
| Chair Person | Mr. Ali Rashid Al Mohannadi  |
| Vice Chair   | Mr. Mohammad Sultan Al Qadi  |
| Member       | Mrs. Mona Abbas Hussain (External)                                   |
| Member       | Mrs. Fatima Al Suwaidi (External – resigned effective December 2018) |
| Invitee      | Chief Executive Officer  |
| Invitee      | Head of Internal Audit   |
| Invitee      | Chief Financial Officer  |
| Secretary    | General Counsel and Company Secretary                                |

The Committee aims to meet a minimum of four (4) times per year and immediately prior to the publication of the annual, half-yearly and quarterly financial results of CBI. The Committee held four (4) meetings during 2018.

**Board Risk Committee (BRC)**

The Board Risk Committee reviews and endorses the risk management strategy, risk management and compliance frameworks and policies, risk appetite profile and risk concentrations and trends. BRC oversees and evaluates the monitoring process performed by Management Risk Committee and directly oversees the Compliance and Risk functions.

The Committee comprises of the Chair Person, who is nominated from among the Board Members, one (1) Board Member and two (2) external subject matter experts.

| Membership   | Committee Composition                                     |
|--------------|---|
| Chair Person | Mr. Ahmad Majid Lootah                                    |
| Vice Chair   | Mr. Mubarak Ahmad Bin Fahed Al Mheiri                     |
| Member       | Mr. Hamad Salah Al Turkait (effective from December 2018) |
| Member       | Mr. Douglas Dowie (External)                              |
| Member       | Mrs. Vanessa Fisk (External)                              |
| Invitee      | Chief Executive Officer                                   |
| Invitee      | Chief Risk Officer  |
| Invitee      | Chief Risk Officer  |
| Secretary    | General Counsel and Company Secretary                     |

The Committee aims to meet minimum six (6) times per year. The Committee held six (6) meetings during 2018.

**Board Credit Committee (BCC)**

The Board Credit Committee oversees CBI's credit risk portfolio and guides CBI's core lending operations by supervising and reviewing overall customer credit, inter-group investment exposures and portfolio concentration. The Committee also authorizes individual transactions, credit proposals, credit facilities and sectoral limits falling within the authority delegated by the Board to the Committee and above the authorized limit set for Management. The Committee recommends action to be taken on impaired loans, in line with the delegated limits and reviews the status of pending litigation matters, on a quarterly basis.

The Committee consists of the Chair Person, who is nominated from among the Board Members and two (2) Board Members. The CEO attends the meetings as an invitee (see table below for membership of the Committee). The Committee's decisions are taken by unanimous vote of its members and in case of disagreement, the matter will be referred to the Board for a decision.

| Membership   | Committee Composition                                   |
|--------------|---|
| Chair Person | Mrs. Fareeda Ali Abu Alfath                             |
| Vice Chair   | Mr. Mohammad Ali Musabeh Al Nuaimi                      |
| Member       | Mr. Abdulla Gaith Al Suwaidi                            |
| Member       | Mr. Faisal Ali Al Tamimi (Effective from December 2018) |
| Invitee      | Chief Executive Officer                                 |
| Invitee      | Chief Risk Officer                                      |

|           |                                       |
|-----------|---------------------------------------|
| Invitee   | Chief Wholesale Banking Officer       |
| Invitee   | Head of Corporate Credit Risk         |
| Secretary | General Counsel and Company Secretary |

The Committee aims to meet minimum six (6) times per year. The Committee held nine (9) meetings during 2018.

**Board Nomination and Remuneration Committee (BNRC)**

BNRC is responsible for the nomination and remuneration of Board Members, as well as top executives in the Bank. BNRC also review Board's effectiveness and recommend appropriate governance developments. BNRC is tasked to review strategic matters related to Human Resources, nationalization and employee compensation schemes.

The Committee consists of the Chair Person, who is nominated from among the Board Members and two (2) Board Members. The CEO attends the meetings as an invitee (see table below for membership of the Committee).

| Membership   | Committee Composition                                     |
|--------------|---|
| Chair Person | Mr. Mohammad Sultan Al Qadi                               |
| Vice Chair   | Mr. Adel Khashabi (resigned effective from November 2018) |
| Member       | Mr. Abdulla Gaith Al Suwaidi                              |
| Invitee      | Chief Executive Officer                                   |
| Invitee      | Chief Human Resources Officer                             |
| Secretary    | General Counsel and Company Secretary                     |

The Committee aims to meet minimum two (2) times per year. The Committee held three (3) meetings during 2018.

**Board Special Assets Committee (BSAC)**

BSAC is responsible for overseeing CBI's portfolio of non-core assets, including the real estate assets, shares and other investments. BSAC has an objective to gradually divest assets that do not form part of the Bank's core business, either by direct sale or through further investment and development.

The Committee consists of the Chair Person, who is nominated from among the Board Members and one (1) Board Member, the CEO and two subject matter experts. The head of Workplace Solutions Department attends the meetings as an invitee (see table below for membership of the Committee).

| Membership   | Committee Composition                  |
|--------------|--|
| Chair Person | Mr. Mubarak Ahmad Bin Fahed Al Mheiri  |
| Vice Chair   | Mr. Mohammad Ali Musabeh Al Nuaimi     |
| Member       | Mr. Ahmad Al Suwaidi (External)        |
| Invitee      | Chief Executive Officer                |
| Invitee      | Head of Workplace Solutions Department |
| Secretary    | General Counsel and Company Secretary  |

The Committee aims to meet minimum two (2) times per year. The Committee held two (2) meetings during 2018.

#### 4. CBI Executive Management

The Board of Directors appointed Mr. Mark Timothy Robinson as the Chief Executive Officer for the Bank on October 23rd, 2014.

Mr. Mark T. Robinson has over 30 years' experience in banking and finance. He is a seasoned senior executive in international finance with a strong track record of leading and developing banks in diverse markets. Prior to joining CBI, he worked with ANZ Banking Group, where he was the CEO for Europe, Middle East, America and India. Before ANZ, he had a long career with Citi group, including CEO roles in South Asia, Russia/CIS and Turkey. Early in his career at Citi group, he held various roles including Relationship Management, Human Resources and Corporate Finance in Pakistan, the United States of America and Hong Kong.

The CEO is assisted in his duties by a specialized and highly qualified team from the Executive Management. Nine (9) Heads of Departments reports directly to the CEO: Chief Operating Officer; Chief Risk Officer; Chief Financial Officer; Chief Human Resources Officer; Head of Treasury and Markets, Chief Wholesale Banking Officer, Head of Retail Banking, the

General Counsel and Company Secretary, and Head of Strategy, Insight and Communications.

CBI's Executive Management is fully aware of its role in terms of Corporate Governance through its commitment to implementing the legislative requirements and the Board's instructions in a way that strengthens the control environment in the various processes and banking activities; this includes determining the deviations from the objectives, ensuring the convergence of operations to achieve the desired goals and implementing corrective actions when required.

Executive Management is also committed to assessing the behavior of individuals and organizational units through the development of effective internal controls, which enhance the monitoring of business performance and risk measurement. In addition, supplementary controls have been implemented, such as incremental audit checks, segregation of duties, and restriction of powers, in addition to the implementation of limits on all banking operations through the adoption and monitoring of an authority matrix. The CEO relies on a number of multi- function internal committees in the execution of his functions.

|    |  |                      |
|----|--|----------------------|
| 1  | Chief Executive Officer                      | Chairman             |
| 2  | Chief Risk Officer                           | Member               |
| 3  | Chief Human Resources Officer                | Member               |
| 4  | Chief Operating Officer                      | Member               |
| 5  | Chief Financial Officer                      | Member               |
| 6  | Chief Wholesale Banking Officer              | Member               |
| 7  | Head of Retail Banking                       | Member               |
| 8  | Head of Treasury and Markets                 | Member               |
| 9  | General Counsel and Company Secretary        | Member               |
| 10 | Head of Strategy, Insight and Communications | Member and Secretary |

#### 4.1 Executive Committees

CBI has five (5) specialized committees on the management level. The Committees' meetings are held if a quorum of majority of the Committee Members is achieved, including the Chairman of the Committee. If any member is absent, a representative must be nominated to attend the meeting.

A summary of the tasks of the various committees is highlighted below:

Executive Management Committee (Senior Leadership Team - SLT)

The Committee corresponds to the Executive Committee (EXCO) at the management level. The Executive Management Committee is responsible for overseeing of Bank's performance, strategy formulation and its implementation on the executive level. This Committee is also responsible for reviewing CBI's financial and operating performance, including performance of IT, HR, and other departments of CBI.

- ▶ The Committee reports to the Board Executive and Strategy Committee (EXCO).
- ▶ Meets on a weekly basis.

#### Management Risk Committee

The Management Risk Committee is responsible for reviewing risk management strategy of CBI and the risk control framework, evaluating the monitoring process and reports CBI's annual CBUAE and ICAAP regulatory requirements and compliance function of CBI, at the management level.

- ▶ The Committee reports to the Board Risk Committee.
- ▶ Meets for a minimum six (6) times a year.
- ▶ The Committee held six (6) meetings during the year 2018.

|   |                                       |             |
|---|---------------------------------------|-------------|
| 1 | Chief Executive Officer               | Chairperson |
| 2 | Chief Risk Officer                    | Member      |
| 3 | Chief Financial Officer               | Member      |
| 4 | Chief Operating Officer               | Member      |
| 5 | General Counsel and Company Secretary | Member      |
| 6 | Head of Compliance                    | Member      |
| 7 | Head of Enterprise Risk Management    | Member      |
| 8 | Head of Internal Audit Department     | Invitee     |
| 9 | Manager- Risk Analytics               | Secretary   |

#### Asset and Liabilities Committee

The Assets and Liabilities Committee is responsible for monitoring all treasury activities, interest rate risk, liquidity, and foreign exchange risks across CBI and reviews and recommends strategies, policies and procedures relating to asset liability management across CBI, including reporting to the Board as and when required. The Committee is also responsible for ensuring compliance with treasury limits and ratios approved by the Board and required by the Central Bank.

- ▶ The Committee reports to the Board Executive Committee (EXCO) and Board.
- ▶ Meets minimum once a month.
- ▶ The Committee held ten (10) meetings during the year 2018.

|   |                                 |             |
|---|---------------------------------|-------------|
| 1 | Chief Executive Officer         | Chairperson |
| 2 | Head of Treasury and Markets    | Member      |
| 3 | Chief Finance Officer           | Member      |
| 4 | Chief Risk Officer              | Member      |
| 5 | Chief Wholesale Banking Officer | Member      |
| 6 | Head of Retail Banking          | Member      |
| 7 | Head of Market Risk             | Member      |
| 8 | Manager - Fixed Income          | Secretary   |

**Centralized Purchasing Committee**

Centralized Purchasing Committee is responsible for reviewing and approving the scope of services, purchases, list of vendors and suppliers, bids, quotes for the purposes of purchases and award tenders to external vendors on behalf of CBI and while doing so ensures overall compliance with CBI’s Procurement Policy and Financial Authority Matrix.

The Committee is also responsible for addressing and resolving disputes with suppliers/vendors in relation to services, purchases, payments etc.

- ▶ The Committee meets on an ad-hoc basis, i.e. as and when needed.
- ▶ The Committee addressed its business by circulation and meets whenever a material discussion is required.

|   |                                   |             |
|---|-----------------------------------|-------------|
| 1 | Chief Executive Officer           | Chairperson |
| 2 | Chief Financial Officer           | Member      |
| 3 | Chief Operating Officer           | Member      |
| 4 | Chief Wholesale Banking Officer   | Member      |
| 5 | Chief Human Resources Officer     | Member      |
| 6 | Head of Internal Audit Department | Observer    |
| 7 | Legal Manager                     | Secretary   |

**Internal Credit Committee**

Internal Credit Committee is responsible for reviewing and monitoring CBI’s overall credit portfolio, by recommending and implementing credit policies and procedures relating to all wholesale and retail department customers. The Committee is also responsible for monitoring and reviewing the performance of all investment activities across CBI in terms of profitability, credit performance, other risks, volatility and volumes. The Committee makes recommendations to the Board Credit Committee in relation to CBI’s credit issues and performance, country risk exposures and ensures compliance with investment limits and ratios approved by the Board, CBUAE or Executive Management.

- ▶ The Committee meets on an ad-hoc basis, i.e. as and when needed.

|   |                                 |             |
|---|---------------------------------|-------------|
| 1 | Chief Executive Officer         | Chairperson |
| 2 | Head of Wholesale Credit Risk   | Member      |
| 3 | Chief Wholesale Banking Officer | Member      |
| 4 | Chief Risk Officer              | Observer    |

**5. Internal Control System**

CBI continued to strengthen and improve the communication channels with its regulators, to ensure that it provides the regulatory authorities with timely, accurate, clear and transparent information in order to assist them in their supervisory duties.

The Board assumes ultimate responsibility for CBI’s system of internal controls, whereby specific policies, guidelines and controls covering the entire CBI’s transactions have been devised. Moreover, the determination of delegated authority limits, privileges, authorization and related monitoring processes, are implemented with emphasis on segregation of duties and dual control. The Board is responsible for CBI’s Risk Appetite Statement and suite of risk policies.

The Audit Committee is responsible for ensuring the effectiveness of the operating systems and control processes by monitoring, overseeing, and evaluating the duties and responsibilities of the Management, the Internal Audit Function and the external auditors. The Audit Committee also ensures that all major issues reported by Internal Audit Department, external auditors and regulators have been satisfactorily addressed.

CBI’s Executive Management is delegated the responsibility for the overall control of these systems in coordination with the concerned Head of Departments.

The Executive Management of CBI assumes the responsibility for:

- Establishing a network of processes with the objective of facilitating smooth and efficient workflow within all functions of CBI.
- Establishing operational controls.

Systems and controls are established in a manner which provides the Board with reasonable assurance that:

- Data and information published either internally or externally (including websites) is accurate, reliable, and timely.

- The actions of Board Members, Executive Management and employees are in compliance with CBI’s Risk Appetite Statement, policies, standards, plans and procedures, and all relevant laws and regulations of the CBUAE and the SCA.
- CBI’s resources (including its people, systems, data/information bases, and customer information) are adequately protected.
- Resources are acquired and employed profitably laying special emphasis on adherence to quality and continuous improvement.
- CBI sets realistic plans, programs, goals, and objectives, which are achievable.

CBI’s business and process units, the control functions and the internal audit function comprise ‘the three lines of defense’. The business and process units are the first line of defense as they are expected to undertake risks within assigned limits of risk exposure and are responsible and accountable for identifying, assessing and controlling the risks of their businesses.

The second line of defense includes the control functions, such as risk management, compliance which ensures that the risks in the business and process units have been appropriately identified and managed. The Chief Risk Officer and the Head of Compliance report to the Board Risk Committee.

The third line of defense is the internal audit function that independently assesses the effectiveness of the processes created in the first and second lines of defense and provides assurance on these processes as well as value added recommendations to improve the process and promote best practice. The Head of the Internal Audit Department reports directly to the Board Audit Committee.

**5.1 Internal Audit Department**

Internal Audit is an independent appraisal function established to evaluate the adequacy and effectiveness of controls, systems, policies and procedures within CBI. The objectives of the Internal Audit Function are as follows:

- Review the business activities that are carried out by the respective departments within the organization and determine whether they are in accordance with the CBI’s objectives, policies and procedures and relevant rules and regulations;
- Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- Review and appraise the efficiency with which resources are employed; and
- Review and evaluate governance and risk management processes.
- The Internal Audit Function is accountable to the Board (through the Board Audit Committee) and:
- Provides a periodic assessment on the adequacy and effectiveness of CBI’s processes for controlling its activities and managing its risks;
- Reports significant issues related to governance, risk management and internal control processes, including improvements to those processes;
- Periodically provides information on the status and results of the audit plan and the sufficiency of the internal audit resources; and
- Coordinates with and provide overview of other control and monitoring functions (e.g. risk management, compliance and information security).

The Head of Internal Audit Department reports functionally to the Board Audit Committee with administrative reporting to the CEO. The Head of Internal Audit Department is appointed by the Audit Committee and submits periodic reports directly to the Audit Committee of the Board. The Audit Committee is responsible for the appointment, removal and compensation of the Head of Internal Audit Department in order to enhance the independence and objectivity of the Internal Audit function.

The Internal Audit function ensures it is free from any conflict of interest arising either from professional or personal relationships or other interests in CBI

Group or related activity. In order to preserve its objectivity and independence, the Internal Audit function has no direct operational responsibility or authority over any of the activities audited and remains independent of the audited activities. Accordingly, the Internal Audit function does not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment. However, it may, if deemed appropriate by the Audit Committee, or if requested by Executive Management, review systems under development or implementation and advise on appropriate controls without prejudicing its right to subsequently audit such systems.

The Internal Audit function remains free from interference by any element in CBI, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude. The Head of Internal Audit Department is required to disclose any such interference to the Audit Committee and discuss its implications.

On a regular basis, the Internal Audit function liaises with Finance Department and external auditors, to ensure timely release and publication of quarterly results, as per statutory requirements.

The Head of Internal Audit Department routinely participates in various committees including Core Banking Project Steering Committee, Management Risk Committee, Operational Risk Committee, Internal Control Committee and Centralised Purchase Committee as a non-voting observer but a value-adding member.

Mr. Susheel Raje is the Head of Internal Audit Department of CBI.

**5.2 Compliance Department**

Monitoring of compliance with laws, provisions and standards is considered the common prominent responsibility of the Compliance Department, Executive Management and the Board. Compliance Department is an independent function, characterised by an official status within CBI, which undertakes the identification, evaluation, monitoring and reporting of compliance risks, which include the risk of legal sanctions, legislative and financial loss, or damage to the reputation of CBI as a result of failure to abide by laws and regulations, the charter of professional conduct and the standards of good practices. In order to enable the Compliance Department to efficiently perform its functions and responsibilities, it has been granted authority to deal with compliance matters within CBI's activities and has been given unrestricted access to all information, employee records and CBI's operations in the U.A.E.

Compliance Department is also empowered to conduct investigations relevant to any possible irregularity. Compliance Department's responsibilities are carried out through the implementation of a compliance program that specifies its activities. The Board Risk Committee approves the Compliance policies and Compliance procedures are approved at the appropriate management/ committee level. Compliance Department submits periodic reports to the Board Risk Committee, Management Risk Committee and the CEO concerning compliance issues, irregularities, and the corrective actions hence implemented.

During 2018, Compliance Department made significant efforts to strengthen the compliance framework across the compliance resources, systems and controls to enhance the implementation of the principles of Corporate Governance and Institutional Compliance, along with supporting

the Executive Management and Board in the consolidation of Corporate Governance concepts and to meet legal and regulatory requirements of CBI, as well as identifying and assessing the risks of business related discipline. The different steps taken by Compliance in this regard are referred to in Section 2 (CBI Achievements During 2018 to Enhance Corporate Governance Approach) of this Annual Corporate Governance Report (Refer item 2.2 of this Annual Corporate Governance Report). As a result of CBI's efforts to adhere to the regulatory requirements and directives, no major penalty was imposed on CBI by a regulatory authority during the year 2018.

The Head of Compliance participates in various Management Committees including the Compliance and Operational Risk Committee and the Management Risk Committee as a voting member and routinely in other Management Committees including Internal Control Committee as a non-voting observer but a value-adding member.

Mr. Christian Schnetler is the Head of the Compliance Department of CBI.

**5.3 Risk Management Group**

Risk Management Department, headed by the Chief Risk Officer, undertakes the design and implementation of the Risk framework, as approved by the Board. Risk management policies and procedures are established in order to identify, assess and monitor the risks at organizational level within the bank's risk capacity and risk appetite. The process of independent risk oversight is a part of the strategic planning for CBI and includes business risks such as variables that may arise in the environment, technology and business.

Risk Management Department is considered the ultimate administrative authority vested to deal with the various

risk aspects at the organizational level. Risk Management Department undertakes the formulation and review of the risk management strategy, defines the risk management policies and recommends for Board approval, evaluates the activities of risk management and control mechanisms, and assesses and determines CBI's operational (including cyber security), credit, market, strategic, legal, reputational and external risks. Risk Management Department also ensures the implementation of operational plans to monitor and manage these risks, reviews and monitors cases of fraud and operating losses, and oversees the legal disputes at all levels of CBI. In order to achieve the strategic objectives of CBI, the Risk Management Department has spent obvious efforts to strengthen the risk management environment of CBI.

**Interaction of Risk Appetite with Business Strategy**

The CBI risk appetite framework has been enhanced through continued progress in the development of appropriate quantitative and qualitative

risk appetite measures. These measures provide a principle basis for determining and monitoring risk-based performance across the bank as actual, forecast and stress targets. The target measures are a product of the CBI's risk appetite statement and definition that aligns directly from CBI's vision and strategy. To embed CBI's risk appetite, risk adjusted performance indicators for key business units, their segments and all of CBI's entities are calculated and distributed on a monthly basis to the Asset and Liability Committee and Executive Management. CBI has also updated its country risk limits framework which is also aligned to the CBI's capital adequacy targets and enhances CBI's ability to cascade risk appetite limits on a risk discriminant basis.

Mr. Peter Rossiter is the Chief Risk Officer of CBI.

**6. External Audit**

In accordance with Article 243 of the Federal Law No. (2) of 2015 concerning Commercial Companies and Chapter 7 (in general provisions) and SCA

Corporate Governance Rules; CBI's General Assembly appoints an external auditor for one (1) fiscal year based on recommendations made by the Audit Committee and the Board, provided the external auditor is not appointed for more than three (3) years consecutively.

The General Assembly evaluates the performance of the external auditors and approves their reappointment and their remuneration. Currently, Price Waterhouse Coopers have been appointed as external auditors until December 31, 2018. The external auditors attend the General Assembly meeting to present their report and answer any queries raised by shareholders. In accordance with International Standards on Auditing, the external auditor conducts an audit of CBI's financial statements, quarterly and annually. The external auditor presents their reports to the Board and the General Assembly in conformity with the laws of the U.A.E.

The General Assembly has approved AED 700,000 as professional fees for the external auditors (PWC) to conduct audit work in 2018.

**7. Credit Ratings**

| CBI               | Fitch Issuer Default Rating (IDR) | Capital Intelligence Foreign Currency Rating (FCR) |
|-------------------|-----------------------------------|--|
| Long-Term Rating  | BBB+                              | A-   |
| Short-Term Rating | BBB+                              | A3   |
| Outlook           | Stable                            | Negative   |

**8. Capital and Shares**

The authorized, issued and fully paid up share capital of CBI totaling AED 1,737,383,050.00 (One Billion Seven Hundred Thirty Seven Million Three Hundred Eighty Three Thousand and Fifty Dirhams) consists of 1,737,383,050 (One Billion Seven Hundred Thirty Seven Million Three Hundred Eighty Three Thousand and Fifty) ordinary shares of AED 1 (One Dirham) each.

### 8.1 Shareholding Structure of CBI

As of December 31, 2018, the shareholding structure of CBI was distributed in the following manner:

| Citizenship of Owners | Individuals | Companies | Government | Total      |
|-----------------------|-------------|-----------|------------|------------|
| U.A.E.                | 133         | 27        | 1          | <b>161</b> |
| G.C.C.                | 154         | 13        | 0          | <b>167</b> |
| Arab                  | 32          | 0         | 0          | <b>32</b>  |
| Others                | 20          | 4         | 0          | <b>24</b>  |
| <b>Total</b>          | <b>339</b>  | <b>44</b> | <b>1</b>   | <b>384</b> |

### 8.2 Major shareholders of CBI

As of December 31, 2018, the following entities have more than 5% shareholding in CBI:

- Qatar National Bank 40%
- Mohd Omar Bin Haidar Investment 11.12%

### 8.3 Shareholders distribution based on the volume

As of December 31, 2018, the shareholding of CBI was distributed in the following volumes:

| Share Ownership Volume | Number of Shareholders | Number of Shares Owned | Percentage of Owned Shares |
|------------------------|------------------------|------------------------|----------------------------|
| Less than 50,000       | 290                    | 1,511,809              | 0.09%                      |
| 50,000 – 500,000       | 49                     | 9,502,303              | 0.54%                      |
| 500,000 – 5,000,000    | 21                     | 31,392,510             | 1.81%                      |
| Above 5,000,000        | 24                     | 1,694,976,428          | 97.5%                      |
| <b>Total</b>           | <b>384</b>             | <b>1,737,383,050</b>   | <b>100%</b>                |

### 8.4 Shareholders' Rights

The Corporate Governance practices within CBI protect and facilitate the exercise of shareholders' rights and ensure the equitable treatment of all shareholders, including minority shareholders. CBI maintains open and transparent channels of communication with its shareholders and has published all the necessary information for investors and stakeholders on a regular basis through its website, as well as other media.

A dedicated work team, led by the General Counsel and Company Secretary, are entrusted to provide analysts and shareholders with the latest updates on CBI's activities. CBI's Articles of Association also confirm that all capital shares hold equal rights, without discrimination, in terms of ownership in CBI's assets, profits, attendance to the General Assembly meetings and voting, in application of the principle of "one vote per share".

In accordance with the Commercial Companies Law, the Articles of Association states that the General Assembly shall hold one (1) ordinary meeting within four (4) months following the end of each financial year. The Board may call for a meeting of the General Assembly at its own discretion or whenever requested to do so for a certain purpose by the external auditor or by shareholders holding at least 20% of CBI capital.

The General Assembly may hear any proposal included in the agenda by the Board, and such proposal may be presented by a number of shareholders owning not less than 10% of the total number of shares of CBI.

Shareholders have the right to vote during the General Assembly in person or be replaced by another shareholder as a proxy. The Board presents its suggestions on the dividends distribution to the shareholders in the General Assembly based on CBI's performance and results, along with the CBI's strategy.

### 8.5 Disclosure

The Corporate Governance framework within CBI ensures timely and accurate disclosure is made on all material matters regarding CBI, including the financial situation, performance, ownership, and governance of CBI. It abides by all disclosure requirements and furnishes all financial information and audit reports accurately and transparently to remain in line with international best practices as well as local regulatory requirements including financial data, reports of CBUAE, and the disclosures made to the ADX.

CBI affirms that all statements supplied in this regard are, to the best of its knowledge and belief, true, accurate and not misleading. Moreover, all of CBI's annual financial reports comply with the International Financial Reporting Standards (IFRS) and the applicable provisions of CBU.A.E. regulations. The external auditors' report includes affirmations that they have received all required information and that the audit was conducted in accordance with the International Standards on Auditing (ISA).

### 8.6 Board Members Dealings and Related Party Transactions

The Board and the Executive Management review on regular basis all transactions with related parties. In 2018 CBI has not recorded any single transaction with a related party that exceed 5% of CBI's capital.

### 8.7 Conflicts of Interest and Insider Trading

As part of CBI's policy, all Board Members, Executives and insiders are aware of their legal and regulatory duties and obligations in relation to matters of conflict of interest and insider trading transactions.

No conflict or suspicious transactions has been reported as an insider trading.

### 9. Handling of Customer Complaints

Customer complaints are a crucial source of information in order to enhance and develop CBI's activities, whereby customers are considered key to success and prosperity. Some organizations consider the customer the backbone for their survival, continuity and success; therefore, the establishment of a Customer Satisfaction Unit that addresses their complaints has become a major and crucial objective for executive management in developed institutions. In the light of progress in legislation, laws and regulations that govern the relationship with the customers, and for the purpose of promoting and developing the transparency with stakeholders, CBI has established the framework and the appropriate mechanism for an independent unit specialized in managing customers' complaints (Complaint Management).

Following the guidelines and recommendations of the UAE Banks Federation (UBF), CBI has set up a Customer Care Department to ensure complaints are expeditiously handled and to customer satisfaction as far as possible, in line with the main principles of UBF, (Transparency, Fairness, Empathy, Reliability and Accessibility).

In applying these guidelines while resolving complaints CBI aims to increase service quality standards and contribute to customer confidence in the banking sector within the U.A.E.

In 2018, 91% of customer complaints were resolved within target of forty eight (48) working hours. Complaints were managed on a priority basis and root-cause analysis was performed to ensure continuous improvement in CBI's processes and service levels.

Ensuring multiple access channels for customers raising complaints with a centralized approach to monitoring, managing and resolving complaints by one department has helped in terms of understanding customer concerns and providing them with required assistance through their preferred communication channel.

### 10. Board Directors' Remuneration for 2018

For serving on the Board for the year ended on December 31, 2018, each board member received AED 500,000 in annual remuneration and the Chairman received an additional AED 500,000 for his additional responsibilities.

For the year 2018, the Board Members received professional fees for their respective participation and contribution to the Board relevant Committees. The details of the professional fees are listed below:

| Board Member                             | Professional Fees in 2018 |
|--|---------------------------|
| Mr. Mohammad Sultan Al Qadi              | AED 140,000               |
| Mr. Ali Rashid Al Mohannadi              | AED 80,000                |
| Mr. Mohammad Ali Musabeh Al Nuaimi       | AED 280,000               |
| Mr. Mubarak Bin Fahed Al Mheiri          | AED 200,000               |
| Mr. Ahmad Majid Lootah                   | AED 160,000               |
| Mrs. Fareeda Ali Abu AlFath              | AED 160,000               |
| Mr. Abdulla Ghith Al Suwaidi             | AED 240,000               |
| Mr. Faisal Ali Al Tamimi                 | AED 20,000                |
| Mr. Ali Ahmed Al Kuwari (ex-member)      | AED 60,000                |
| Mr. Adel Abdul Aziz Khashabi (ex-member) | AED 20,000                |

### 11. Special Resolutions raised at General Assembly

The following topic was raised as an item for special resolutions, at the General Assembly 2018:

| Items:   | Status       |
|--|--------------|
| • Approve Budget for Corporate Social Responsibility | Not Approved |

### Conclusion

In line with its strategic vision to become a market-leading bank, CBI has continued its efforts to enhance its existing Corporate Governance Framework and adopt the latest best practices in this regard, in order to maintain the stability and soundness of the organization and the trust of the shareholders, potential investors and all other stakeholders.

The year 2018 was a pivotal step towards preparing the next era of CBI Governance and management pillars in terms of the new set-up of the Board, the Board Committees, and related Executive Management support functions.

As Corporate Governance is the responsibility of all the financial players in the United Arab Emirates, we would like to extend our appreciation to the Central Bank, the Securities and Commodities Authority, and the Ministry of Economy and Commerce and all other concerned government bodies for their efforts and support to CBI in smoothly fulfilling its transitional procedures. We would also like to thank all CBI stakeholders for their attention, consideration and contributions to helping CBI become what it is today.

**Notes**