

Commercial Bank International PSC

Corporate Governance Report

2018

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 mean 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 for the purpose of updating its governance 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 the 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 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 and accurate job descriptions, key performance indicators, the determination of the authorities and responsibilities, the internal and external reporting requirements and the roles, responsibilities and the Board Charter, the Board's committees 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 during 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 in building 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 summarizes CBI's 2018 key 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 (EXCO)
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 are 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 the Compliance Department, which directly reports to the Board Risk Committee.

An on-going effort is exerted to ensure compliance of new products and services 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 operations departments to provide regulatory updates and seek approvals, where required.

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

Promotion of the Ethical Behavior

Among other responsibilities of the Executive Management, is ensuring that the culture within CBI reinforces the 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 interest 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.

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 accurate, clear and transparent information in order to assist regulators 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 comply 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 ensure 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 new online Financial Crime (Anti-Money Laundering and Sanctions) and Compliance training and awareness. 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.

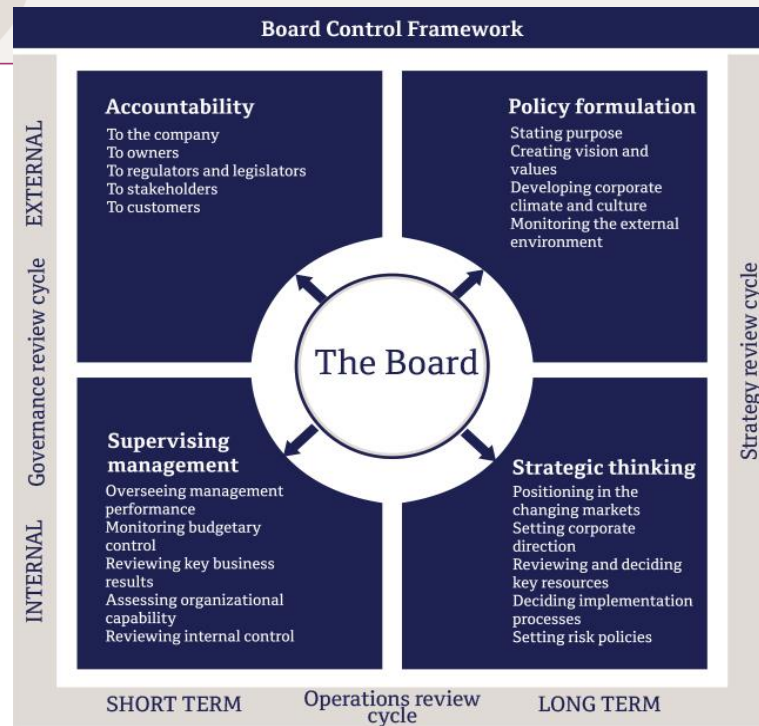
Compliance Department continued to review and improve the Suspicious Transaction Reporting (STR) to the CBUAE.

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 (Board)

The 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 meets 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.



3.1 Board of Directors Structure

In compliance with CBI’s Articles of Association, nine (9) members of the Board are elected or nominated for three (3) years renewable for the same period. The Board has the widest authority to manage CBI and has 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 growth of CBI.

In 2017, the CBI’s Board of Directors elected Mr. Mohammad Sultan Al Qadi as 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 Mohammadi 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.

	Name	Nationality	Title
1	Mr. Mohamed Sultan Al Qadi	United Arab Emirates	Chairman
2	Mr. Ali Rashid Al Mohannadi	Qatar	Vice Chairman
3	Mr. Mohamed Ali Al Nuaimi	United Arab Emirates	Member
4	Mr. Mubarak Bin Fahad 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

3.3 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 said 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 for ensuring 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:

Board Member	4 Feb	26 Apr	3 Jul	29 Oct	13 Nov	9 Dec
Mr. Mohamed Sultan Al Qadi	√	√	√	√	√	√
Mr. Ali Ahmed AlKuwari	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. Mohamed Ali Al Nuaimi	√	√	√	√	√	√
Mr. Mubarak Ahmad Bin Fahad Al Mheiri	√	√	√	√	√	√
Mr. Ahmad Majid Lootah	√	√	√	√	√	√
Mr. Adel AbdulAziz 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 AlKuwari	Mrs. Mohamed 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 Fahad Al Mheiri	4 Feb, 26 Apr, 3 Jul, and 29 Oct 2018
Mr. Adel AbdulAziz Khashabi	Mr. Abdulla Ghith 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. Mohamed Ali 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 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 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 AlKuwari)
Vice Chair	Mr. Mohamed Ali Al Nuaimi
Member	Mr. Mubarak Ahmad Bin Fahad 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. Mohamed Sultan Al Qadi
Member	Mrs. Mona Abbas Hussain (<i>External</i>)
Member	Mrs. Fatima Al Suwaidi (<i>External – resigned effective December 2018</i>)
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 the year 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 Fahad Al Mheiri
Member	Mr. Hamad Salah Al Turkait (<i>effective from December 2018</i>)
Member	Mr. Douglas Dowie (<i>External</i>)
Member	Mrs. Vanessa Fisk (<i>External</i>)
Invitee	Chief Executive Officer
Invitee	Chief Risk Officer
Invitee	Head of Compliance
Secretary	General Counsel and Company Secretary

The Committee aims to meet minimum six (6) times per year. The Committee held **six (6)** meetings during the year 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 Committees decisions are made by unanimous vote of its members and in case of differences the matter will be referred to the Board for a decision.

Membership	Committee Composition
Chair Person	Mrs. Fareeda Ali Abu Alfath
Vice Chair	Mr. Mohamed Ali Al Nuaimi
Member	Mr. Abdulla Ghith Al Suwaidi
Member	Mr. Faisal Ali Al Tamimi (<i>Effective as from December 2018</i>)
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 the year 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 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. Mohamed Sultan Al Qadi
Vice Chair	Mr. Adel Khashabi (<i>resigned effective November 2018</i>)
Member	Mr. Abdulla Ghith 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 the year 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 Fahad Al Mheiri
Vice Chair	Mr. Mohamed Ali Al Nuaimi
Member	Mr. Ahmad Al Suwaidi (<i>External</i>)
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 the year 2018.

4. CBI Executive Management

The Board of Director appointed Mr. Mark Timothy Robinson as 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 international financial executive 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 Citigroup, including CEO roles in South Asia, Russia/CIS and Turkey. Early in his career at Citigroup, 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.

CBI has six (6) 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:

4.1 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.

1.	Chief Executive Officer	Chair person
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 and Communications	Member and Secretary

4.2 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

4.3 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

4.4 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 Workplace Solutions	Member
7.	Head of Internal Audit Department	Observer
8.	Legal Manager	Secretary

4.5 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

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.

7. Credit Ratings

The following table highlights the ratings of CBI by two leading rating agencies world-wide:

CBI	Fitch Issuer Default Rating (IDR)	Capital Intelligence Foreign Currency Rating (FCR)
Long-Term Rating	BBB+	A-
Short-Term Rating	F2	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 (2015: 1,737,383,050 (One Billion Seven Hundred Thirty Seven Million Three Hundred Eighty Three Thousand and Fifty) shares of AED 1 (One Dirham) each).

9. 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	161
G.C.C.	154	13	0	167
Arab	32	0	0	32
Others	20	4	0	24
Total	339	44	1	384

10. 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%

11. 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%
Total	384	1,737,383,050	100%

12. 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.

13. 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 the CBI's annual financial reports comply with the International Financial Reporting Standards (**IFRS**) and the applicable provisions of CBUAE 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**).

14. 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.

15. 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.

16. Handling Customers' Complaints

Customers' 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.

17. Board's Remuneration for 2018

For serving on the Board for the year ended in 31 December 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. Mohamed Sultan Al Qadi	AED 140,000
Mr. Ali Rashid Al Mohannadi	AED 80,000
Mr. Mohamed Ali Al Nuaimi	AED 280,000
Mr. Mubarak Bin Fahad 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 AlKuvari (ex-member)	AED 60,000
Mr. Adel AbdulAziz Khashabi (ex-member)	AED 20,000

18. 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 the other stakeholders.

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

As the Corporate Governance is the business 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, the Ministry of Economy and Commerce, for their efforts and support to CBI in fulfilling the transitional procedures smoothly. We also would like to thank all CBI stakeholders for their attention, consideration and contribution in what CBI is today.