



ANNUAL REPORT
2020

SUPPORTING OUR
PEOPLE, CUSTOMERS AND THE UAE COMMUNITY



His Highness
Sheikh Khalifa Bin Zayed Al Nahyan
President of the United Arab Emirates
and Ruler of Abu Dhabi



His Highness
Sheikh Mohammed Bin Rashid Al Maktoum
Vice President and Prime Minister of
the United Arab Emirates and Ruler of Dubai



His Highness
Sheikh Saud Bin Saqr Al Qasimi
Supreme Council Member and Ruler
of Ras Al Khaimah



His Highness
Sheikh Mohammed Bin Saud Bin Saqr Al Qasimi
Crown Prince of Ras Al Khaimah



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At a Glance

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



AED 11.3 Billion
Gross Loans & Advances



AED 10.5 Billion
Customer Deposits

Net Operating Income
AED 740 Million

Net Profit
AED 34 Million

Full Year Net Profit
AED 34 Million

Operating Profit
AED 476 Million

Cost Efficiency Ratio
36%

Capital Adequacy Ratio
(CAR) 16.3%

Total Assets

AED 17.1 Billion

01 Financial Highlights



02 Chairman's Message

Despite the unprecedented challenges of this the year, CBI has succeeded in supporting the nation in its robust response to the COVID-19 pandemic, while achieving progress in the execution of our strategy and safeguarding the health of our people and customers.

Despite the unprecedented challenges of this year, CBI has succeeded in supporting the nation in its robust response to the COVID-19 pandemic, while achieving progress in the execution of our strategy and safeguarding the health of our people and our customers.

In line with the vision and direction of the UAE's leadership, CBI is proud to have risen to the challenge and fulfilled our commitments, alongside the UAE government, the Central Bank of the UAE and the country's key financial institutions, in supporting the nation's swift economic recovery from the impacts of the COVID-19 pandemic.

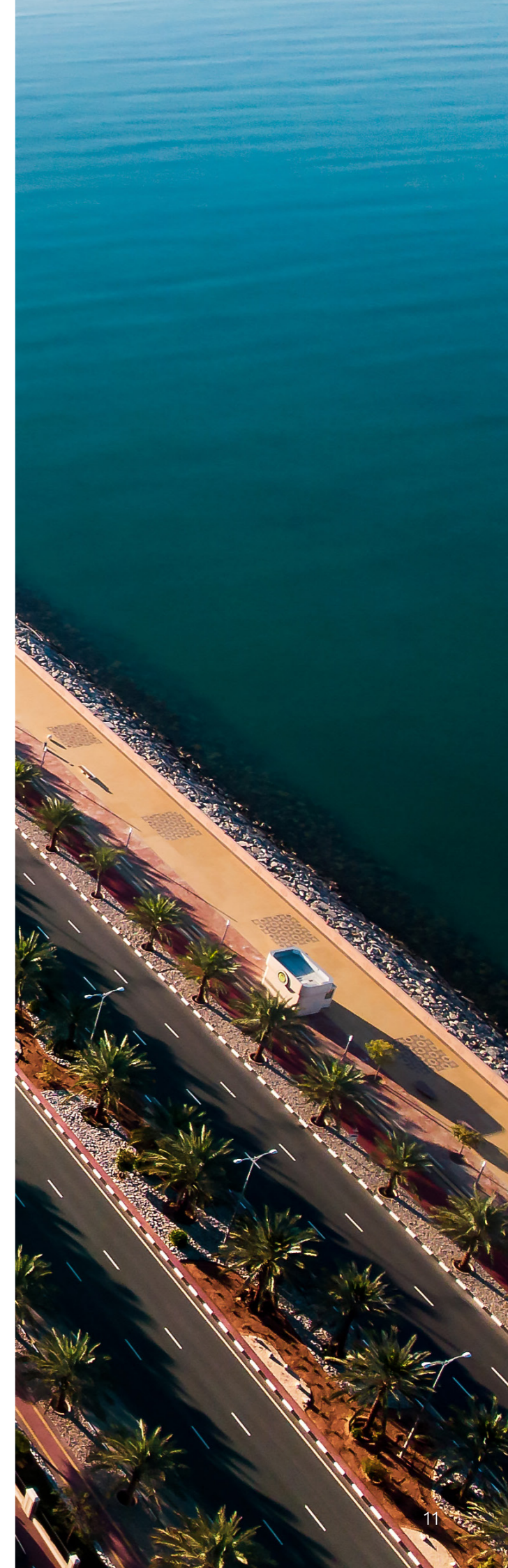
We closely collaborated with our stakeholders to build on the Bank's strengths and capitalise on the fundamental transformation we see taking place across many sectors. Overall, the Bank proved to be highly resilient and productive through 2020, despite these unprecedented challenges, thanks to the ongoing support of the UAE government, the Central Bank of the UAE, and the dedication and hard work of our employees.

Under the leadership of our new Emirati CEO, Ali Sultan Rakkad Al Amri, who got elevated to the top management role in the Bank from within CBI's ranks, our aim remains to return to growth whilst strongly supporting our clients through these challenging times.

On behalf of the Board of Directors and the CBI executive management, I would like to thank all our stakeholders for their continued support and trust in our success, as well as our employees for their hard work, dedication and commitment. I also thank our outgoing Chairman for his services and dedication to the Bank, as well as our employees across CBI for their commitment and resilience during this turbulent year.

Finally, 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.

Saif Ali Al Shehhi
Chairman
Commercial Bank International





03 CEO's Message

Throughout 2020, we remained wholly committed to supporting and protecting our people, customers and community, above all else. Collaborating closely with our stakeholders, we played a proactive role in the national response to the COVID-19 pandemic, whilst also continuing to deliver on our strategic priorities, ultimately positioning CBI for future growth.

In facing highly volatile and uncertain market conditions in 2020, we implemented a swift and effective response to the COVID-19 crisis that prioritised the well-being of our people and our customers.

Within just two weeks, we successfully transitioned 90% of our people to remote working during the National Disinfection Programme. Thereafter, we implemented a complete programme of heightened health and safety, sanitisation and work shift arrangements, across all branches and offices, to protect both our people and our customers.

Throughout the year, we also provided full support to our employees, in the form of sanitisation facilities, guidelines and awareness communications, and extended medical insurance coverage for COVID-19 treatment.

For our customers, first and foremost, we are proud to have taken an active role in the Central Bank of UAE's TESS programme, aimed at supporting our customers tackle the

challenges caused by the pandemic. We have ensured continuous, uninterrupted and seamless banking, and expanded our fully digitised customer services to improve our customers' experience with us and reduce their risk of exposure to the virus.

Delivering on our Strategy

Despite the global disruption experienced during the course of 2020, we remained wholly committed to executing our 'Streamline, Focus, Grow' strategy. We therefore continued to optimise capital allocation, strengthen asset quality and achieve cost efficiencies across the Bank, whilst also ensuring best-in-class customer experiences and further growth of our product and service offerings.

We benefitted from the shift in focus to a more targeted customer segmentation strategy, which enabled us to grow our customer base with new acquisitions, as well as deepen our existing customer relationships.

We managed to lower our cost of funding, through further diversification, new relationships and increased penetration and cross-sell activities.

Through continuous focus on streamlining, automation and investments into our digital banking capabilities, we improved our cost efficiency ratio by 12 percentage points in 2020, despite an extremely difficult operating environment.

Banking on People

Our people are our most prized asset; therefore, protecting their health and well-being was an immediate priority with the onset of the pandemic. Our swift adaptation to the new realities imposed by the COVID-19 pandemic, comprised a mass transition to remote working, thereby limiting the impact of the virus on our staff, whilst simultaneously affirming our advanced level of digital preparedness.

In particular, it illustrated how adaptable, resilient and committed our people are, as levels of productivity actually rose during remote working between March and June.

With working from home arrangements implemented across the Bank, information security was also a focus area, leading to the implementation of enhanced security protocols around our digital assets, that prevented any significant cybersecurity events throughout the year.

The Bank remained committed to supporting our people during challenging times in 2020 and continued to deliver on our Emiratisation programme. As of December 31, 2020, we have 100 Emiratis employed with the Bank, accounting for just under 25% of CBI's total workforce. We also hosted virtual open days to attract new Emirati talent and we expanded our 'Banking on Emiratis' initiative to develop the skillsets of our UAE National colleagues, at the junior and middle management levels.

Enhancing our Customer Service

We significantly increased our interaction and engagement from a customer experience standpoint, accentuating our contact across all channels. Our digitalisation programme continues to gather pace and scope, with a significant increase in social media engagement. This has continuously improved our customer complaint resolution process and an overall reduction in customer complaints.

We received and processed 368 complaints in 2020, down from 1,831 in 2019, while delivering on our commitment to resolve these in 48 hours.

We distributed AED 1.4 million in prizes via our flagship Mabrook awards, which provides five Mabrook Savings Account holders with cash rewards each year, four of whom receive AED 100,000 and one the grand prize of AED 1 million.

To maintain the pace of our digital customer service evolution, we continued to automate and digitalise the Bank's front-office and back-office processes, using our Digital Customer Portal and automated all customer letters. We also expanded our business technology services portfolio, by upgrading key components such as Treasury, Contact Centre and ATM/CCDM services.

Maintaining Profitability through Increased Efficiency

The unexpected events of 2020 required adaptation in our response to the negative impacts on revenues and loan impairments. We achieved significant sustainable cost-savings throughout the year, by streamlining the operations of the Bank and introducing more automation and digitalisation to ensure business continuity.

Reducing our operating expenditure by 29% to AED 264 million, has allowed us to partially offset the pressure on profitability. Nonetheless, CBI achieved a net profit of AED 34 million and a net operating income of AED 740 million, with total assets exceeding AED 17.1 billion, in 2020.

Looking Forward

In 2021, we will continue to place the needs of our people, customers, stakeholders and the nation at the top of our priorities, lending our support to all stakeholders across the UAE in facing the ongoing COVID-19 pandemic.

We seek to further improve the health and safety of our people and will also devote additional investment to improving the employee workspace to make it more efficient and effective for the new operating environment.

Our people's commitment and dedication has been instrumental to our combined success in 2020 and to our successful response to the disruption caused by the COVID-19 pandemic; the Bank owes them a debt of gratitude for their resilience and perseverance during the past year.

I also wish to thank our Chairman and Board for their guidance throughout this year, and our customers, shareholders and other stakeholders, for their loyalty and continued trust in CBI.

Ali Sultan Rakkad Al Amri

Chief Executive Officer

Board of Directors & Executive Management



Board of Directors (as of December 31st 2020)

Mr. Saif Ali Al Shehhi
Chairman

Mr. Ali Rashid Al Mohannadi
Vice Chairman

Mr. Mubarak Ahmad Bin Fahad Al Mheiri
Board Member

Ms. Fareeda Ali Abulfath
Board Member

Ms. Maitha Saeed Al Falasi
Board Member

**Dr. Ghaith Hammel Al Ghaith
Al Qubaisi**
Board Member

Mr. Faisal Ali Al Tamimi
Board Member

Mr. Hamad Salah Al Turkait
Board Member

Executive Management (as of December 31st 2020)

Ali Sultan Rakkad Al Amri
CEO

Danay Lea
Chief Financial Officer

Evren Altioek
Chief Administrative Officer

Hashem Mohammad Ali Abu-Hanak
Chief Credit Officer

Venkatesh Kallur
Chief Risk Officer

Hassanain Ali
Head of Retail Banking Group

Kumar Mahapatra
Head of Wholesale Banking Group

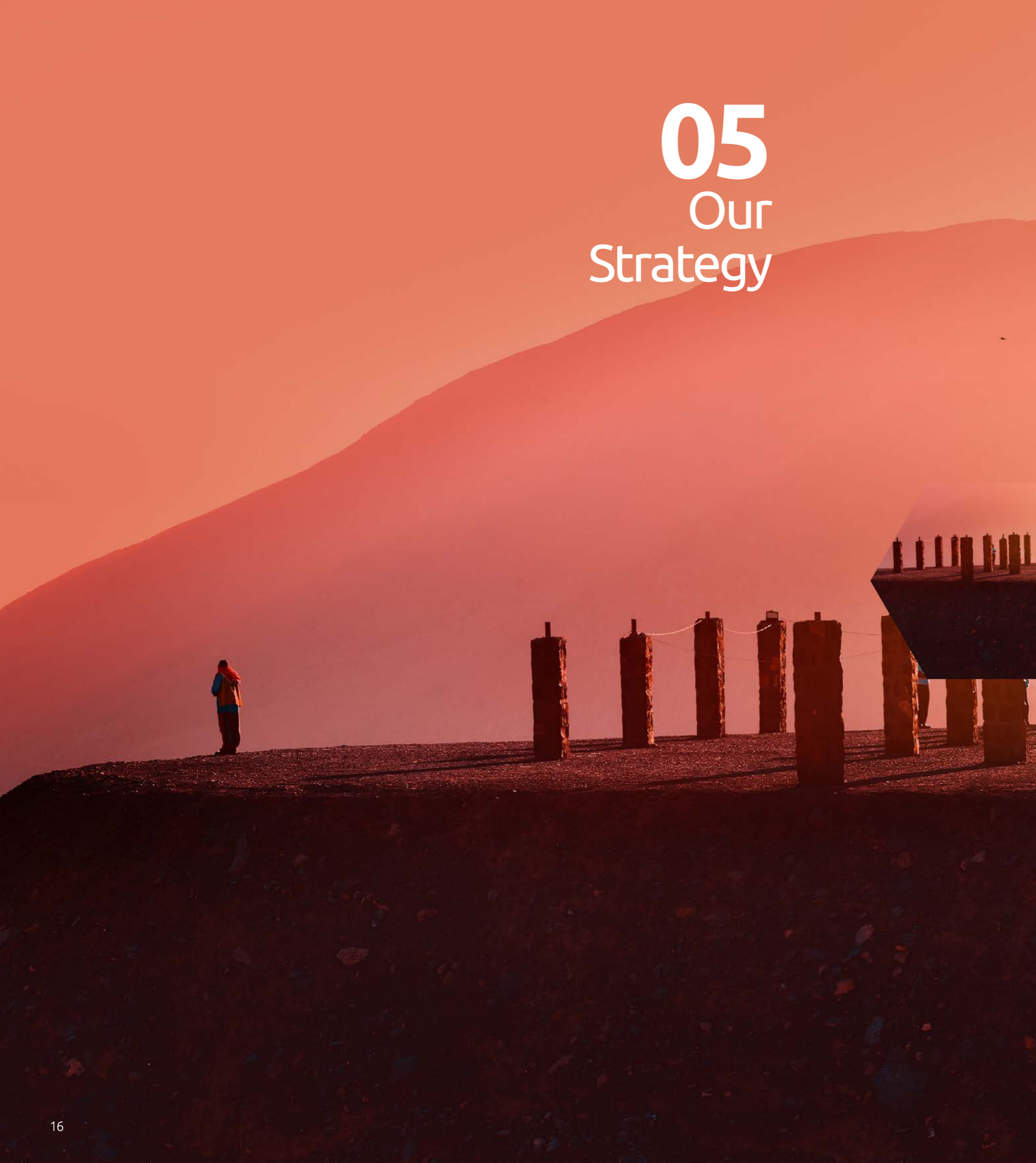
David Abraham Pije
Head of Compliance

Ziad Abdelghani
Head of Internal Audit

Randa Kreidieh
Head of Centralized Control and Governance

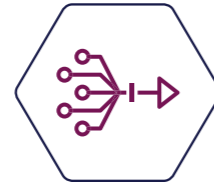
Hala Rawhi Al Safadi
Company Secretary

05 Our Strategy



OUR STRATEGY

CBI's corporate strategy consists of three pillars – Streamline, Focus & Grow – to chart a course for the Bank to sustainable growth and value creation for our shareholders as well as our people, customers and community.



STREAMLINE

- Optimise capital allocation.
- Strengthen assets quality.
- Improve cost efficiency.
- Optimise distribution channels.

Optimize Capital Allocation

- We will allocate our capital to areas that deliver the highest risk-adjusted returns.
- In Wholesale Banking (WBG), we will continue to rationalise the loan portfolio.
- In Retail Banking Group (RBG), we will focus on liabilities and secured lending.
- We will dispose of non-core assets and re-deploy the capital to higher yielding assets.

Strengthen Asset Quality

- We will improve the risk adjusted returns on capital.
- We will increase the weightage of secured lending and de-prioritise unsecured lending.

Improve Cost Efficiency

- We will improve our cost income ratio through sustainable cost savings, optimisation, streamlining, digitalisation and productivity enhancements.
- We will continue to re-design our branches to offer best-in-class services and experiences to our customers.
- We will reduce bureaucracy and streamline our processes and procedures.



FOCUS

- Focus on priority customers and segmentation.
- Differentiate through customer experience.
- Establish long-term, value-adding customer relationships.

Focus on Priority Customers and Segmentation

- We will implement a “customer experience” focused strategy and provide target customer segments with superior services.
- We will place our customers at the centre of everything we do.
- As a relationship focused Bank, we will build and retain long-term relationships with our target customers.



GROW

- Diversify and increase revenues.
- Acquire and retain upwardly mobile clients.
- Invest in digital and affluent banking.
- Grow product and service offerings.
- Invest in our people, UAE Nationals and community.

Diversify & Increase Revenues

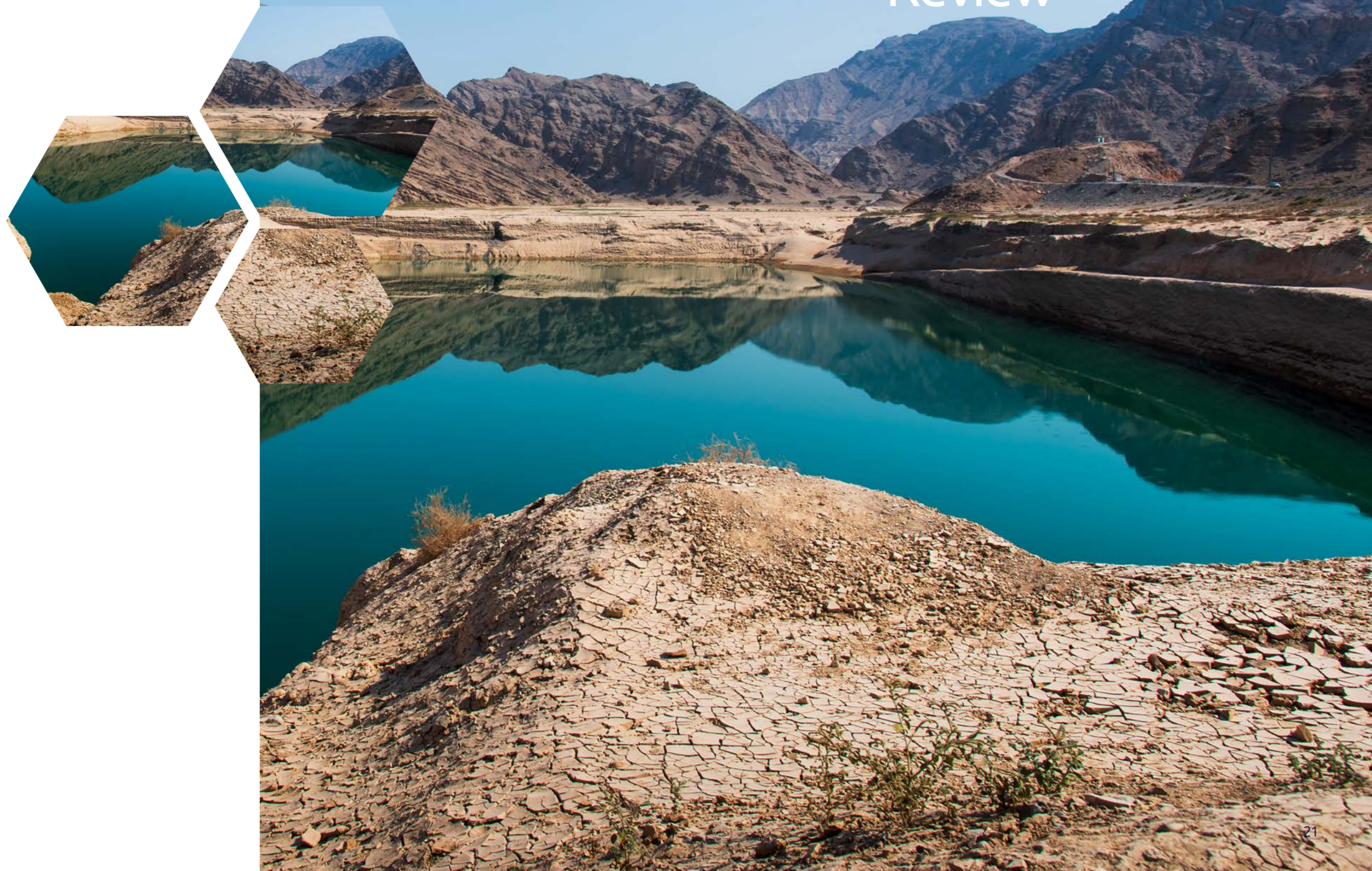
- We will penetrate into our existing relationships and focus on cross-sale.
- In Wholesale Banking, we will expand the size of our top tier clients, by new-to-bank acquisitions and deepening our existing relationships.
- In Retail Banking, we will continue to grow our CBI First customer base. We will focus on building our newly launched Edge segment, to feed into the growth of CBI First and capture our target customers' life cycles.
- We will enhance our digital banking capabilities. We will use our digital channels not only to serve our existing customers better, but also to acquire new customers.
- We will increase our revenues, by growth in both assets and commission generating products & services, such as trade services, transaction banking, cash management, foreign exchange, remittances and insurance.

Invest in Our People and Community

- We will invest in our people by developing and implementing world-class talent management, and executing learning & development strategies.
- We will continue to prioritise our Emiratisation strategy.
- We will transform the Bank's culture to enable a client-centric, collaborative and high-performance organisation.
- We will continue to invest into the community and help support the development of the UAE economy.

06

Business Review



WHOLESALE BANKING

Through extensive and proactive engagement with clients, the Wholesale Banking Group has navigated through highly challenging circumstances in 2020 by leveraging our deep understanding of how to successfully serve the needs of our clients and support their businesses, even during the most difficult times.

In facing the widespread disruption caused by the pandemic, the main focus of the Wholesale Banking Group was on customer engagement. By understanding the needs of our clients and their businesses in these unprecedented circumstances, we were better able to support them through this period of uncertainty, including through the carefully applied roll-out of the Central Bank's TESS programme.

As with other financial institutions, the negative effects of the lack of economic growth in the region impacted the performance of the business. However, by leveraging our technological assets and our highly experienced and adaptable team, we achieved a flawless transition to this new reality.

Having quickly identified the need for alternative arrangements amid the pandemic, we initiated a cash delivery service for our customers, which served to lessen the footfall and preserve proper social distancing at our branches.

In addition, we continued to diversify our liability profile by raising liability from structured deposits and bilateral funding from financial institutions and took steps to optimise our cost-to-income ratios.

In the coming year, the Wholesale Banking Group will remain focussed on improving financial performance by onboarding new clients, ensuring our asset book remains healthy and maintaining our high standards of customer engagement.

TREASURY AND CAPITAL MARKETS

The pandemic led to a significant decrease in economic activity, which impacted our Treasury and Capital Markets sales franchise, as well as a significant decrease in interest rates, resulting in the replacement of maturing fixed income securities, with those of lower yield.

Against this backdrop, the main focus of 2020 for Treasury and Capital Markets was to understand our clients and to capture as much market share as possible, given the pressure on margins and increasing competition on pricing.

Our prudent management approach and further focus on diversification of funding sources in 2020, resulted in a substantial decrease in the Bank's cost of funding.

Our key priorities and focus for 2021 will be on asset quality, reducing the Bank's cost of funding, further liability diversification, and continuous improvement to our levels of customer engagement.

RETAIL BANKING GROUP

The Retail Banking Group completed a major transformation in 2020, refining its customer focus and responsibilities to better serve the Bank's strategic goals and provide improved support and services to our customers.

Having shifted our focus to a more affluent customer segment at the beginning of 2020, our Retail Banking Group achieved excellent results, strengthening its customer base and developing new products to better serve this key segment.

Following the onset of the COVID-19 pandemic, our staff constituted our main priority. With a number of our branches closed and working hours reduced during the nationwide lockdowns, we transitioned 100% of our call centre operations to remote working, heightened health & safety standards across all our branches and offices, and installed safety equipment, such as thermal scanners, in our office.

CBI offers one of the best ratios of Relationship Manager (RM) to retail clients in the industry, which enables our RMs to better understand and serve their customers' needs, delivering faster response times than market peers and substantially improved customer engagements and communications. Our RMs are supported by strong service levels, offered through our direct banking channels, including the call centre, mobile and online banking.

The Group's focus was realigned to concentrate its efforts on compliance, risk management and controls. We also prioritised the digitalisation of our services, including provision of the UAE Central Bank's Targeted Economic Support Scheme (TESS) programme, which we delivered exclusively online to preserve the well-being of our customers.

Our instalment postponement process was also digitalised, allowing our customers to apply for deferrals online from April onwards. The portal was launched in record time and at minimal cost and is manned by a dedicated team of RMs, to receive and process the requests as a matter of urgency.

To date, more than 3,600 applications have been received via the new online service, which is now the primary channel for postponement requests.

Most of our customers who were eligible to qualify for repayment deferrals of up to six months, were given that option, and the majority of these, expired close to end of the year. Testifying to the success of the TESS programme, as of end-2020, around 75% of our retail clients were in a position to start repayments from January onwards.

Initiated before the onset of the pandemic, we completed the implementation of a programme of restructuring and cost optimisation, that saw a shift in the Group's strategic focus toward affluent customer segments, represented by CBI First and Edge customers.

This realignment was accompanied by a change in our remit to allow for greater focus on these customer segments.

We also introduced new products, including an online only e-saver account, and a new home loan/mortgage programme that was relaunched with enhanced features and improved interest rates.

Having experienced an encouraging uptick in business towards the end of 2020, we will continue to move forward in 2021, complementing our new structure and strategy with the launch of a number of new products.

We remain in close contact with our customers, with a view to understanding their needs and personal circumstances in these uncertain times, and also remain committed to the ongoing implementation of our digital transformation journey to enhance the ease-of-use of our services.

To this end, we aim to launch our first self-service branch in 2021. Our Al Ain Branch has been selected as the first of our branches to undergo this transition and will provide 24/7 services without the need for any Bank staff.

We intend to continue implementing such innovative means of service delivery to better provide for our customers' needs and further streamline our business in 2021.

Above all, however, the safety and well-being of our people and our customers will remain our top priority in the coming year, as we continue to deliver strong performance and contribute to the overall growth, success and profitability of the Bank.

07

Our
People



OUR PEOPLE

Our swift and decisive response to the onset of the COVID-19 pandemic was exemplary. By leveraging our digital infrastructure and the considerable talents of our dedicated workforce, we delivered seamless support and services to our valued customers whilst safeguarding the health and well-being of our dedicated employees.

The unprecedented environment that prevailed during 2020 presented unique challenges to the Bank's human capital. We reacted instantly to prioritise the health and welfare of our employees in the face of the threat from COVID-19, becoming one of the first organisations in the sector to transition to home working in early March.

Thanks to the roll-out of remote access technologies and systems, many of which were already in place by the time our people began working from home, the transition was immediate and seamless, with no interruption in workflow or customer service disruptions.

This swift adaptation served to limit the impact of the virus on our staff and confirmed our level of digital preparedness. Above all, however, it demonstrated the adaptability, resilience and commitment of our people, with levels of productivity actually rising during the period of remote working between March and June.

Throughout the period of remote working, we ensured all employees remained connected through regular communication – and particularly those who contracted the virus, to whom we provided maximum support.

Our approach to the transition back to office work, was also rapid and well-coordinated in order to avoid compromising the safety and security of our people. The carefully planned, rotational return of employees maximised our floorspace to enable social distancing and accommodated additional safety measures such as screens and sanitisation facilities.

Despite the disruption caused by the pandemic, we remained focused on our strategic goals throughout the year. In particular, as part of our ongoing organisation-wide transformation, we sought to revisit our values and create a new behavioural framework, aligned to the integral values of the business and to the Bank's renewed strategy. These core values – Accountability, Customer Focus and Trust – now form the basis of our new ACT Behaviours.

Driving Professional Development and Emiratisation

Our progressive Emiratisation Strategy delivers continuing investment in our existing UAE National talent, to build a pipeline of home-grown future leaders. The strategy also aims to attract key, high potential Emiratis to fulfil senior managerial and executive roles across the Bank, as well as other critical positions in our organisation.

Of our 403 staff, at end-2020, 100 were Emiratis, representing just under one quarter of our employees and a 9% increase over 2019. Of those UAE Nationals, 78% were women.

CBI hosted two virtual open days during 2020 to attract Emirati new joiners and reached more than 100,000 through a tailored social media campaign. These measures resulted in more than 800 Emiratis registering their interest with CBI, resulting in over 120 interviews and 27 offers of employment.

In 2020, we also launched a complementary programme to our existing Emiratisation efforts, as part of the 'Banking on Emiratis' initiative. This UAE National Development Programme aims to develop our junior and middle management UAE Nationals, equipping them with the necessary skills to qualify for more senior roles.

Given the success of the remote working environment, in 2020 we sought to capitalise on these arrangements by providing each of our employees with a license for LinkedIn Learning, in order to encourage their professional development via distance learning, during their time working from home.

2021 and Beyond

In the coming year, we will continue to place the safety and well-being of our people first, ensuring they are adequately protected from the ongoing threats of the pandemic. We will also remain true to our values of Accountability, Customer Focus and Trust.

Furthermore, we intend to concentrate our efforts to train and promote UAE Nationals internally to managerial and executive levels, in keeping with our aspirational target to increase the number of Emiratis across all levels, with a particular focus on managerial and executive roles.

Leveraging the 'Banking on Emiratis' programme, we will provide unique learning journeys and coaching, in partnership with local and international learning organisations and in alignment with the efforts of the Ministry of Human Resources and Emiratization, to grow the number of UAE Nationals in the private sector. CBI will also continue to hire graduates and diploma-level candidates, with a view to developing and growing their expertise in a range of disciplines across the Bank, through additional learning and development opportunities. Our people remain at the heart of our organisation and we will maintain our investment in expanding their talents and supporting their professional development. By maintaining this people-centric approach, we aim to serve the needs of the Bank, our people, our customers and communities across the UAE.



08

Corporate
Governance



Commercial Bank International PSC and its Group companies (CBI) considers sound corporate governance to be 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 of Directors (Board), its shareholders and its 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 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. The Board ensures that functioning of CBI complies with the principles of corporate governance and 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 regulations issued by Central Bank of United Arab Emirates (CBUAE), the Securities and Commodities Authority (SCA) and the guidelines and international best practices issued by the Basel Committee on Banking Supervision (BCBS), the Organization for Economic Cooperation and Development (OECD).

CBI follows 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. Whilst 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.

In September 2019, the Central Bank of the UAE issued a new "Corporate Governance Regulation" and accompanying "Corporate Governance Standards" for all banks operating in the UAE in line with leading international practice. A phased implementation plan was approved by the Board in December 2019 to ensure CBI's full compliance with the regulation and standards within a period of 18 months. Since, meaningful and timely progress has been made on such implementation plan consisting of a number of key policies applicable to CBI.

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 2020 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. The year 2020 was an unprecedented year and despite the challenges due to the global pandemic, the Board and Executive Management ensured that sound corporate governance practices are adopted by enhancing and applying the corporate governance principles across all the Bank's functions. The below topics summarizes CBI's 2020 key efforts with respect to the enhancement of the corporate governance framework.

3. THE BOARD OF DIRECTORS (BOARD)

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, risk appetite, compliance, financial control and Internal Audit.

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 oversee the Management of CBI and 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. Members of the Board must have the necessary 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.

3.2 Board Composition and Size

At the General Assembly held on March 30th, 2020, nine (9) Members of the Board were elected for a period of three (3) years. At the Board meeting held on 7th April 2020, the Board elected Mr. Abdulrahim Mohammed Al Awadhi as the Chairman of the Board and Mr. Ali Rashid Al Mohannadi as the Vice Chairman of the Board. In May 2020, one Board Member, Mr. Abdullah Ghiith Al Suwaidi, resigned for personal reasons and the Board in July 2020 approved the appointment of Mr. Saif Ali Al Shehhi after obtaining regulatory approvals. In late October 2020, Mr. Abdulrahim Mohammed Al Awadhi resigned from the Board for personal reasons and in November 2020, the Board unanimously elected Mr. Saif Ali Al Shehhi to assume the role of the Chairman. There is currently one vacant seat in the Board which will be filled in due course. As mandated by CBUAE and SCA, there are currently two female representatives in the Board of Directors.

	NAME	NATIONALITY	TITLE	CATEGORY	OTHER POSITIONS
1	Mr. Saif Ali Al Shehhi	United Arab Emirates	Chairman	Independent	Board Member Etihad Credit Insurance and ex CEO and Board Member of Aafaq Islamic Finance
2	Mr. Ali Rashid Al Mohannadi	Qatar	Vice Chairman	Rep. of QNB	Executive General Manager and Chief Operating Officer of QNB
3	Mr. Mubarak Bin Fahad Al Mheiri	United Arab Emirates	Member	Independent	Entrepreneur
4	Mrs. Fareeda Ali Abulfath	Qatar	Member	Rep. of QNB	Ex-Group Chief Credit Officer (resigned in Jan 2021)
5	Dr. Ghaith Hammel Al Ghaith Al Qubaisi	United Arab Emirates	Member	Independent	Vice Chairman of Al Ghaith Holding Company and member of the National Consultative Council
6	Ms. Maitha Saeed Al Falasi	United Arab Emirates	Member	Independent	Art Investment Advisor
7	Mr. Faisal Ali Al Tamimi	Sultanate of Oman	Member	Rep. of QNB	Country General Manager – QNB Oman
8	Mr. Hamad Salah Al Turkait	Kuwait	Member	Rep. of QNB	Acting Head of Corporate & Institutional Banking -QNB Kuwait

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 and Vice 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 endeavour 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 Company Secretary is entrusted to work with the Chairman of the Board, the Chairpersons 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 appointed Mrs. Hala Al Safadi as the Company Secretary of CBI on 7th April 2020.

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 2020, the Board held six (6) meetings out of which five (5) meetings were held via video-conference facility after obtaining the no objection from the regulatory authorities due to the unprecedented circumstances created by the spread of the Covid-19 virus.

BOARD MEMBER	9 TH FEB	7 TH APR	3 RD MAY	26 TH JUL	2 ND NOV	6 TH DEC
Mr. Saif Ali Al Shehhi	N/A	N/A	N/A	N/A	✓	✓
Mr. Ali Rashid Al Mohannadi	P+VC	✓	✓	✓	✓	✓
Mr. Mubarak Ahmad Bin Fahad Al Mheiri	✓	✓	✓	✓	✓	✓
Mrs. Fareeda Ali Abulfath	P+VC	✓	✓	✓	✓	✓
Mr. Abdulla Ghith Al Suwaidi	✓	✓	✓	✓	✓	✓
Mr. Faisal Ali Al Tamimi	✓	✓	✓	✓	✓	✓
Mr. Hamad Salah Al Turkait	✓	✓	✓	✓	✓	✓
Mr. Abdulrahim Mohammed Al Awadhi (resigned in October 2020)	N/A	✓	✓	✓	N/A	N/A
Mr. Abdullah Ghith Al Suwaidi (resigned in May 2020)	✓	✓	N/A	N/A	N/A	N/A

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

PROXY GRANTED BY	PROXY GRANTED TO	BOARD MEETINGS
Mr. Ali Rashid Al Mohannadi*	Mr. Faisal Ali Al Tamimi	9th Feb
Mrs. Fareeda Ali Abulfath*	Mr. Hamad Salah Al Turkait	9th Feb

*Due to the inability of the citizens of the state of Qatar to enter the United Arab Emirates, the Qatari members issued proxies and participated in the meetings by video conference facility. However, due to the Covid-19 pandemic, all members attended Board meetings via video conference facility as of March 2020.

3.7 The Committees of the Board

To appropriately perform their duties, the Board is assisted by five (5) specialized committees composed of members of the Board. The membership of these committees were restructured following the nomination of the new Board. The following committees report directly to the Board and carry out the delegated authorities as per the approved terms of reference to assist the Board in its duties and further improve its efficiency.

The Board Committees are as follows:

1. Board Governance, Nomination and Remuneration Committee (BGNRC)
2. Board Audit Committee (BAC)
3. Board Risk Committee (BRC)
4. Board Credit Committee (BCC)
5. Board Special Assets Committee (BSAC)

Below is a summary on the composition, duties and the working mechanism of these committees:

Board Governance, Nomination and Remuneration Committee

The Board Governance, Nomination and Remuneration Committee (BGNRC) is primarily responsible for the development and oversight of CBI's long-term strategy and its implementation. The Committee reviews annual plans and business plans and approves expenditure limits for Central Procurement Committee, corporate social responsibility, and other related internal policies.

The Committee also monitors the implementation of the strategy and annual performance of CBI against the budgets and reviews matters related to the Key Performance Indicators (KPIs) of the CEO and the Senior Executive Team reporting to him.

The Committee is further responsible for setting policies for the nomination and remuneration of Board Members, as well as top executives in the Bank in accordance with the applicable laws and regulations. Moreover, it reviews the Board's effectiveness and recommends appropriate governance

The Committee is chaired by Mr. Ali Rashid Al Mohannadi and comprises three (3) other Board Members. The CEO and CAO attend the meetings as well (see table on the following page for membership of the Committee).

MEMBERSHIP	COMMITTEE COMPOSITION
Chairperson	Mr. Faisal Ali Al Tamimi
Vice Chair	Mr. Saif Ali Al Shehhi
Member	Mr. Mubarak Ahmad Fahad Al Mheiri
Member	Ms. Maitha Saeed Al Falasi
Secretary	Ms. Hala Al Safadi

The Committee aims to meet a minimum of four (4) times a year. The Committee held five (5) meetings during the year 2020.

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.

Mr. Saif Al Shehhi served as the Chairperson of the committee up until his election as the Chairman of the Board. The Vice Chairperson currently chairs the Board Audit Committee until the vacant position has been filled. The CEO, CFO and Head of Internal Audit attend the meetings as well (see table below for membership of the Committee).

MEMBERSHIP	COMMITTEE COMPOSITION
Chairperson	Vacant
Vice Chair	Mr. Faisal Ali Al Tamimi
Member	Ms. Maitha Saeed Al Falasi
Secretary	Ms. Hala Al Safadi

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 **five (5)** meetings during the year 2020.

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 is chaired by Mr. Mubarak Bin Fahad Al Mheiri and comprises of **two (2)** other Board Members. The CEO, CRO and Head of Compliance attend the meetings as well (see table below for membership of the Committee).

MEMBERSHIP	COMMITTEE COMPOSITION
Chairperson	Mr. Mubarak Bin Fahad Al Mheiri
Vice Chair	Mr. Hamad Salah Al Turkait (effective from March 2019)
Member	Dr. Ghaith Hammel Al Ghaith Al Qubaisi
Secretary	Ms. Hala Al Safadi

The Committee aims to meet minimum six (6) times per year. The Committee held (10) ten meetings during the year 2020.

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 usually consists of **three (3)** Board Members yet following the election of Mr. Saif Al Shehhi as the Chairman of the Board, the committee currently consists of two Board members with one vacant position. The CEO, CCO and Head of WBG attend the meetings as well (see table below for membership of the Committee). The Committee's 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
Chairperson	Mrs. Fareeda Ali Abulfath
Vice Chair	Mr. Mubarak Ahmad Bin Fahad Al Mheiri
Member	Vacant
Secretary	Ms. Hala Al Safadi

The Committee aims to meet minimum **six (6)** times per year. The Committee held **six (6)** meetings during the year 2020.

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 2 (two) Board members and chaired by Dr. Ghaith Hammel Al Ghaith Al Qubaisi. The CEO and CAO attend the meetings as well (see table below for membership of the Committee).

MEMBERSHIP	COMMITTEE COMPOSITION
Chairperson	Dr. Ghaith Hammel Al Ghaith Al Qubaisi
Vice Chair	Ms. Maitha Saeed Al Falasi
Secretary	Ms. Hala Al Safadi

The Committee aims to meet at minimum four (4) times per year. The Committee held **five (5)** meetings during the year 2020.

3.8 Assessment of the Board and its Committees

In January 2020, an external third party was appointed to perform an assessment of the CBI Board as a whole, its committees, and individual members as per the Corporate Governance Standards issued by the Central Bank of the UAE in September 2019.

4. CBI EXECUTIVE MANAGEMENT

In July 2020, the Board confirmed Mr. Ali Sultan Rakkad Al Amri as the Chief Executive Officer after having served as Acting Chief Executive Officer since June 2019.

Mr. Al Amri is a versatile banker with over 20 years of financial services experience across various senior management roles with leading local and foreign financial institutions. He started his career at CBI as a Senior Corporate Officer in 2000, then spent the next eight years working with banks such as Emirates NBD, as a Manager in Corporate Banking. He was also a Senior Relationship Manager at Barclays, and the Head of Business Development at Noor Islamic Bank, prior to returning to CBI in 2010 as the Chief Wholesale Banking Officer. He received Executive Education in Management from IESE Business School in Spain. He also holds an MBA from the University of Jordan and completed his Bachelor's degree in Marketing from Ajman University's School of Business.

The CEO is assisted in his duties by a specialized and highly qualified team from the Executive Management. Ten (10) Heads of Department report directly to the CEO: Chief Risk Officer; Chief Financial Officer; Chief Administrative Officer; Head of Wholesale Banking; Head of Retail Banking; Head of Compliance, Head of Centralised Controls & Governance, Head of Legal. The Head of Internal Audit and the Company Secretary are part of the Executive Management Committee and report administratively to the CEO.

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 behaviour 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 ten (10) specialized committees at 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 senior 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

The Executive Management Committee is responsible for the overall management, including day-to-day operations and administration of the Bank and its subsidiaries, within the framework of the Bank's policies, its terms of reference and such other directives as the Board of the Directors may determine from time to time.

1	Chief Executive Officer	Chairperson
2	Chief Financial Officer	Member
3	Chief Risk Officer	Member
4	Chief Administrative Officer	Member
5	Chief Credit Officer	Member
6	Head of Wholesale Banking	Member
7	Head of Retail Banking	Member
8	General Counsel	Member
9	Company Secretary	Member
10	Head of Compliance	Member
11	Head of Internal Audit	Member
12	Head of Centralised Controls & Governance	Member

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.

1	Chief Executive Officer	Chairperson
2	Chief Risk Officer	Deputy Chairperson
3	Chief Financial Officer	Member
4	Chief Operating Officer	Member
5	General Counsel	Member
6	Head of Compliance	Member
7	Chief Credit Officer	Member
8	Head of Centralized Control & Governance	Member
9	Chief Administrative Officer	Permanent Invitee
10	Head of Internal Audit	Permanent Invitee
11	Head of Wholesale Banking Group	Permanent Invitee
12	Head of Retail Banking Group	Permanent Invitee
13	Head of Treasury	By Invitation
14	Risk Management	Secretary

4.3 Assets 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.

1	Chief Executive Officer	Chairperson
2	Head of Treasury	Vice Chairperson
3	Chief Financial Officer	Member
4	Chief Risk Officer	Member
5	Chief Administration Officer	Member
6	Head of Retail Banking	Member
7	Head Wholesale Banking	Member
8	Head of Market Risk	Member / Secretary

4.4 Central Procurement Committee

The Central Procurement Committee is responsible for reviewing and approving procurements, proposals for disposing movables of real estate assets, engaging suppliers for products and services requests, within the applicable policies and the authorized limits, overseeing the process of bids, negotiating contracts, approving vendors list and ensuring compliance procurement and tender policies.

1	Chief Executive Officer	Chairperson
2	Chief Financial Officer	Vice Chairperson
3	Chief Operating Officer	Member
4	Chief Administrative Officer	Member
5	General Counsel	Member
6	Procurement department	Secretary
7	Head of Internal Audit	Observer

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.

1	Chief Executive Officer	Chairperson
2	Chief Credit Officer	Member
3	Head of Wholesale Banking	Member

4.6 Human Resources Committee

The Human Resources committee is responsible for developing HR governance and strategy in line with the Bank's overall objectives for further recommendation to the Board Governance, Nomination and Remuneration Committee as well as the Board of Directors, developing and overseeing the implementation of the approved HR strategic actions and reviewing HR related policies. In addition, the committee shall consider and decide on objections made by employees in relation to their respective annual performance appraisals, grievances in relation to disciplinary actions applied on staff and interview candidates for senior and executive roles and raise recommendations to the BGNRC.

1	Chief Executive Officer	Chairperson
2	Chief Administrative Officer	Vice Chairperson
3	Chief Financial Officer	Member
4	General Counsel	Member
5	Head of Human Resources	Secretary

4.7 Internal Remediation Committee

The Internal Remediation Committee is responsible for monitoring the implementation of the recommendations and instructions of the Central Bank, regulatory authorities, decisions of the Board of Directors and recommendations and instructions issued by the Board committees. The committee shall also monitor the implementation of the internal and external audit's observations and periodically review the effectiveness and adequacy of the Bank's operational policies and procedures.

1	Chief Executive Officer	Chairperson
2	Head of Internal Audit	Member
3	Chief Risk Officer	Member
4	Head of Compliance	Member
5	Head of Centralized Control & Governance	Member
6	Internal Audit	Secretary

4.8 Products and Conduct Committee

The Products and Conduct Committee is responsible for reviewing and approving all types of banking products and services currently offered and to be offered by the bank to its customers and to set the requirements and considerations associated with launching and decommissioning the product or service, including reviewing its feasibility from the perspective of operations, human resources, marketing, capital, funding, pricing, tax, accounting, regulatory requirements in terms of reporting and ethical behaviour. In addition, to review and identify reputational and legal risks in the current and proposed product and services offerings and to ensure that all bank products and services are aligned with the strategy of the bank and comply with the applicable regulations.

1	Chief Risk Officer	Chairperson
2	Chief Credit Officer	Vice Chairperson
3	Chief Financial Officer	Member
4	Chief Operating Officer	Member

5	Chief Administration Officer	Member
6	Head of Compliance	Member
7	Risk Management	Secretary
8	General Counsel	Legal Advisor
9	Head of Internal Audit	Observer

4.9 Asset Quality Committee

The Asset Quality Committee is responsible for reviewing non-performing assets for the Wholesale Banking Group, Business Banking and large exposures of retail customers. Allocating provisions in relation to non-performing assets in accordance with the Central Bank of UAE (CBUAE) regulations and Accounting/International Financial Reporting Standards and reviewing adequacy of collaterals available to the Bank in relation to the non-performing assets.

1	Chief Risk Officer	Chairperson
2	Chief Financial Officer	Vice Chairperson
3	General Counsel	Member
4	Chief Credit Officer	Permanent Invitee
5	Head of Wholesale Banking	Permanent Invitee
6	Head of Remedial	Secretary

4.10 Compliance Committee

The Compliance Committee was established in August 2020 to meet the growing demands from regulatory authorities with regard to management by CBI of compliance matters that have a potential bank-wide impact. Additionally, it serves as a high level forum to which matters, such as transactions, onboarding of prospective customers and reviews of existing relationships, may be escalated. The Compliance Committee also monitors progress of existing projects related to compliance.

1	Chief Executive Officer	Chairperson
2	Head of Compliance	Vice Chairperson
3	Chief Risk Officer	Member
4	Head of Centralised Controls & Governance	Member
5	Head of Wholesale Banking Group	Member
6	Head of Retail Banking Group	Member
7	Chief Administration Officer	Member
8	Money Laundering Reporting Officer	Secretary

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.

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 a smooth and efficient workflow within all functions of CBI as well as 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.
- Actions of Board Members, Executive Management and employees are compliant 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 defence'. The business and process units are the first line of defence 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 defence 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 Chief Executive Officer, with unfettered access to the Board Risk Committee.

The third line of defence is the internal audit function that independently assesses the effectiveness of the processes created in the first and second lines of defence 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 Compliance Department

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 the Compliance Department, which directly reports to the CEO and has unrestricted access to 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 2020, the Executive Management continued to assist in assuring compliance integrity of numerous activities, including compliance-driven projects to enhance existing 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 Behaviour

Among other responsibilities of the Executive Management, is ensuring that the culture within CBI reinforces the ethical behaviours 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 behaviours and misconduct through various tools meeting the highest standards and best practices, including anonymous "whistleblowing" reporting. In 2020, 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 behaviours 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. Next to the updated existing policies covering the same, a policy was rolled out to better codify the rights and obligations of staff in terms of assessing and reporting conflicts of interest.

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 2020, CBI performed effective, timely and proper reporting to the regulatory authorities of specific regulatory-driven obligations, comprising new data and existing data.

Compliance Department assisted in answering or supporting the handling of regulatory enquiries and inspection reports and resolving the pending issues that might lead 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, reflected in the revised and approved FATCA/CRS Policy. The CRS was developed by the OECD, to address 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 Policy forbids the Bank to facilitate business with a number of countries/regions irrespective of currency, general of specific license (which may render a transaction legally permissible) or regardless of whether such business is direct or indirect.

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.

In 2020, Compliance have extended the sanctions compliance framework with regards to name screening, and transaction screening of AED denominated currency.

Compliance Department rolled-out new online Financial Crime (Anti-Money Laundering and Sanctions) and Compliance training and awareness, both by way of e-learning and by way of bespoke face-to-face/virtual trainings to tailored strands of staff. The 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. Typically, the face-to-face/virtual trainings were aimed at transferring more detailed knowledge in a more interactive way to customer-facing staff. Next to that, staff outreach sessions were held by Compliance to Branch staff with a view to discuss bespoke compliance issues and latest changes in procedures. Separate virtual training has been created to tailor to CBI's Executive Management.

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. All the policies were updated in 2020 reflecting local regulatory expectations and global best practice.

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

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 UAE.

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. The Compliance Department submits periodic reports to the Board Risk Committee, Management Risk Committee and Compliance Committee concerning relevant regulatory updates, compliance issues, irregularities, and the corrective actions hence implemented.

During 2020, Compliance Department continued to make 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.

Major highlights/accomplishments for 2020 include:

- Implementation and roll out of a full customer name screening system (Watchlist)
- Creation of a Conflict of Interest Policy, a Disclosure and Reporting Policy
- A Compliance Plan consisting of a Training & Awareness Plan, Technology Plan, Assurance Plan and an Enterprise Wide (Compliance) Risk Assessment
- Establishment of the Compliance Committee owned by the Compliance function

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 2020.

The Head of Compliance participates in various Management Committees, including the Compliance Committee, 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. David Pije assumed the role of Head of Compliance in March 2020.

5.2 Risk Management Department

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.

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. The Risk Appetite is closely monitored by Chief Risk Officer through his monthly CRO Dashboard that gets published to CEO and Board Risk Committee.

Mr. Venkatesh Kallur assumed the role of CRO in November 2020.

5.3 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 provides 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, Management Risk Committee, Compliance Committee, Internal Remediation Committee and Central Procurement Committee as a non-voting observer but a value-adding member.

Mr. Ziad Abdelghani served the role of Acting Head of Internal Audit in April 2020 and assumed the role of Head of Internal Audit Department of CBI in November 2020.

6. EXTERNAL AUDITORS

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 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 annual audit and quarterly review of CBI's financial statements. The external auditor presents their reports to the Board and the General Assembly in conformity with the laws of the UAE. On 30th March 2020, the General Assembly appointed Deloitte & Touche for a total audit fee of AED 685,000.

7. CREDIT RATINGS

The following table highlights the ratings of CBI by two leading rating agencies worldwide:

CBI	FITCH ISSUER DEFAULT RATING (IDR)	CAPITAL INTELLIGENCE FOREIGN CURRENCY RATING (FCR)
Long-Term Rating	BBB+	BBB+
Short-Term Rating	F2	A2
Outlook	Stable	Stable

8. CAPITAL AND SHARES

The authorized, issued and fully paid up share capital of CBI totalling 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 Dirhams) ordinary shares of AED 1 (One Dirham) each.

9. SHAREHOLDING STRUCTURE OF CBI

As of December 31, 2020, the shareholding structure of CBI was distributed in the following manner:

CITIZENSHIP OF OWNERS	INDIVIDUALS	COMPANIES	GOVERNMENT	TOTAL
UAE	130	24	1	155
GCC	156	13	0	169
Arab	30	0	0	30
Others	19	4	0	23
Total	335	41	1	377

10. MAJOR SHAREHOLDERS OF CBI

As of December 31, 2020, the following entities have more than 5% shareholding in CBI:

- Qatar National Bank	40%
- Bin Owaida family and Business	22.11%
- Mohd Omar Bin Haidar Investment	11.15%

11. SHAREHOLDERS DISTRIBUTION BASED ON VOLUME

As of December 31, 2020, 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	287	1,441,887	0.09%
50,000 – 500,000	46	9,071,705	0.54%
500,000 – 5,000,000	20	30,476,895	1.8%
Above 5,000,000	24	1,696,095,738	97.57%
Total	377	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.

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.

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 2020, CBI has not recorded any single transaction with a related party that exceed 5% of CBI's capital or a trading of CBI shares by the Board members.

15. CONFLICTS OF INTEREST AND INSIDER TRADING

As part of CBI's policy, all Board Members, Executive Management 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 have 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 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 UAE.

In 2020, 80% of customer complaints were resolved within the 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 team has helped in terms of understanding customer concerns and providing them with required assistance through their preferred communication channel.

17. BOARD'S REMUNERATION

In March 2020, the General Assembly approved the remuneration of the Board of Directors for serving on the Board for the year ended on 31 December 2019. Each Board Member received AED 500,000 in annual remuneration and the Chairman received an additional AED 500,000 for his additional responsibilities. As of January 2020, the professional fees payable to board members for attending board committees is no longer applicable and the remuneration of the Board is limited to an annual reward.

For the 2020 remuneration, the Board Governance, Nomination and Remuneration Committee submits its recommendations to the Board. Upon approval by the Board, the final recommendation for aggregate Board remuneration is submitted for approval by the shareholders at the upcoming General Assembly.

18. SPECIAL RESOLUTIONS RAISED AT GENERAL ASSEMBLY

The following topic was raised as an item for special resolutions at the General Assembly 2020:

Items:

Status: Rejected

1. To Approve a recommendation by the Board of Directors to increase the capital of the Bank by way of issuing four hundred and thirty million (430,000,000) new shares for the price of Dirham one (AED 1) per share to comply with Article 76(1) of the Federal Decree Law number 14 of 2018 in relation to the Central Bank and Organization of the Financial Institutions and Activities, which requires UAE shareholding to be not less than 60%, and to authorize the Board of Directors to determine the terms and the date of issuance with the objective to comply with the mentioned legal requirements, subject to obtaining approvals of the Central Bank of the UAE and the Securities and Commodities Authority.
2. For purposes of increasing the Company's capital, to approve amendment of clause (5) of the Articles of Association to read as follow:

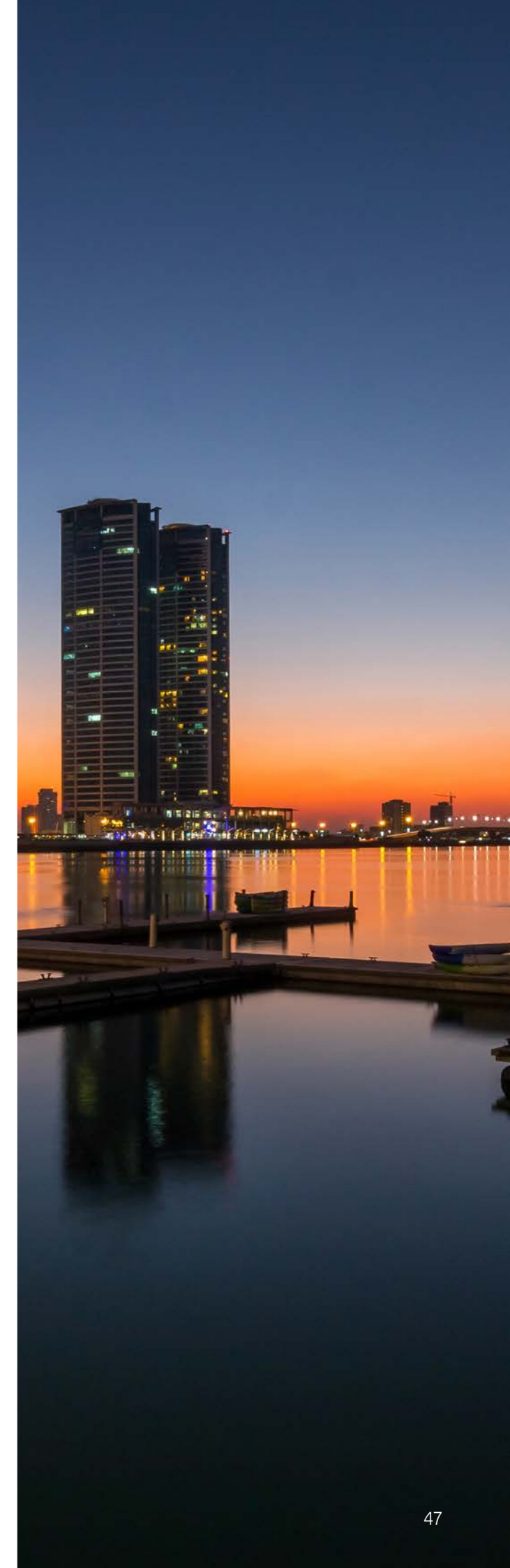
"The Company's capital is Dirham (2,167,383,050) two billion, one hundred sixty-seven million, three hundred eighty-three thousand, and fifty dirham, distributed at two billions, one hundred sixty seven million, three hundred eighty three thousand, and fifty shares, at a value of one Dirham per each share, all are cash shares paid in full."
3. To Approve to authorize the Board of Directors to provide voluntary contributions in relation to the social responsibility of the Bank for an amount not exceeding UAE Dirham one million.

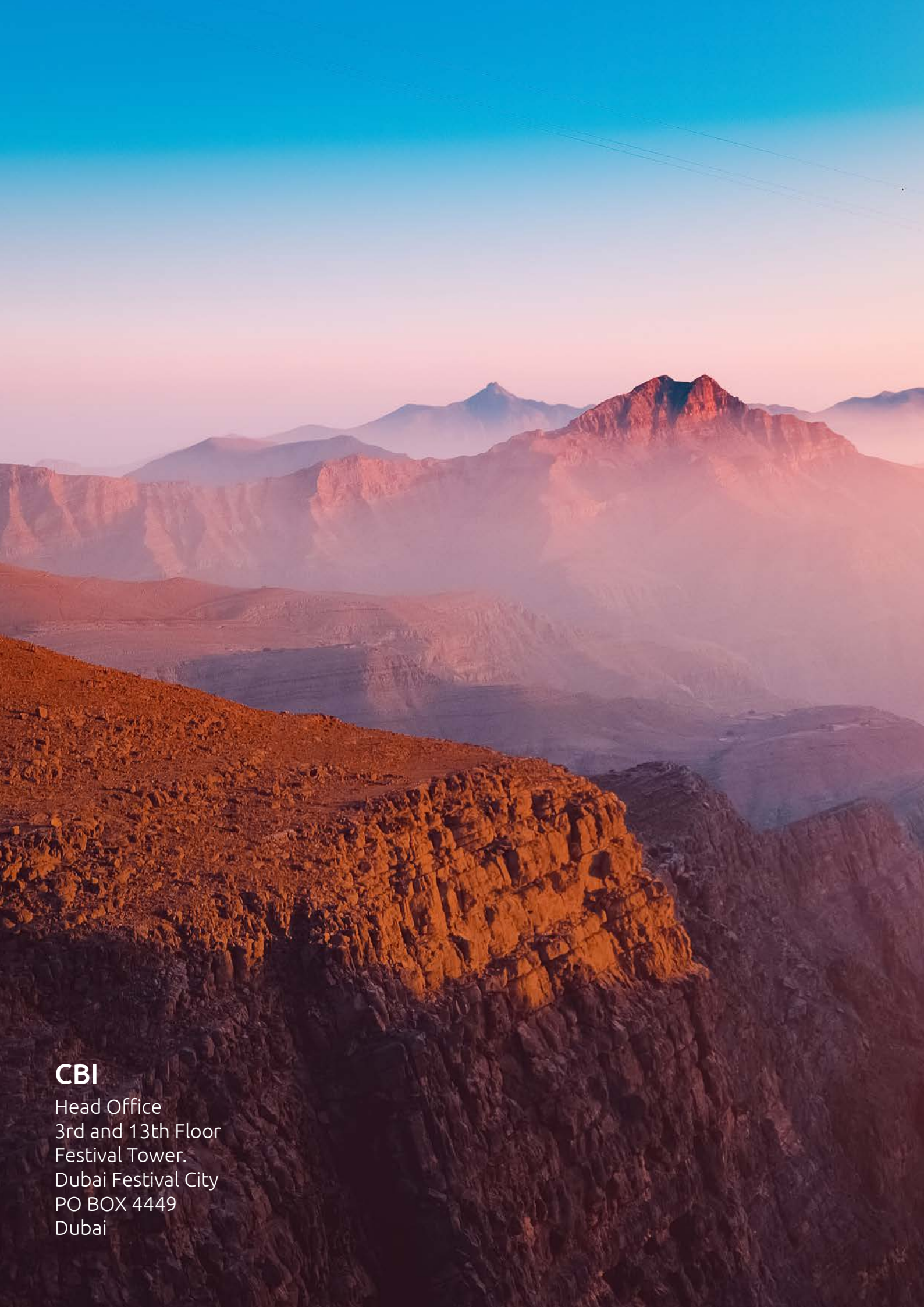
CONCLUSION

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. This in turn will maintain and enhance the stability and soundness of the organization and the trust of the shareholders, potential investors and all the other stakeholders despite the challenging environment associated with the outbreak of the COVID-19 and its repercussions.

This year 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 considering the unprecedented circumstances and the significant challenges during 2020.

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





CBI

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