

Commercialbank **Annual Corporate Governance Report - 2011**

October 2012



Table of Content

I. Chairman Message	4
II. Governance Framework	5
1. Introduction	5
2. The Board of Directors.....	6
3. Board Committees	17
4. Independent Advisors	24
5. Directors' and Executive Management Remuneration	24
6. Executive Management	25
7. Ownership Structure	34
8. Risk Management.....	34
9. Internal Control Framework	36
10. External Audit.....	39
11. Disclosure Requirements.....	40
12. Conflict of Interest and Insider Trading.....	40
13. Shareholders' Rights.....	41
14. Stakeholders' Rights	41
15. The Bank's Policies.....	42
III. Abbreviations	46

Corporate Governance Report Summary Profile and Approval

Revision History				
Revision Number	Issue Date	Amendment Description	Date Effective	Next Revision Date
1.1	October 2012	Captured additional elements in the report as requested by Qatar Financial Markets Authority (QFMA)	October 2012	

Approval		
Authorised Approver	Date	Signature(s)
Chairman of the Board		

I. Chairman Message

To Commercialbank Shareholders,

The Board of Commercialbank (hereinafter ‘the Bank’) has pleasure in submitting its Annual Corporate Governance Report for the year 2011, in accordance with the Corporate Governance Code (hereinafter “the Code”) issued by the Qatar Financial Markets Authority.

The report documents an overview on Commercialbank’s governance practices and provides a detailed analysis of the Code requirements and the extent of Commercialbank’s compliance. In instances of non-compliance, Commercialbank has endeavored to explain the reasons for non-compliance in line with the Code’s ‘comply or explain’ principle and, where necessary, the actions we plan to take in the near future.

Strong corporate governance, and transparency as to the way a company manages itself and carries on its business, is of fundamental importance to a company such as Commercialbank, and to its investors, customers and employees, and is a key process by which we can differentiate our bank from some of our competitors. At Commercialbank we have in place policies and procedures which exceed current regulatory requirements in Qatar, and we aspire to meet best international standards in corporate governance. As an example of this, our shares (represented by Global Depository Receipts) and bonds are listed on the London Stock Exchange, and the debt securities are listed on both the London Stock Exchange and the SIX Swiss Exchange; Commercialbank complies with the high transparency and disclosure standards required by the listing rules of those exchanges, as well as those of the Qatar Exchange.

We were pleased that at the end of 2011, Commercialbank was selected by the prestigious Hawkamah Institute for Corporate Governance as one of the top regional companies that comprise the S&P Hawkamah Environment, Social and Corporate Governance Pan Arab Index.

One of the consequences of the international financial crisis over recent years has been an increased focus on regulation of banks and the corporate governance of banks. During 2012 the Board will be committed to reviewing and improving the Bank’s policies and practices to ensure that our current sound corporate governance structure can be sustained and developed.

Abdullah bin Khalifa Al Attiyah
Chairman

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II. Governance Framework

1. Introduction

The Bank is committed to strong corporate governance practices that allocate rights and responsibilities among the Bank's shareholders, the Board and Executive Management to provide for the effective oversight and management of the Bank in a manner that enhances shareholder value.

The Bank is required to comply with the Corporate Governance Guidelines for Banks and Financial Institutions issued by Qatar Central Bank (the QCB Corporate Governance Guidelines) and the Corporate Governance Code for Joint Stock Companies listed on Markets regulated by the Qatar Financial Markets Authority (the QFMA Corporate Governance Code). In addition, the Bank seeks to adopt international best practices for corporate governance, including but not limited to those developed by the Organisation for Economic Cooperation and Development (OECD), the Bank for International Settlements (BIS) and the International Institute of Finance (IIF).

The shares of the Bank, represented by Global Depository Receipts, are listed on the London Stock Exchange. Debt securities issued or guaranteed by the Bank are listed on the London Stock Exchange and on the SIX Swiss Exchange. The Bank complies with the listing rules of those exchanges as well as those of the Qatar Exchange.

This report is prepared in accordance with the requirements of Article 30 of the QFMA Code.

In fulfilment of the Bank's responsibilities to its stakeholders (being any person who has an interest in the Bank including shareholders, customers, employees and creditors), the Board of Directors (the Board) has approved and adopted the standards and practices which provide the framework for the Bank's corporate governance. Such standards are reviewed by the Board periodically to ensure that the Bank maintains best practices in corporate governance, and that these practices provide for the effective oversight and management of the Bank.

These standards are encapsulated in the Bank's governance charters, policies and documents, highlights of and compliance to which are detailed in the succeeding sections of this report.

2. The Board of Directors

2.1 Role of the Board and Executive Management

The Board oversees the conduct of the Bank's business and is primarily responsible for providing effective governance over the Bank's key affairs, including the appointment of Executive Management (including establishing compensation, performance evaluation and ensuring succession planning), setting the Bank's vision and mission, approval of business strategies and objectives, evaluation of performance and assessment of major risks facing the Bank, and ensuring compliance with related laws and regulations as well as the Bank's Articles of Association (AoA).

In discharging its obligations, the Board exercises judgment in the best interests of the Bank and relies on the Bank's Executive Management to implement approved business strategies, resolve day-to-day operational issues, keep the Board informed, and maintain and promote high ethical standards. The Board delegates authority in management matters to the Bank's Executive Management subject to clear instructions in relation to such delegation of authority and the circumstances in which Executive Management shall be required to obtain Board approval prior to taking a decision on behalf of the Bank.

Each Board Member exercises the fiduciary duties of care, loyalty and compliance with the rules set out in applicable laws and regulations including QFMA Code, QCB Code and the Bank's governance documents. At all times, the Board Members are expected to act on an informed basis, in good faith, with due diligence and care, and in the best interests of the Bank and all shareholders in the fulfillment of its responsibilities towards the Bank.

2.2 Approach to Governance

The Board is responsible for the stewardship of the Bank and supervision over the management of the Bank's business with the end view of fostering Bank growth in a profitable and sustainable manner. In fulfilling its stewardship role, the Board ensures that the Bank adheres to principles of corporate governance as required by relevant regulatory authorities (e.g. QCB, QFMA, etc.) and professional code of conduct in its day-to-day activities. The Board also ensures that the Bank's corporate governance practices and professional conduct principles are regularly reviewed and updated to reflect regulatory requirements and leading practices.

In applying good corporate governance, the Bank is governed by its AoA and governance and policy documents.

During 2011, the Bank has undertaken a bank-wide initiative which intends to strengthen its governance processes. Part of this initiative is the review and development of Bank-wide policies. Accordingly, the Bank has revisited its existing Corporate Governance Policy and has developed and replaced it with a Board Policy which captures the functions and responsibilities of the Board as a whole and its members individually. It also encompasses other practices and protocols observed by the Board and its members and other key elements relating to Corporate Governance.

In addition, the Bank also has a Risk Charter which captures the individual Board Committees' and Management Committees functions, responsibilities and protocols that should be observed by the relevant Committee members. The Bank intends to revisit this Risk Charter during 2012 to capture any new leading practices and/ or further applicable regulatory pronouncements relating to governance.

The Bank intends to make these governance documents available to the public through its website after required review and update on the aforementioned documents have been completed.

2.3 Board Composition and Directors' Qualifications

The size of the Board is in accordance with the Bank's AoA and the Corporate Governance Policy, which currently provide for nine Directors. The organisation of the Board shall (i) be determined from time to time according to the requirements of the Bank and regulatory requirements, and (ii) be subject to Director independence provisions. The Board is required to consist of a balance of Non-Executive and Independent Directors, with at least one third classified as independent members.

The position of Chairman of the Board and Chief Executive Officer of the Bank may not be held by the same individual.

The Board is collectively required to possess professional knowledge, business expertise, industry knowledge and financial awareness sufficient to enable the Board to carry out its responsibilities, and Directors shall have experience and technical skills in the best interests of the Bank. The Directors are also committed to provide the required amount of time and attention towards the accomplishment of their duties for the duration of their tenure.

The Board's size, composition (with respect to non-executive members) and qualification are within the requirements set forth by QFMA. Refer to Section 2.6 with respect to independence requirements.

2.4 Electing Directors

The Board reviews the appropriate skills and characteristics required of Directors from time to time and the qualifications of potential nominee Directors, recommending suitable nominees for election to the Board. To be elected to the Board, a nominee Director must receive a simple majority of votes cast in the election.

A Director's membership to the Board shall terminate in the event that, amongst other things, the Director is convicted of an offence of dishonour or breach of trust or is declared bankrupt. Vacancies on the Board are filled in accordance with the Bank's AoA. The Bank's Corporate Governance Policy provides guidance on the voting for directors. Further details relating to the election and removal from office of directors are provided in the AoA.

During 2011, the Board handled the nomination and appointment process for Board Members and recommending for shareholder's approval during the General Assembly meeting. The Bank renewed the term of all its existing Board Members for a period of three years as ratified in the General Assembly. No new Board Member has been elected to the Board on 2011.

For 2012, the Board is planning to establish a Nomination Committee and assign it with the responsibility to recommend Board Members' appointments and re-nomination to the Board for onward election by the General Assembly. The Nomination Committee shall also conduct an annual self-assessment of the Board's performance.

2.5 Director's Responsibilities

Board Chairman

The Chairman is responsible for 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. The responsibilities of the Board Chairman are as defined in the Bank's AoA, and as prescribed in the rules set out in applicable laws and regulations.

The key responsibilities of the Board Chairman include:

- *Strategic*
 - Lead the Board to provide the strategic direction to the Bank. Partner with the GCEO in achieving the Bank's vision and objectives.
 - Encourage all Board Members to fully and effectively participate in dealing with the affairs of the Board to ensure that the Board is working in the best interest of the Bank.
 - Ensure that the Board discusses all the critical issues in an efficient and timely manner.
 - Represent the Bank externally in key initiatives such as efforts to access new markets, or key negotiations on important deals for the Bank.
 - Review and recommend improvements related to strategic initiatives, annual budgets, new business ventures and key investments and divestitures.
 - Meet with Board Members periodically to discuss governance aspects of the Bank especially in terms of compliance and areas for improvement.
 - Maintain sufficient contact with major shareholders to understand their issues and concerns and make sure that the same are duly communicated to the Board as a whole.
 - Lead the Board in adopting the Bank's organisational structure and defining the tasks, duties, responsibilities, relationships and dependencies between different administrative levels.
 - Allow effective participation of the Members.
- *Operational*
 - Ensure that the Bank maintains positive and productive relationships and communication with media, government ministries, regulators and other organisations. In this capacity, the Chairman serves as a primary spokesperson for the Bank.
 - Lead Board discussions. As the bulk of the contributions made by Board Members occur at Board meetings, it is essential that the Chairman leads these meetings to deal with all issues on the agenda, and also in a manner that unlocks the value that each Board Member is capable of contributing.
 - Take an active interest in ensuring that the right people are selected as Board Members, that they complement each other and function well as a group, and that there are sound mechanisms for evaluating the performance of individual Board Members, and the Board as a whole, at least annually.
 - Ensure that the Board is properly carrying out the delegated responsibilities in accordance with the Board Charter.
- *Administrative*
 - Manage the Annual Board Calendar and Meeting Agendas. The Chairman should oversee the planning of the Annual Board Calendar, including the scheduling of meetings and the substantive allocation of recurring topics.

- Assume a leading role, working closely with the GCEO, and consulting with the other Board Members, in producing the agendas for each BOD meeting, and in reviewing the agendas developed for committee meetings by their chairs.
- Approve the call for the General Assembly in terms of invitations and publications and oversee the timely circulation of the same to authorities and shareholders.
- Ensure that Board Members receive appropriate and timely information from the management.

Non-Executive Director's Responsibilities

Directors shall be given appropriate and timely information to enable them to maintain full and effective control over strategic, financial, operational, compliance and governance issues of the Bank.

Directors shall act in accordance with the Bank's AoA, QCCL, applicable laws and regulations and the Bank's governance charters.

Other than resolutions passed at each Annual General Assembly absolving the Board from responsibility, and provisions in the AoA requiring that disputes against Directors can only be brought in accordance with a resolution by the General Assembly, there are no provisions in effect protecting the Board and Executive Management from accountability.

The responsibilities of the Non-Executive Directors include:

- Be actively involved in Board meetings and providing input to Board activities as stipulated in the Board Charter.
- Assisting and providing opinion on the Bank's strategic and business planning processes and constructively challenging proposals on strategy.
- Monitoring management's performance in achieving agreed goals and objectives and scrutinising Bank's performance reports.
- Review the integrity of financial information and monitor that the Bank's financial controls and systems of risk management are robust and defensible.
- Ensuring that the Bank and Shareholder interests are preserved and prioritised, especially in 'conflict of interest' situations especially if and when any of the Board Members or Executives is involved in such conflicts.
- Participate in the development of protocols relating to corporate governance and ensure their implementation in a consistent manner.
- Be available to shareholders if they have concerns which have not or cannot be resolved through contact with the Chairman and the GCEO or if such contact is not appropriate.
- Raise to the Board's attention any shareholder concerns when other channels of communication are inappropriate.
- Participate in various Board Committees.
- Be collectively responsible for the Board decisions and actions.

- Any additional responsibility entrusted by the Board/ Board Chairman.

Other Board Duties and Practices

Other rights and responsibilities bestowed to Board Members include:

- Full and immediate access to information, documents, and records pertaining to the Bank.
- Ensure that the Board Audit Committee members, the Internal Audit and representatives of the External Auditors attend the General Assembly.
- Put in place an induction program for newly appointed Board Members in order to ensure that, upon their election, Board Members are made fully aware of their responsibilities, and has proper understanding of the manner in which the Bank operates.
- Adopt an appropriate formal training to enhance Board Members' skills and knowledge.
- Be updated about the latest developments in the area of corporate governance and best practices relating thereto.

2.6 Director's Independence

As per QFMA Corporate Governance Code, at least one third of the Board shall comprise Independent Directors and a majority of the Board shall comprise Non-Executive Directors. Non-Executive Directors must be able to dedicate suitable time and attention to the Board, and their directorship must not conflict with any other interests of such Directors.

Directors must notify the Board as soon as reasonably practicable in the event of any change in circumstances which may affect the evaluation of their independence.

The Bank has fully adopted QCB Corporate Governance Guidelines definition of 'Independent Directors' in assessing independence of its Board Members. With respect to the independence definition as per QFMA Corporate Governance Code, the Bank is generally complying except on the provision stating that a Board Member is considered non-independent if he has been a member of the Bank's Board for more than nine consecutive years. All Board Members has to be re-elected after every three years, although by re-election there are members serving the Bank more than nine consecutive years.

2.7 Members of the Board

Board Member Name	Date of First Appointment	Expiry of Current Appointment	Position	Status on the Board	Shares %*	Experience and Other Board Seats Held
H.E. Abdullah bin Khalifa Al Attiyah	1980	2014	Chairman	Non-Executive, Independent		<ul style="list-style-type: none"> • State Minister; • Vice Chairman of Qatar Insurance Company; • Vice Chairman of United Development Company; • Chairman of Gulf Publishing and Printing Company; • Owner of Contraco Contracting Company; • Graduated from the USA with BA in Political Science.
Sh. Abdullah bin Ali bin Jabor Al Thani	1990	2014	Vice Chairman	Non-Executive, Non-Independent		<ul style="list-style-type: none"> • Director of National Bank of Oman; • Director of United Arab Bank; • Owner of Vista Trading Company; • Partner in Dar Al Manar, Domopan Qatar, Banz Group Qatar, Al Aqili Furnishings, Carpetland and Office Land; • Graduated from Qatar University with BA in Social Science.

Board Member Name	Date of First Appointment	Expiry of Current Appointment	Position	Status on the Board	Shares %*	Experience and Other Board Seats Held
Mr. Hussain Ibrahim Al Fardan	1975	2014	Managing Director	Non-Executive, Non-Independent		<ul style="list-style-type: none"> • Chairman of Alfardan Group; • Chairman of United Development Company; • Director of Qatar Insurance Company; • Chairman of QIC International LLC; • Founding member and Director of Investcorp Bahrain; • Vice Chairman of Gulf Publishing and Printing Company; • Vice Chairman of Qatar Businessmen's Association.
Mr. Jassim Mohammed Jabor Al Mosallam	1975	2014	Member	Non-Executive, Independent		<ul style="list-style-type: none"> • Owner of Al Mosallam Trading Company; • Director of Qatar German Medical Devices Company; • Director of Qatar Clay Bricks Company.
Qatar Insurance Company Represented by Mr. Khalifa Abdullah Al Subaey	1987	2014	Member	Non-Executive, Independent		<ul style="list-style-type: none"> • President and CEO of Qatar Insurance Company; • Managing Director of QIC International LLC, Q-Re Insurance

Board Member Name	Date of First Appointment	Expiry of Current Appointment	Position	Status on the Board	Shares %*	Experience and Other Board Seats Held
						<p>Company and Damaan Islamic Insurance Company (BEEMA);</p> <ul style="list-style-type: none"> • Director of United Development Company; • Graduated from the USA with BA in Economic and Political Science.
Mr. Abdulla Mohammed Ibrahim Al Mannai	1987	2014	Member	Non-Executive, Independent		<ul style="list-style-type: none"> • Owner of AMPEX; • Owner of Qatar Marble; • Owner of Islamic Mozaic Company; • Member of the Qatar Businessmen's Association.
Mr. Omar Hussain Al Fardan	2002	2014	Member	Non-Executive, Non-Independent		<ul style="list-style-type: none"> • President and Director of companies comprising Alfardan Group; • Director of United Development Company; • Vice Chairman and Director of United Arab Bank; • Chairman and Director of National Bank of Oman; • President of Resorts Development Company;

Board Member Name	Date of First Appointment	Expiry of Current Appointment	Position	Status on the Board	Shares %*	Experience and Other Board Seats Held
						<ul style="list-style-type: none"> • Chairman of Qatar District Cooling Company; • Vice Chairman of Middle East Dredging Company; • Director of Qatar Red Crescent Society; • Graduated from Webster University, Geneva with BA in Business Administration and a Masters in Finance.
Sh. Jabor bin Ali bin Jabor Al Thani	2002	2014	Member	Non-Executive, Independent		<ul style="list-style-type: none"> • Director of Gulf Publishing and Printing Company; • Owner of Al Maha Contracting Co.; • Partner in Banz Group Qatar.
Nasser bin Faleh Al Thani Group Represented by Sh. Ahmed bin Nasser bin Faleh Al Thani	1975	2014	Member	Non-Executive, Independent		<ul style="list-style-type: none"> • Director of United Development Company; • Partner in Waset Trading Company; • Partner in Ali Bin Nasser Al Thani and Brothers; • Ex-Minister of Transportation; • MBA in Engineering

Board Member Name	Date of First Appointment	Expiry of Current Appointment	Position	Status on the Board	Shares %*	Experience and Other Board Seats Held
						Management.

* As at 31 December 2011.

2.8 Board Meetings

In line with the Bank's AoA, the Board shall hold at least six meetings (minimum once every two months) pursuant to either (i) written notice from the Chairman of the Board at least one week prior to the meeting, or (ii) written request submitted by at least two-thirds of the Directors. Notice of meetings issued by the Chairman of the Board or his Deputy or upon the request of another member of the Board shall include the meeting agenda. Directors may request that a matter be included on the meeting agenda. Directors are expected to make every effort to attend, in person, all scheduled Board meetings and meetings of the Board Committees on which they serve. A Board meeting shall only be validly called if a majority (at least five out of nine members) of Directors are in attendance (whether in person or by proxy) and provided that at least four Directors are present in person. Voting in Board meetings shall be in accordance with the Bank's AoA. Matters considered, and decisions taken, by the Board shall be recorded by means of minutes kept by the Board Secretary.

During 2011, the Board held a total of eight (8) Board meetings as indicated in the table below:

Meeting Dates	Attendance Rate
23 January 2011	8 members
21 February 2011	8 members
19 April 2011	7 members
12 June 2011	7 members
14 August 2011	8 members
11 October 2011	7 members
6 December 2011	9 members
19 December 2011	5 members

2.9 Board Secretary

The Board has appointed a Board Secretary who is responsible for maintaining and safekeeping Board documentation and for the distribution of Board meeting agendas, invitations, other required documentation, and the distribution of Board meeting minutes and resolutions. The Board Secretary may only be appointed and removed by a Board resolution.

Under the direction of the Chairman, the Board Secretary is in-charge of ensuring timely access to information and coordination among the Board Members as well as between the Board and other stakeholders in the Bank. The Board Secretary is also responsible for providing orientation material and scheduling orientation sessions for new Board Members.

The Board Secretary's qualification and experience are as follows:

- Total of twenty-five (25) years of related banking experience, 15 years of which have been served as the Bank's Board Secretary;
- Possesses the knowledge and skills required to fulfill the role of Board Secretary; and
- Holds a Bachelor's degree in English Literature.

The Board Secretary also holds the trust and confidence of the Board in performing Board-related tasks.

3. Board Committees

To help carry out its function and duties, the Board has instituted the following Board Committees:

1. Board Audit Committee;
2. Board Risk Committee;
3. Board Executive Committee; and
4. Policy and Strategy Committee.

Board Committee members are appointed by the Board. Each Board Committee has its own written terms of reference, duties and authorities as determined by the Board and which is captured in the Bank's Risk Charter.

The Board is planning to establish the Nomination and Remuneration Committees in 2012 to specifically address the requirements of QFMA Corporate Governance Code and QCB Corporate Governance Guidelines. These Committees will be designated with the key responsibilities as provided in the aforementioned codes and in line with leading practice. Currently, the responsibilities that should be handled by these Committees are either handled directly by the Board (especially in the case of Board member nomination) or assigned to other Board Committees.

3.1 Board Audit Committee

The Board Audit Committee is primarily responsible for overseeing the quality and integrity of the accounting, auditing, internal control and financial reporting practices of the Bank as well as setting forth compliance and Anti-Money Laundering, and Combating Financing of Terrorism (AML/CFT) requirements, criteria and control mechanisms for all activities involving Bank wide related risks.

The Committee is composed of the following:

Board Member Name	Status on the Committee
Mr. Khalifa Abdullah Al Subaey	Chairman
Sh. Jabor bin Ali bin Jabor Al Thani	Member
Sh. Ahmed bin Nasser bin Faleh Al Thani	Member
Mr. Abdulla Mohammed Ibrahim Al Mannai	Alternate Member

In line with regulatory requirements and leading practices, all members of the Board Audit Committee are independent, non-executive directors.

The Committee's role, responsibilities, composition, membership requirements and other protocols are documented in the Risk Charter.

In conforming to the transparency and independence principle, the Internal Audit and Compliance Departments report directly to the Board Audit Committee whereas the Heads of both the Audit and Compliance functions are responsible to submit reports and observations to the Committee on a periodic basis and as needed.

Activities during the year

Key activities undertaken by the Committee during the year include:

- Reviewed and recommended to the Board the adoption of the Bank's annual financial statements; and
- Reviewed the scope of the 2011 internal audit plan;
- Performed oversight on the work performed by the external auditors throughout the year;
- Reviewed the significant accounting, financial reporting and other issues raised by management, and the internal and external auditors;
- Approved the Delegation of Authorities (DOA) manuals of the Internal Audit and Compliance and AML functions; and
- Held private meetings at least annually with the Chief Internal Auditor, without the presence of management.

During 2011, the Board Audit Committee met a total of six (6) times and minutes of such meetings are duly documented. Details shown below:

Meeting Date	Attendance
23 January 2011	3 members
16 February 2011	2 members
30 May 2011	2 members
25 October 2011	3 members
28 November 2011	2 members
11 December 2011	2 members

3.2 Board Risk Committee

The Board Risk Committee is primarily responsible for all aspects of enterprise risk management including, but not restricted to credit risk, market risk and operational risk. The Board Risk Committee reviews the policy on all risk issues and maintains oversight of all Bank risks through the Management Risk Committee (MRC).

The Committee is composed of the following:

Board Member Name	Status on the Committee
Sh. Abdullah bin Ali bin Jabor Al Thani	Chairman
Sh. Ahmed bin Nasser bin Faleh Al Thani	Member
Mr. Omar Hussain Al Fardan	Member

Activities during the year

Key activities undertaken by the Committee during the year include:

- Reviewed and ratified the Risk Universe manual that identifies the risks faced by the Bank in all its operations, as recommended by the Management Risk Committee (MRC);
- Managed all matters relating to the Bank's Business Continuity;
- Reviewed the enterprise wide heat map of risk through the MRC;
- Approved the Delegation of Authorities (DOA) manuals of the Risk, Asset Liability & Management/ Treasury and Special Asset Management functions;
- Performed oversight on the work performed by the MRC and the Risk SBU throughout the year; and
- Reviewed reports of risk assets and exposures as well as other reports covering bank wide portfolio and trends.

During 2011, the Board Risk Committee met a total of four (4) times and minutes of such meetings are duly documented. Details shown below:

Meeting Date	Attendance
19 June 2011	3 members
11 September 2011	3 members
26 October 2011	3 members
5 December 2011	3 members

3.3 Board Executive Committee

The Board Executive Committee key responsibilities include:

- Handling matters which require review by the Board but arise between Board meetings; and
- Relieving the Board of detailed review of information and operations activities including evaluating and granting credit facilities and approving the Bank's investment activities within authorised limits (as dictated by QCB and Board guidelines).

The Committee is composed of the following:

Board Member Name	Status on the Committee
H.E. Abdullah bin Khalifa Al Attiyah	Chairman
Sh. Abdullah bin Ali bin Jabor Al Thani	Member
Mr. Hussain Ibrahim Al Fardan	Member
Mr. Omar Hussain Al Fardan	Member

Activities during the year

Key activities undertaken by the Committee during the year include:

- Reviewed country risk exposures and financial institutions exposures and recommended amendments in country limits to the Board recommended by the Management;
- Reviewed and approved credit proposals in line with its delegated authorities.

The Board Executive Committee met a total of twenty-one (21) times during 2011 and minutes of such meetings are duly documented. Details shown below:

Meeting Date	Attendance
9 January 2011	4 members
16 January 2011	3 members

Meeting Date	Attendance
30 January 2011	2 members
13 February 2011	4 members
28 February 2011	2 members
9 March 2011	3 members
16 March 2011	2 members
3 April 2011	3 members
10 April 2011	2 members
1 May 2011	4 members
8 May 2011	4 members
22 May 2011	4 members
5 June 2011	4 members
12 June 2011	4 members
31 July 2011	3 members
15 August 2011	3 members
18 September 2011	3 members
25 September 2011	2 members
16 October 2011	4 members
20 November 2011	3 members
6 December 2011	4 members

3.4 Policy and Strategy Committee

The Policy and Strategy Committee is mandated to attend to issues relating to governance, approving all strategies, plans, budgets/objectives and policies, procedures and systems as well as reviewing the performance of the Bank in relation to each of the foregoing.

Board Member Name	Status on the Committee
H.E. Abdullah bin Khalifa Al Attiyah	Chairman
Sh. Abdullah bin Ali bin Jabor Al Thani	Member
Mr. Hussain Ibrahim Al Fardan	Member
Mr. Omar Hussain Al Fardan	Member
Mr. Andrew C. Stevens	Group Chief Executive Officer

Activities during the year

Key activities undertaken by the Committee during the year include:

- Reviewed and approved the Delegation of Authorities (DOA) manual across various functions in the Bank (except those functions under the direct purview of another Board Committee);
- Received reports and analysis of the Bank's financial and operating performance and evaluated key performance indicators against their accompanying strategies;
- Reviewed and approved the Operating and Capital Expenditure Budgets;
- Decided on all matters related to Corporate Premises including recommendations to the Board as to acquisition of premises and approval of other capital and operating expenditure;
- Reviewed and approved appointment of external consultants involving fees beyond the authority of GCEO; and
- Evaluated the remuneration of the Board Members and presented to the full Board for approval and endorsement to the General Assembly.

During 2011, the Policy and Strategy Committee met for a total of eight (8) times and minutes of such meetings are duly documented. Details shown below:

Date	Attendance
16 January 2011	5 members
13 February 2011	5 members
19 April 2011	5 members

1 May 2011	5 members
5 June 2011	5 members
15 August 2011	4 members
18 September 2011	4 members
4 December 2011	5 members

4. Independent Advisors

The Board and its Committees may retain counsel or consultants with respect to any issue relating to the Bank's affairs. Costs and expenses incurred pursuant to appointment of independent advisors or consultants shall be borne by the Bank.

5. Directors' and Executive Management Remuneration

Board Members' remuneration shall be in accordance with QCB Circular No. 75/2011 and in compliance with the CCL (Law 5 of 2002), QFMA Corporate Governance Code and the AoA. This remuneration framework shall be presented to the shareholders in the General Assembly for approval.

In conformity with the Bank's Remuneration Policy for the BOD, remuneration shall take into account the responsibilities and scope of the functions of the Board Members as well as the performance of the Bank. Compensation may include fixed and performance-related components, noting that such performance related components should be based on the long-term performance of the Bank.

Remuneration of Board Members may take the form of:

- Fixed salaries;
- Directors' fees;
- In-kind benefits; or
- A percentage of the Bank's profits.

In addition, the following elements should be observed in providing remuneration to Board Members:

- Board Members may receive multiple forms of remuneration provided that remuneration by way of a percentage of the Bank's profits shall not, after deduction of expenses, depreciation and reserves and distribution of dividends of not less than 5% of the Bank's capital, exceed 10% of the net profit of the Bank.
- Amount of such remuneration shall be approved annually by the General Assembly, taking into account the level of profitability of the Bank.

As reported in the Bank's Annual Report 2011, total remuneration earned by the Board in 2011 (including fixed and variable remuneration and meeting attendance fees) was QR 41.45 million. (2010: QR 39.56 million)

With respect to Executive Management and employees, the Bank has a remuneration framework developed that outlines the compensation structures for Executive Management and employees which is competitive relative to the market, reward performance that contributes to the Bank's growth and profitability and is consistent with the Bank's strategy.

Total remuneration earned by the senior management in 2011 in QR thousands was:

Fixed Remuneration	35,975
Discretionary Remuneration	12,864
Other Benefits	4,772
Total (2010: 52,532)	53,611

During 2011, the Policy and Strategy Committee was tasked to evaluate the remuneration of the Board Members and present to the full Board for approval and endorsement to the General Assembly.

For 2012, the Board is planning to establish a Remuneration Committee and effectively transfer to the Committee the responsibility in reviewing and setting the remuneration policy for Board Members, management and staff.

6. Executive Management

Executive Management (defined as the group of persons with operational responsibility for the Bank appointed by the Board) is responsible for the overall day-to-day management of the Bank.

As at the date of this report, Executive Management of the Bank comprised the following:

Executive Management Name	Position	Education, Experience and Affiliations
Mr. Andrew C. Stevens	Group Chief Executive Officer (GCEO)	<ul style="list-style-type: none"> • Graduated from Birmingham University in 1980 with a B.Com (Hons) in Banking and Finance. • Joined Commercialbank in 1989; CEO of Commercialbank from 2001; Group CEO since 2008. • Over 30 years extensive experience in international banking including diverse business development, business process re-engineering and change management. • Director of National Bank of Oman, United Arab Bank, and CBQ Finance Limited. • Chairman of Orient 1 Limited. • Director of QIC International LLC and is on the Global Advisory Board of Diners Club International and Visa's International Senior Client Council.
Mr. Abdulla Al Raisi	Deputy Chief Executive Officer	<ul style="list-style-type: none"> • Graduated from Portland State University in 1982 with a B.Sc. in Political & Social Sciences. • Joined Commercialbank in 1998; Deputy CEO since March 2007. • Previously with QAFCO. • Over 26 years experience, including extensive banking experience, in Arab Gulf States Folklore Center and Doha Bank Ltd., respectively. • Chairman of Commercialbank Investment Services.
Mr. Hugh Thompson	EGM & Group Chief Legal Officer	<ul style="list-style-type: none"> • Graduated from Oxford University (M.A. Hons) with degree in Law. • Qualified English solicitor. • Joined Commercialbank in 2004; EGM & Group

Executive Management Name	Position	Education, Experience and Affiliations
		<p>Chief Legal Officer since 2008.</p> <ul style="list-style-type: none"> Previously with the law firm Richards Butler in Doha and London. Has 25 years experience as a banking lawyer in London, in both private practice and as an in-house lawyer with National Westminster Bank and Standard Chartered Banking Group, including secondment to the Bank of England. Director of Orient 1 Limited and CBQ Finance Limited.
Mr. Nicholas Coleman	EGM & Group Chief Financial Officer	<ul style="list-style-type: none"> Graduated from London Guildhall University with a BA (Hons) in Economics. Joined Commercialbank as EGM & Group Chief Financial Officer in 2008. Over 22 years experience as a seasoned banker with The Bank of New York in London, National Westminster Bank in London and Morgan Stanley in London. Previously with Arthur Young in Kuwait. Fellow of the Institute of Chartered Accountants in England and Wales. Director of United Arab Bank, Orient 1 Limited, Massoun Insurance Services, Asteco Qatar, Gekko LLC, Commercialbank Investment Services and CBQ Finance Limited.
Mr. Sandeep Chouhan	EGM & Group Chief Operating Officer	<ul style="list-style-type: none"> Graduated from National Institute of Technology, India. Joined Commercialbank as Group Chief Operating Officer in 2008. Previously with Barclays Bank in London. Over 20 years global experience in banking

Executive Management Name	Position	Education, Experience and Affiliations
		<p>operations and technology, including 5 years with Morgan Stanley and 8 years with Citigroup across EMEA, Asia and USA.</p> <ul style="list-style-type: none"> Chartered Professional of the British Computer Society. Director of Orient 1 Limited, Gekko LLC and Massoun Insurance Services.
Mr. Abduljalil Borhani	EGM Strategic Clients	<ul style="list-style-type: none"> Graduated from Northern Arizona University in Business Administration in 1992. Joined Commercialbank in 1993, beginning his career in corporate banking as relationship officer; promoted to EGM, Corporate Banking Officer in January 2009. Currently EGM Strategic Clients.
Mr. Rajbushan Buddhiraju	EGM Commercialbank Enterprise	<ul style="list-style-type: none"> Bachelor of Engineering, Petroleum Engineering, Indian School of Mines, Dhanbad, India (1987); MBA, Major in Marketing and Finance, Indian Institute of Management, Calcutta, India (1989). Joined Commercialbank as EGM - Retail Banking Officer in August 2008. Currently EGM Commercialbank Enterprise. Previously with Arab National Bank, Saudi Arabia as Retail and Consumer Banking Head. Over 21 years banking experience, including 13 years with Citibank in India, Singapore, Hungary and Poland holding positions including Relationship Manager for the high net worth segment, Product Manager for Liabilities, Credit Cards and Loans and Marketing Director for Retail Products including the distribution of mutual funds. Director of Commercialbank Investment Services.

Executive Management Name	Position	Education, Experience and Affiliations
Mr. Stephen Mullins	EGM Corporate Banking	<ul style="list-style-type: none"> Joined Commercialbank in 2009 as Group Chief Credit Officer and promoted to EGM Corporate Banking in September 2010. Over 35 years of banking experience including 24 years with National Westminster Bank Group, two years with ICICI Bank and eight years as Regional Head of Credit with Nedbank in their regional office in Hong Kong. Associate of the Institute of Bankers.
Mr. Jerold Williamson	EGM & Chief Risk Officer	<ul style="list-style-type: none"> Graduated from Loughborough University in the UK in 1981 in Banking and Finance. Joined Commercialbank in 2011 as Chief Risk Officer. Previously with Midland Bank/HSBC, and Lloyds TSB Bank, with over 30 years experience in international, corporate, and retail banking, encompassing business, credit, internal audit and risk roles.
Mr. James Kneller	EGM & Head of Organisational Effectiveness	<ul style="list-style-type: none"> Joined the Bank as EGM & Head of Organisational Effectiveness in 2011. Prior to joining, Mr Kneller led a management and business coaching consultancy based in London and before this, spent 4 years with Banco Santander as HR Director during the integration of their UK acquired businesses. Mr Kneller spent 5 years working within the Saudi Arabian based ALJ Group as both an HR Director and Business Head and has also held senior HR positions with Dixons, Granada Group and Sainsburys.
Mr. Alex Carre de Malberg	EGM & Global Head, Comcap	<ul style="list-style-type: none"> Graduated from HEC (MBA), University of

Executive Management Name	Position	Education, Experience and Affiliations
		<p>Massachusetts (MsChE) and ENSIC (Chemical Engineer).</p> <ul style="list-style-type: none"> Joined Commercialbank in 2011 as EGM Global Head, Comcap, the investment banking, research and asset management division and parent of Commercialbank Investment Services, the brokerage arm of Commercialbank. Over 19 years of investment banking experience, of which last five years in the Gulf previously as co-head of Rothschild Middle East and head of investment banking at Abu Dhabi Investment Company. Started his investment banking career in New York with Lazard Freres, then Hong Kong and Singapore with Peregrine and one of its spin-offs, until he joined Rothschild in Paris in 1998. Director of Commercialbank Investment Services.
Mr. Dean Proctor	EGM Retail & Consumer Banking	<ul style="list-style-type: none"> Joined Commercialbank in January 2012 as EGM Retail & Consumer Banking. Previously CEO of Arbuthnot Latham & Co. Ltd, a private bank in the UK, for 3 years. Concurrently an Executive Director and Board Member of Arbuthnot Banking Group a UK listed company. Previously with Citibank working in the UK as Managing Director, UK Retail & Wealth Management including Egg Banking Plc and internationally as Head of Credit Cards for the Middle East based out of UAE. Spent 14 years with Lloyds Bank Plc working in retail and corporate banking across all divisions.

Executive Management Name	Position	Education, Experience and Affiliations
Mr. Fahad Badar	EGM Government & International Banking	<ul style="list-style-type: none"> • Joined Commercialbank in 2000 and currently serves as EGM Government & International Banking. • Over 11 years of experience in various areas of the retail, corporate banking and operations divisions, where he has built strong relationships and an excellent reputation amongst key industry stakeholders, from customers to peers. • BA in Banking & Finance from the University of Wales and an MBA from Durham University.
Mr. Jamal Tartir	EGM Private Banking	<ul style="list-style-type: none"> • Graduated from Georgia State University with a BBA Degree in Finance. • Joined Commercialbank in 2011 as EGM Private Banking. • Previously Director and Chief Country Officer for Barclays Wealth in Qatar. • Over 28 years international banking experience with highly regarded institutions in Qatar, Bahrain, Kuwait and Cyprus, including Investcorp, Merrill Lynch, NBK, Tijari Investment Co, Bank of Bahrain & Kuwait, Arab Jordan Investment Bank and Dar Al Mal Al Islami.
Mr. Gary Williams	Senior AGM & Chief Internal Auditor	<ul style="list-style-type: none"> • Joined Commercialbank in 2010 as Senior AGM and Chief Internal Auditor. • Previously with Standard Chartered Bank for 25 years, the last 12 of which were in Group Internal Audit and Operational Risk Assurance positions. • Roles in the Group Internal Audit function included postings in UK, Singapore, Hong Kong and South Korea. • Final role in SCB, prior to joining Commercialbank

Executive Management Name	Position	Education, Experience and Affiliations
		was to establish and manage the Operational Risk Assurance function in 20 countries across the Africa, Middle East and Pakistan regions for the Bank.
Mr. Mohamad Mansour	AGM – Head of Compliance & AML/CFT Unit	<ul style="list-style-type: none"> • Mohamad started his banking career at the Treasury Bills Department of the Central Bank of Lebanon. • He is a founding member and a former Senior Investigator and Research Analyst of the Financial Information unit at the Central Bank of Lebanon, where he led numerous money laundering and terrorism financing investigations with regional and international counterparts as well as conducting banks' examinations on anti money laundering programs. • A Certified Anti Money Laundering Specialist (CAMS), & Certified Compliance Officer, actively involved with local and international regulators on enhancing the AML/CFT implementation, raising awareness, and introducing the latest AML & CFT information technology solutions. • An expert trainer/speaker at regional and international conferences with Union of Arab Banks, US-MENA Private Sector Dialogue , ACAMS, IMF, IOPC, and Central Banks on AML/CFT and international sanctions.

To ensure high quality replacement for those individuals who currently hold positions that are key to the Bank's success, a Succession Planning policy section is included in the Human Resources Policies Manual to capture the mechanism followed by the Bank in ensuring the availability and placement of suitably qualified and experienced employees with the appropriate competency level and leadership skills/ capabilities for key leadership roles within the Bank.

6.1 Management Committees

Executive Management functions through a number of committees, which support the role of the Group Chief Executive Officer (GCEO). The number of executive committees and their responsibilities are determined by the Board; membership of the various committees is determined by the GCEO. A summary of their main activities is set out below.

- *Management Executive Committee (EXCO)*
 - EXCO is chaired by the GCEO and meets on a regular basis, monthly, or as required by the business. Its principal function is to develop the annual business plan and budget for the Bank, and to monitor performance against it.
- *Management Risk Committee (MRC)*
 - The MRC is the highest authority at management levels on all risk-related issues of the Bank, and reports on all risk policy and portfolio issues to the Board Risk Committee. It monitors and controls levels of credit, retail and operational risk to ensure that the risk strategies and policies approved by the Board are adhered to and implemented. The MRC also sets up and monitors the policies and procedures relating to the management of business continuity. The Chief Risk Officer serves as chairman of the MRC, which meets at least four times a year, and more frequently if necessary.
- *Asset and Liability Committee (ALCO)*
 - ALCO is a decision making body for developing policies relating to asset and liability and market risk management including balance sheet structure, funding, pricing, hedging and investment. Its key functions are to formulate policies on market risk, liquidity risk and interest rate risk, and to ensure that such risks are effectively assessed, controlled, monitored and managed. The Group Chief Financial Officer serves as chairman of ALCO. Meetings of ALCO are held once a month or more frequently if necessary, particularly in the case of a volatile operating environment.
- *Group Special Assets Management (GSAM) Committee*
 - Special Assets are those assets of the Bank which require extensive monitoring and control in order to prevent losses and maximise recoveries. The GSAM Committee supervises these activities, reviews related policies and procedures and monitors actions being taken on all accounts within the Special Asset portfolio. The Group Head of Special Assets Management serves as chairman of the committee. Meetings are held at least four times a year, or more frequently as deemed appropriate by the chairman.

7. Ownership Structure

In accordance with Article 7 of the Bank's AoA, no person (whether natural or juridical) shall own at any time more than 5% of the total shares in the Bank by any means other than inheritance, with the exception of (i) Qatar Investment Authority, Qatar Holding LLC or any of their associated companies and (ii) a custodian or depository bank holding shares in respect of an offering of Global Depository Receipts.

As at 31st December 2011, 82.02% of the total number of shares in the Bank were held by Qatari nationals (whether individuals or entities) and 17.98% of such shares by foreign investors. As at 31st December 2011, in percentage terms, the largest shareholdings in the Bank were as follows:

Qatar Holding LLC	16.67%
Deutsche Bank AG	3.46%
AI Watani Fund 3	3.07%
AI Watani Fund 4	3.03%
Qatar National Bank SAQ	2.61%
Nats Cumco LLC	2.26%

8. Risk Management

The provision of financial services to customers carries with it significant risks and, accordingly, timely and effective identification, assessment and mitigation of risk is a strategic priority for Commercialbank. The Bank has a comprehensive risk governance framework in place, covering accountability, oversight, measurement and reporting of risk which is encapsulated in the Board-approved Risk Charter. This Charter also outlines the enterprise-wide risk management activities of the Bank and details high level organisation, authorities and processes relating to all aspects of risk management, including: Strategic, Credit, Liquidity, Market, Operational and Reputational Risks.

Risk management practices are well embedded and exercised at several levels within the Bank cascaded down from the Board of Directors, Board-level Committees, Management-level Committees and Executive Management.

Within Commercialbank, risk management is based on the risk appetite and strategy set by the Board of Directors through the Board Risk, Board Audit and Policy and Strategy Committees. The strategy and resultant policies and procedures are implemented through specialist risk functions reporting to the Chief Risk Officer. Risk is provided at the required level of independence and works closely with the other business units in the Bank to support their activities. The following represent the key objectives of the risk management framework:

- Ensure adherence/ compliance of individual and portfolio performance with agreed terms and policies;
- Institute prudent risk control mechanisms across the Bank;
- Ensure compliance with local legal and regulatory guidelines; and
- Maintain primary relationship with the local regulators with respect to risk-related issues.

Risk has over ninety dedicated staff which underlines Commercialbank's commitment to a strong risk governance and management framework. During 2011, the Bank continued to tighten its internal controls and improved various processes in all areas of risk management. At a macro-level, Commercialbank's Board is involved in risk-decisions through:

- Board Risk Committee (for risk policies, enterprise wide risk reviews and portfolio monitoring);
- Board Executive Committee (for credit decisions and lending strategy); and
- Board Audit Committee (for compliance and internal audit matters).

In addition, specific risk focused management committees (Risk, Asset & Liability Management and Investment) convened on a quarterly basis, at a minimum. The Board of Directors or their sub-committees are regularly updated on major risks that the Bank faces, including but not limited to credit risk.

During 2011, the Bank strengthened its Governance process by developing:

- A comprehensive Bank-wide Delegation of Authorities (DOA) manual providing clear understanding of the roles, responsibilities and accountabilities at all levels.
- A Risk Universe manual to identify the risks faced by the Bank in all its operations.
- Organisation-wide policies which provide the Bank with an environment to operate with greater consistency and control.

From a Risk Infrastructure perspective, the Bank has developed and implemented a Bank-wide Risk Appetite Framework, upgraded and enhanced its Internal Risk Rating System, automated its Operational Risk Management Framework and Asset and Liability Management (ALM) processes and initiated the implementation of an End-to-End Credit & Risk Workflow Management system.

The Bank is in compliance with the provisions of Basel II framework as advised by the Qatar Central Bank. In summary, the governance framework, policies and administrative procedures and practices relating to risk management in Commercialbank align well with global leading practice, the recommendations of Basel Committee, and the guidelines of the Qatar Central Bank.

9. Internal Control Framework

The Bank has adopted a set of internal control policies, approved by the Board, to evaluate the methods and procedures for risk management, implementation of the Bank's corporate governance charter and compliance with related laws and regulations. This internal control framework also aims to safeguard shareholders' investment and the Bank's assets and to ensure the reliability of Commercialbank's financial recordkeeping and reporting. Commercialbank's internal control framework includes the establishment of strong finance, operational, risk management, compliance and internal audit departments.

The Board Audit Committee performs a periodic review of the effectiveness of the Bank's internal control framework through evaluations carried out by the Internal Audit and Compliance Departments. Such review includes all material controls, including financial, operational and compliance controls and risk management systems. In addition, the Committee also takes into consideration the results of the Bank's external auditor's evaluation. The Committee reports results of these assessments on the adequacy of the existing internal controls and processes to the Board.

9.1 Compliance

The Bank promotes a robust compliance culture across the organisation and requires everyone, from the Board down to staff, to consistently comply with applicable laws, regulations and standards.

The Compliance and AML/CFT Department does, on a pro-active basis, identify, document and assess the compliance risks associated with the Bank's business activities, including but not limited to the development of new products and business practices, and the proposed establishment of new types of business or customer relationships, or material changes in the nature of such relationships. Compliance risks include risk of legal or regulatory sanctions, material financial loss, or loss to reputation as a result of failure to comply with applicable laws, regulations and standards.

Other major responsibilities of Compliance and AML include:

- Ensuring complete adherence of branches/departments to relevant laws/regulations, Central Bank's instructions and Money Laundering/ Terrorism Financing laws issued in the State of Qatar and each jurisdiction;
- Monitor and ensure Bank's compliance with regulations relating to combating money laundering and terrorism financing activities;

- Proposing relevant recommendations to enhance/ improve the internal controls procedures that help in mitigating compliance, AML and Anti Terrorism Financing (ATF) risks;
- Keeping up-to-date with new laws and regulations and informs executive management and the concerned departments for their immediate implementation.

The Compliance and AML/CFT Department monitors and tests compliance by performing Compliance Reviews to identify regulatory breach and non compliance issues. The results of the Compliance Reviews are reported to the Board Audit Committee, the GCEO, the Chief Risk Officer, Executive Management and the concerned unit / department heads on a regular basis. The reports summarises deficiencies and/or breaches and recommends measures to address them, in addition to the corrective measures already taken and those which shall be taken in accordance with agreed target dates.

During 2011, the Compliance and AML/CFT Department carried out 13 Compliance reviews which identified compliance deficiencies and controls all of which were appropriately addressed by the Bank's management. None of the compliance issues identified in the department's compliance reviews has had any material financial impact on the Bank.

Also, during the year, the Compliance and AML Department has increased its efforts to identify and manage compliance risks associated with the Bank's activities. It has diligently monitored any instances of non-compliance with regulatory requirements (including those related to market listing and disclosure rules and requirements) which may put the Bank at risk of penalty from relevant regulatory authorities.

Moreover, the Compliance and AML Department has carried out the following major compliance related projects during 2011:

- Conducted Compliance review on all the Bank business units;
- Introduced new systems and enhanced functionalities on transactions monitoring international sanctions and blacklist checking;
- Introduced automated blacklist checking the Bank's CIB platform to cross check remitters information on all exchange companies transactions;
- Initiated data integrity project across the Bank; and
- Performed frequent and proper reporting to the Board Audit Committee on all Compliance reviews findings and related risks.

Penalties, Fines or Punishments Imposed on the Bank by Regulatory Authorities

No penalties were imposed on the Bank in 2011 by QCB (2010: QR 1,636,000) in respect of breaches of Central Bank Regulations.

9.2 Internal Audit

The Internal Audit Department's mandate and authority is defined in its Internal Audit Charter which has been approved by the Board Audit Committee and ratified by the Board. To maintain its independence, the Internal Audit Department reports to the Board, through the Board Audit Committee.

The Department is tasked to perform independent and objective assessment on the Bank's internal controls, risk management and governance processes and to provide recommendations for improvement. Such assessments, which are laid out in the department's risk-based internal audit plan, are focused on the following:

- Adequacy, effectiveness and efficiency of the Bank's internal control structure;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding and utilisation of assets; and
- Compliance with laws, regulations and contracts.

Specifically, major responsibilities include:

- Performing a scheduled audit of branches/ departments/ divisions, products, processes, systems, procedures and controls in conformity with the annual audit plan agreed with and approved by the Board Audit Committee. This include:
 - Independent risk assessments of risk and control elements applicable to the area under review.
 - Assist the Bank in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.
 - Assess and make appropriate recommendations for improving governance process.
- Providing consulting services to the Bank's Executive Management and businesses such as special reviews of new projects, systems/ applications, outsourced facilities, and policies and procedures. In this role, Internal Audit will maintain its independence and objectivity; and will not assume responsibility for management or design or implementation of new processes, products, systems or applications,
- Performing unscheduled tasks such as fraud investigations, as and when necessary.

The role of the Internal Audit function is to continually assess the adequacy of and adherence to controls in order to properly manage key risks. Therefore, the Internal Audit function within its audit reports regularly makes recommendations to the Bank's management on areas where controls could be improved or where better adherence is required. Despite the existence of such recommendations, there have been no instances of major control failures that have or could have had an impact on the Bank's overall financial performance. In addition, results of the aforementioned assessment showed that the Bank's internal controls, risk management and governance

processes were adequate and operating effectively. There were no material risks, weakness and instances of non-compliance which are beyond the Bank's risk tolerance level.

In line with the 2011 Internal Audit Plan, the Department issued and submitted a total of 33 Internal Audit Reports and Investigation Reports to the Board Audit Committee. These reports in total covered 129 units within the Bank's inventory of "auditable units", with certain units, particularly branches, being covered in more than one audit assignment. All key recommendations with respect to these reports are presented and discussed during the Board Audit Committee meetings. The Bank's management proactively and timely responds to all recommendations made within Internal Audit reports, such that there was no requirement for the Bank's Board Audit Committee to become involved in ensuring the resolution of any such matters, although there is a Governance framework to enable the escalation of issues to the Board Audit Committee in need.

As of the end of December 2011, the Department is composed of 11 auditors.

10. External Audit

In line with provisions of QCCL and the relevant regulatory requirements, appointment of the Bank's external auditor, including determining the remuneration/ fees, shall be made by the General Assembly upon proposal of the Board and in consultation with QCB. Currently, Ernst & Young (Qatar Auditors' Registry No. 236) was assigned as the Bank's external auditor until the 31st of December 2011.

The External Auditor performs the audit of the Bank's financial statements quarterly and annually, in accordance with the relevant International Standards on Auditing. Such standards require the External Auditor to comply with ethical requirements and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

In its 2011 Independent Auditor's Report to Shareholders of Commercialbank, the External Auditor issued an opinion that the Bank's consolidated financial statements present fairly, in all material respects, the financial position of the Bank and its subsidiaries (hereinafter referred to as the 'Group') as of 31st December 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the applicable provisions of QCB regulations.

In addition, all required information and explanations which the External Auditor deems necessary for the conduct of the audit were adequately provided by the Bank.

The External Auditor presents his reports to the Board and the General Assembly in conformity with the Laws of the State of Qatar.

11. Disclosure Requirements

With the Bank's thrust towards transparency, the Bank rigorously complies with all the disclosure requirements, including financial reporting and Bank's shareholding by Qatar Exchange and other regulatory authorities. Such disclosures represent accurate and non-misleading data and information.

As part of this QFMA Corporate Governance Report, the Bank has also provided information relating to its Board and the relevant committees, including membership and status, among others.

12. Conflict of Interest and Insider Trading

The Bank has adopted its own internal policy with respect to handling conflict of interest situations and insider trading. Such policy is applicable to the Bank's Board, Executive Management, employees and other stakeholders (including shareholders, customers, service providers, among others).

According to this policy, the Bank, including its Board, Executive Management and employees, must avoid situations that may create actual or perceived conflict of interest. They are required to act in a responsible and respectable manner and remain free of influences that may result in the loss of objectivity on business conducted with the Bank customers or with the Bank itself.

Members of the Board and key executives are required to disclose to the Board whether they have directly, indirectly or through third parties, a material interest in any transaction or matter directly affecting the Bank.

Whenever an issue involving conflict of interests or any material commercial transaction between the Bank and any of its Board Members or any Party related to the said Board Member, is discussed in a Board meeting, the said issue is discussed in the absence of the concerned Board Member who may not in any way participate in the voting on the matter. In any event, such transaction shall be made at market prices and on arm's length basis and shall not involve terms that are contrary to the interests of the Bank. Such transactions shall be disclosed in the Bank's annual report and specifically referred to in the General Assembly following such commercial transactions. Material related party transactions shall be approved by a majority vote of shareholders with the related party not participating in the voting.

The Bank has generally observed and complied with the definition and protocols required by applicable regulatory authorities with respect to related party/ commercial/ major transactions it has entered into during 2011. Specifically with respect to related party transactions, the Bank has adopted QCB's definition of related parties as provided in its Instructions to Banks.

Furthermore, the Board has established clear rules in relation to the dealings of the Board and employees in securities issued by the Bank. Such protocols are in line with the requirements set forth by relevant regulatory authorities.

Staff members who prepare reports on conflicts of interest are adequately protected by the Bank against any retribution made by those included in such reports.

13. Shareholders' Rights

The Board as a whole has the responsibility in maintaining an open and transparent dialogue/ communication with shareholders. A hallmark of an effective and transparent communication is one which puts emphasis on the integrity, timeliness and relevance of information provided but continually mindful that the level of information disclosed does not negate the Board's duty to protect the long-term sustainability of the Bank nor provide unfair advantage to some shareholders over the others.

The Bank's AoA and internal policies uphold the shareholders rights which include the following, among others:

- Access to shareholders' register, Board Members' register, AoA, and other relevant documents/ records/ information as provided in applicable regulations on a timely manner;
- Equitable treatment of all holders of shares falling under the same class, and between holders of different classes of shares without prejudice to the rights of shareholders of those classes which have priority in ranking;
- Right to attend the General Assembly meeting personally or by proxy; and
- Review and approve a mechanism on dividend distribution endorsed by the Board.

14. Stakeholders' Rights

The Bank recognises the important role that stakeholders play towards the achievement of the Bank's long term strategy and sustained growth. The Board is committed to continually uphold the rights of its stakeholders and ensure that stakeholders' interests are adequately considered in the legal and business decisions that the Bank will take. Such commitment is captured in the Bank's internal policies and procedures which highlight the adoption of the highest standards of integrity and transparency in all its business activities and dealings.

Furthermore, the Bank adopts a process in managing its relationship with its stakeholders. Such process delineates the protocols that will be followed in communicating with stakeholders, level and degree of information that can be divulged, and agreed structure/ timeframe in responding to any concerns raised by stakeholders.

Material Issues Regarding the Bank's Employees and Stakeholders

There are no material issues regarding the Bank's employees and stakeholders to be disclosed in this report.

15. The Bank's Policies

15.1 Anti-Money Laundering

The Bank has in place effective policies and procedures, together with advanced monitoring systems, in line with QCB regulations, to assess and combat money laundering, terrorism financing, insider trading and abusive self-trading. These measures are continuously reviewed by the Bank and approved by the Board to ensure the ongoing application of, and adherence to, best practice.

15.2 Policy on Promotion

The Bank is committed to fostering ongoing education, professional and personal development and career advancement of our employees. The Bank recognises that, in the course of meeting objectives, the duties and functions of its employees may change in complexity and responsibility and promotions are given pursuant to increased responsibility levels but subject to exceptional past performance. The added benefits of a promotion serve as an incentive for better work performance, enhance morale and create a sense of individual achievement and recognition.

A promotion may occur through:

- a reclassification of an employee's existing position as a result of the employee performing duties at a higher degree of responsibility and complexity than the current classification calls for; or
- the filling of a higher level vacancy (in the event of a vacancy, the Bank will first look internally for suitable candidates and no external advertisement of the vacancy shall run unless and until exhausting all internal recruitment avenues).

For promotion through the filling of a higher level vacancy, employees need only satisfy the qualifications as specified in the job description for the vacant position (and not the qualities, skills or knowledge of the incumbent) and are eligible for promotion:

- pursuant to successful completion of the probation period specified by the conditions of employment;
- pursuant to exceptional semi-annual and annual performance appraisals; and
- regardless of age, gender, nationality or religion.

15.3 Corporate Social Responsibility Policy

The Bank, as a responsible corporate citizen, recognises its social responsibility to integrate business values and operations to meet the expectations of the Bank's stakeholders.

Commerce + Conscience + Compassion = Corporate Social Responsibility

The Bank is committed to promoting sustainable development; protection and conservation of human life, health, natural resources and the environment; and adding value to the communities in which we operate. In so doing, the Bank recognises the importance of both financial and non-financial commitment and contribution.

Corporate Social Responsibility (CSR) involves assessing all the ways that the Bank's actions and operations may potentially impact others. The Bank's approach to Corporate Social Responsibility is rooted in its core values which shape the way it does business, which are:

How the Bank Behaves

- Stakeholder Engagement – establishing relationships with stakeholders and communities and soliciting their input and involvement on critical issues.
- Health and Safety – conducting business with a high regard for the health and safety of employees, contractors and the communities including following local and best practice health and safety guidelines and standards.
- Environmental Stewardship – operating in a safe and environmentally responsible manner and minimising the impact of operations on the environment, including by reducing waste.

What the Bank Invests in

- Community Development – sustainable programmes to improve quality of life in the community.
- Education and Training – programmes and learning opportunities to develop a skilled, competitive workforce.
- Corporate Citizenship – philanthropic, social development and volunteer programs; community service projects; humanitarian works; arts; and sports.

What the Bank Influences and Promotes

- Human Rights – respect and protection of fundamental human and worker rights, including ensuring a discrimination-free work environment; equal opportunities; no racism of any form; no harassment of any form; regulated working hours and paid holidays; fair compensation and the principle of 'equal pay for equal work' for men and women.

- Rule of Law – respect of local laws and promotion of the principles of justice, fairness and equality.
- Transparency – promotion of openness in all business dealings.
- High Performance – high performance team culture and a collaborative, supportive work environment where employees are encouraged to reach their full professional potential.

What the Bank Believes in

Code of Business Conduct – conducting business honestly and with integrity, maintaining ethical behavior in all operations, including fighting all forms of corruption. Enforcing strict principles of corporate governance and supporting transparency in all operations.

The Bank supports many charities and NGOs and actively promotes creative projects and activities useful to society. In addition to broad support of Sports, Cultural and Charitable activities, the Bank focuses its CSR programme on the promotion of Qatari youth development and related educational activities. In so supporting, the Bank strives to be more than a financial sponsor and is committed to engaging in a broad range of CSR activities to establish a long-standing and sustainable social platform, enabling positive change within the community. The ultimate objective of the Bank's CSR activities is to foster relationships that enhance community spirit in a responsible manner by contributing to the development of the nation and its communities for the benefit of Qatar's future generations.

15.4 Environmental Policy

The Bank is committed to protecting the natural resources and environments of the communities in which we serve and operate and minimising the impact of the Bank's activities on the environment. In keeping with these beliefs and commitments, the Bank endeavours to ensure that all management and employees comply with the following environmental policies:

- Conduct business in an environmentally responsible manner;
- Comply with all applicable environmental laws and regulations;
- Make environmental concerns an integral part of the planning and decision making process;
- Control environmental impacts and the prevention or minimisation of pollution, including operating a paperless environment;
- Educate management and employees to be accountable for environmental stewardship; Promote the efficient use of resources and reducing (and where possible eliminating) waste through recycling and pursuing opportunities to reuse waste;
- Ensure the proper handling and disposal of all waste;
- Assess the environmental condition of property interest acquired by the Bank and appropriately address the environmental impacts caused by these properties;
- Support research and development of programmes and technologies aimed at minimising the environmental impacts of company operations; and
- Notify the Board of any pertinent environmental issues.

15.5 Health Policy

The Bank, recognising that good health and safety management has positive benefits to an organisation, is committed to providing and maintaining a healthy, safe and secure working environment for all employees.

The Bank is committed to:

- Ensuring the health, safety, security and welfare of all its employees whilst at work;
- Ensuring that visitors to the Bank's premises are not exposed to risks to their health and safety;
- Identifying hazards, assessing risks and managing those risks;
- Maintaining arrangements for ensuring the safe use, handling, storage and transport of articles and substances; and
- Encouraging the development and maintenance of a positive attitude towards health and safety throughout the Bank.

The Bank maintains comprehensive Fire, Health and Safety policies and provides extensive Medical Insurance through an internationally recognised insurance provider for the benefit of all permanent staff.

15.6 Code of Ethics Policy

The Bank has a Code of Ethics incorporating the guidelines under which it operates in terms of its ethical and moral business practices, as well as the expected standards of professional conduct for employees in dealings with customers, co-workers, and the community at large. The Code extends to all employees of the Bank, and covers the following specific issues:

- Compliance with laws and regulations;
- Employee conduct;
- Restrictions on acceptance of gifts or commissions;
- Protection and proper use of company assets;
- Prohibition on insider trading;
- Relations between employees and the Bank;
- Respect for the privacy of employees;
- Respect for human rights and prohibition of discrimination within the workplace.

III. Abbreviations

Abbreviation	Meaning
ALCO	Asset and Liability Committee
ALM	Asset and Liability Management
AoA	Articles of Association
AML	Anti Money Laundering
ATF	Anti Terrorism Financing
Bank	Commercialbank
BOD	Board of Directors
GCEO	Group Chief Executive Officer
GSAM	Group Special Assets Management Committee
MRC	Management Risk Committee
QFMA	Qatar Financial Markets Authority
QCB	Qatar Central Bank