

# Commercial Bank Annual Corporate Governance Report - 2012

January 2013

 البَنك التِّجَارِيّ  
Commercial bank

<b>I. Chairman's Message .....</b>	<b>3</b>
<b>II. Governance Framework .....</b>	<b>4</b>
1. Introduction .....	4
2. The Board of Directors .....	5
3. Board Committees .....	15
4. Independent Advisors .....	24
5. Directors' and Executive Management Remuneration .....	24
6. Executive Management .....	25
7. Ownership Structure .....	35
8. Risk Management .....	35
9. Internal Control Framework .....	37
10. External Audit .....	40
11. Disclosure Requirements .....	41
12. Conflict of Interest and Insider Trading .....	41
13. Shareholders' Rights .....	42
14. Stakeholders' Rights .....	42
15. The Bank's Policies .....	43
<b>III. Abbreviations .....</b>	<b>46</b>

## **I. Chairman's Message**

To Commercial Bank Shareholders,

In line with Article 30 of the Corporate Governance Code (hereinafter "Code"), issued by the Qatar Financial Markets Authority, the Board of Commercial Bank (hereinafter 'the Bank') has the pleasure in submitting its Annual Corporate Governance Report for the year 2012.

Each of the principles presented in this Report conforms to the guidelines of the aforementioned Code and relevant applicable laws and regulations.

In view of the increasing focus on corporate governance and risk management, the Bank has taken active measures to further enhance and raise its corporate governance standards during 2012. Through the combined efforts of the Board of Directors, Executive Management and employees, the Bank has adopted governance charters and documents which are in line with applicable regulatory requirements and leading corporate governance practices. In addition, having the ultimate objective of promoting greater transparency and governance over Bank activities, the Board has reviewed and enhanced the mandates of its existing Board Committees and approved the establishment of additional Board Committees to specifically oversee the nomination, evaluation and remuneration processes of Board Members and Executive Management, as applicable.

The building blocks towards a more robust corporate governance framework are already in place and the focus now is ensuring seamless execution and delivery. Realizing the importance of a strong corporate governance culture in sustaining growth and profitability in the business, Commercial Bank continues to aspire to meet the leading international standards in corporate governance along with the full concern to abide with local guidelines and regulations.

Abdullah bin Khalifa Al Attiyah  
Chairman

## **II. Governance Framework**

### **1. Introduction**

Effective governance is, at its core, simply about doing the right things for the shareholders. It is enabled by having the right checks and balances throughout the organisation to ensure that the right things are always done. It comprises the processes and structures which affect the way an organisation is directed, managed, monitored and its activities are reported, including: the elements of internal controls, ethics, various risk functions, policies and procedures, internal audit, external audit and formal committees that promote greater transparency and facilitate efficient and effective management for the best interests of shareholders/ stakeholders.

Commercial Bank believes that strong leadership and governance is vital to ensure high performance across all dimensions of the Bank's activities and in relation to the people and the communities in which it operates. The promotion of corporate transparency, fairness and accountability is driven by a qualified and independent Board aided by a seasoned and experienced management team.

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.

Being a listed Qatari shareholding company engaged in banking activities, the Bank is also bound to adhere with the corporate governance regulations issued by the Qatar Central Bank (the QCB Corporate Governance Guidelines) and Qatar Financial Markets Authority (the QFMA Corporate Governance Code). In addition, the Bank seeks to adopt international leading 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).

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

## 2. The Board of Directors

### 2.1 Role of the Board and Executive Management

The Board is entrusted by the shareholders with the authority to govern the Bank, oversee its operations and provide effective governance over the Bank's key affairs, including the appointment of Executive Management (as well as 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 order to provide an organised and focused means of achieving the Bank's goals and to properly address issues on a timely manner, the Board has set up Board Committees in accordance with leading practices and applicable local governance regulations. In addition, the Board has assigned the day-to-day management of the Bank to the Executive Management subject to clear instructions and within the bounds of their delegated authority.

Each Board Member exercises the fiduciary duties of care, loyalty and compliance with the rules set out in applicable laws and regulations including QFMA Corporate Governance Code, QCB Guidelines 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 fulfilment of its responsibilities towards the Bank.

The detailed roles and responsibilities of the Board are defined in the Board Charter. The Board Charter can be found on the Bank's website at [www.cbq.qa](http://www.cbq.qa) and is also available in print to any shareholder upon request.

### 2.2 Approach to Governance

The Board understands that sound corporate governance practices are fundamental to maintaining the trust of its shareholders which is also critical in business growth, sustainability and profitability.

Accordingly, the Board is committed towards embracing relevant corporate governance regulatory requirements and applicable leading practices. To this end, the Board ensures that the Bank adheres to the principles of corporate governance in its day-to-day activities at all times and ensures that the Bank remains up-to-date with any new developments as required by relevant regulatory authorities (e.g. QCB, QFMA, etc.) and professional code of conduct.

During 2012, the Bank has undertaken a bank-wide initiative which intends to strengthen its governance processes. Part of this initiative is the development of Governance Charters (i.e. Corporate Governance Charter, Board Charter and Board Committees Charter), Bank-

wide Code of Ethics Policy and Board Job Descriptions. It has also updated its Risk Charter to capture any new leading practices and/or applicable regulatory pronouncements relating to governance.

The Governance Charters and the Bank-wide Code of Ethics Policy can be found on the Bank's website at [www.cbq.qa](http://www.cbq.qa) and are also available in print to any shareholder upon request.

### **2.3 Board Composition and Directors' Qualifications**

In accordance with the Bank's AOA, Corporate Governance Charter, Qatar Commercial Companies Law (QCCL) and other applicable regulations, the Bank currently has nine (9) Directors and none of them assumes executive responsibilities, six (6) of whom are independent members. 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 position of Chairman of the Board and Group Chief Executive Officer of the Bank is not being held by the same individual.

Members of the Board possess the knowledge and skills required to provide leadership and to supervise management in order to ensure maximisation of shareholder wealth. They hold the necessary technical skills, industry knowledge, financial awareness and expertise in the field of banking and international markets, sufficient to enable the Board to carry out its responsibilities. 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.

### **2.4 Electing Directors**

During 2012, the Bank has established a Nomination Committee which is tasked to uphold the transparency in the nomination process for Board membership. This Committee is responsible for recommending Board Members' appointments and nomination for election in the General Assembly, as well as conducting the annual self-assessment of the Board's performance.

Nominations and appointments are made in accordance to formal, rigorous and transparent procedures as per QFMA Corporate Governance Code and in line with the Bank's AOA and relevant governance charters. To be elected to the Board, a nominee Director must receive a majority of votes cast in the election. Members of the Board shall be elected for a period of three years, and a director may be re-elected more than once.

In the event that a Director is convicted of an offense of dishonour or breach of trust or is declared bankrupt or absents himself for more than three consecutive meetings of the Board or five non-consecutive meetings without an excuse that has been accepted by the

Board, the Director's membership to the Board shall be deemed terminated. Further details relating to the election and removal from office of directors are provided in the AOA and the Corporate Governance Charter.

During 2012, in compliance with leading practices and corporate governance regulations and charter, the Board has completed its annual self-assessment for 2011. No new Board Member has been elected to the Board in 2012.

## 2.5 Directors' 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 comprehensive responsibilities of the Board Chairman are as defined in the Directors' Job Descriptions which are in line with applicable laws and regulations.

The key responsibilities of the Board Chairman include:

- *Strategic*
  - Leading the Board to provide strategic direction to the Bank. Partner with the Group Chief Executive Officer (GCEO) in achieving the Bank's vision and objectives.
  - Encouraging 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.
  - Monitoring the Bank's performance through periodic updates provided by the GCEO and offering recommendations in light of the approved plans.
  - Keeping the Board focused on Governance, and away from management and operational duties. This responsibility flows from a clear conception of the Board's broad objective, to govern the Bank within its defined role. With this definition in mind, the Chairman must make sure that the Board stays focused on the issues falling within its own domain, and not on those properly assigned to the management.
  - Ensuring that the Board discusses all the critical issues in an efficient and timely manner.
  - Being extensively involved in the long-term strategy formulation. Taking on some degree of explicit responsibility for the development of a long-term strategic perspective for the Bank, in parallel with the Board's collective role.
  - Representing the Bank externally in key initiatives such as efforts to access new markets or key negotiations on important deals for the Bank.
  - Maintaining sufficient contact with the major shareholders to understand their issues and concerns and make sure that the same are duly communicated to the Board as a whole.
  
- *Operational*

- Ensuring 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.
  - Leading 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.
  - Taking 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.
  - Communicating concerns about Board Member's performance to the individual in question; but it should be clear that what the Chairman is conveying is the product of a well-designed process, and not his own personal judgment about that individual.
  - Ensuring that the Board is properly carrying out the delegated responsibilities in accordance with the Board Charter.
  - Assisting and making arrangements for the Board Members to continually update their skills and the knowledge, especially in the area of corporate governance and risk management, required to fulfil their role both on the Board and the Board Committees.
- *Administrative*
    - Managing 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.
    - Assuming 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.
    - Approving the call for the General Assembly in terms of invitations and publications and overseeing the timely circulation of the same to authorities and shareholders.
    - Signing the Bank's financial statements for the financial year end that was presented by the Bank's external auditor, together with one member of the Board.
    - Overseeing that the decisions of Extraordinary Meetings are published if they include any amendments to the Bank statute, following the applicable regulations.
    - Ensuring 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 are as defined in the Directors' Job Descriptions and as prescribed in the rules set out in applicable laws and regulations. These include:

- Being 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 the Bank's performance reports.
- Reviewing the integrity of financial information and ensuring 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.
- Participating in the development of protocols relating to corporate governance and ensuring their implementation in a consistent manner.
- Being 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.
- Raising to the Board's attention any shareholder concerns when other channels of communication are inappropriate.
- Participating in various Board Committees.
- Being collectively responsible for the Board decisions and actions.
- Performing any additional responsibility entrusted by the Board/ Board Chairman.

### **Other Board Duties and Practices**

Other rights and responsibilities bestowed to Board Members include:

- Having full and immediate access to information, documents, and records pertaining to the Bank.
- Ensuring that the Nomination, Remuneration and Board Audit and Compliance Committee members, the Internal Audit and representatives of the External Auditors attend the General Assembly.
- Putting 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 have proper understanding of the manner in which the Bank operates.
- Adopting an appropriate formal training program to enhance Board Members' skills and knowledge.
- Being updated about the latest developments in the area of corporate governance and best practices relating thereto.

- Ensuring that the Bank's AOA includes clear procedures for removing Board Members in the event of failing to attend Board meetings.

## 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/status 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 have to be re-elected after every three years, although by re-election there are members serving the Bank for 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	1975	2014	Chairman	Non-Executive, Independent	1.07%	<ul style="list-style-type: none"> <li>• State Minister;</li> <li>• Vice Chairman of Qatar Insurance Company;</li> <li>• Vice Chairman of United Development Company;</li> <li>• Chairman of Gulf Publishing and Printing Company;</li> <li>• Owner of Contraco Company WLL;</li> <li>• Graduated from the USA with a BA in</li> </ul>

Board Member Name	Date of First Appointment	Expiry of Current Appointment	Position	Status on the Board	Shares %*	Experience and Other Board Seats Held
						Political Science.
Sh. Abdullah bin Ali bin Jabor Al Thani	1990	2014	Vice Chairman	Non-Executive, Non-Independent	1.58%	<ul style="list-style-type: none"> <li>• Director of National Bank of Oman;</li> <li>• Director of United Arab Bank;</li> <li>• Owner of Vista Trading Company;</li> <li>• Partner in Dar Al Manar, Domopan Qatar, Banz Group Qatar, Al Aqili Furnishings;</li> <li>• Graduated from Qatar University with a BA in Social Science.</li> </ul>
Mr. Hussain Ibrahim Al Fardan	1975	2014	Managing Director	Non-Executive, Non-Independent	1.03%	<ul style="list-style-type: none"> <li>• Chairman of Alfardan Group;</li> <li>• Chairman of United Development Company;</li> <li>• Director of Qatar Insurance Company;</li> <li>• Chairman of QIC International LLC;</li> <li>• Founding member and Director of Investcorp Bahrain;</li> <li>• Vice Chairman of Gulf Publishing and Printing Company;</li> <li>• Vice Chairman of the Qatar Businessmen's Association.</li> </ul>
Mr. Jassim	1975	2014	Member	Non-	0.81%	<ul style="list-style-type: none"> <li>• Owner of Al Mosallam</li> </ul>

Board Member Name	Date of First Appointment	Expiry of Current Appointment	Position	Status on the Board	Shares %*	Experience and Other Board Seats Held
Mohammed Jabor Al Mosallam				Executive, Independent		Trading Company; <ul style="list-style-type: none"> <li>• Director of Qatar German Medical Devices Company;</li> <li>• Director of Qatar Clay Bricks Company.</li> </ul>
Mr. Khalifa Abdullah Al Subaey (as a representative of Qatar Insurance Company)	1987	2014	Member	Non-Executive, Independent	2.05%	<ul style="list-style-type: none"> <li>• President and CEO of Qatar Insurance Company;</li> <li>• Managing Director of QIC International LLC, Q-Re Insurance Company and Damaan Islamic Insurance Company (BEEMA);</li> <li>• Director of United Development Company;</li> <li>• Graduated from the USA with a BA in Economic and Political Science.</li> </ul>
Mr. Abdulla Mohammed Ibrahim Al Mannai	1987	2014	Member	Non-Executive, Independent	0.99%	<ul style="list-style-type: none"> <li>• Owner of AMPEX;</li> <li>• Owner of Qatar Marble &amp; Islamic Mozaic Company;</li> <li>• Member of the Qatar Businessmen's Association.</li> </ul>
Mr. Omar Hussain Al Fardan	2002	2014	Member	Non-Executive, Non-Independent	0.76%	<ul style="list-style-type: none"> <li>• President and Director of companies comprising Alfardan Group;</li> </ul>

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"> <li>• Director of United Development Company;</li> <li>• Vice Chairman and Director of United Arab Bank;</li> <li>• Chairman of National Bank of Oman;</li> <li>• President of Resorts Development Company;</li> <li>• Chairman of Qatar District Cooling Company;</li> <li>• Vice Chairman of Middle East Dredging Company;</li> <li>• Director of Qatar Red Crescent Society;</li> <li>• Graduated from Webster University, Geneva with a BA in Business Administration and a Masters in Finance.</li> </ul>
Sh. Jabor bin Ali bin Jabor Al Thani	2002	2014	Member	Non-Executive, Independent	0.86%	<ul style="list-style-type: none"> <li>• Director of Gulf Publishing and Printing Company;</li> <li>• Owner of Al Maha Contracting Co.;</li> <li>• Director of Qatar Clay Bricks Company.</li> </ul>
Sh. Ahmed bin Nasser bin Faleh Al	1975	2014	Member	Non-Executive,	1.00%	<ul style="list-style-type: none"> <li>• Director of United Development Company;</li> </ul>

Board Member Name	Date of First Appointment	Expiry of Current Appointment	Position	Status on the Board	Shares %*	Experience and Other Board Seats Held
Thani (as a representative of Nasser bin Faleh Al Thani Group)				Independent		<ul style="list-style-type: none"> <li>• Partner in Waset Trading Company;</li> <li>• Partner in Ali Bin Nasser Al Thani and Brothers;</li> <li>• Ex-Minister of Transportation;</li> <li>• MBA in Engineering Management.</li> </ul>

\*As at 31 December 2012.

## 2.8 Board Meetings

In line with the Bank's AOA and the Board of Directors Charter, 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 or his Deputy at least one week prior to the meeting, or (ii) the request of another member of the Board of Directors. Board meetings are scheduled in the Board Calendar according to key events and coinciding with financial period closures of the Bank. The meeting agenda shall be included in the notice of meetings issued by the Chairman of the Board or his Deputy or upon the request of another member of the Board. Directors may request the inclusion of a specific matter in 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) 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 2012, the Board held a total of seven (7) Board meetings as indicated in the table below:

Meeting Dates	Attendance Rate
25 January 2012	9
27 February 2012	9
22 April 2012	7
6 June 2012	5

5 August 2012	7
8 October 2012	6
10 December 2012	6

## 2.9 Board Secretary

The Board has appointed a Board Secretary who provides administrative support to the members of the Board, Board Level Committees and the Chairman to facilitate their execution of all functions relating to the Board. 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 including shareholders, management, and employees. The Board Secretary is also responsible for maintaining and safekeeping Board documentation and for managing all communication with QCB, government, ministries and institutions and other outside bodies.

The incumbent Board Secretary possesses the requisite knowledge and skills required to fulfil the role. She has extensive experience in compliance and corporate governance matters for financial institutions. More importantly, the Board Secretary also holds the trust and confidence of the Board in performing Board-related tasks.

## 3. Board Committees

To assist the Board with the efficient and effective discharge of its duties, the Board has established committees which are delegated specific responsibilities and authorities to act on behalf of the Board. In addition, in line with its commitment to corporate governance principles, the committees instituted by the Board meets the minimum committee requirements set forth by applicable corporate governance regulations.

As of 2012, the Bank has established the following six Board Committees:

1. Board Audit and Compliance Committee;
2. Board Risk Committee;
3. Board Executive Committee;
4. Policy, Strategy and Governance Committee;
5. Nomination Committee; and
6. Remuneration Committee

Each Board Committee has detailed and specific roles, duties and authorities as determined by the Board and which is captured in the Board Committees Charter ratified by the Board in 2012. The Charter has been developed taking into consideration regulatory requirements, QCCL and leading corporate governance practices.

### 3.1 Board Audit and Compliance Committee

The Board Audit and Compliance 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 & Combating Financing of Terrorism (AML/CFT) requirements, and defining 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

The Board Audit and Compliance Committee is composed of three (3) independent members and one (1) alternate independent member. The Committee's role, responsibilities, composition, membership requirements and other protocols are documented in the Board Committees Charter.

In conforming to the transparency and independence principle, the Internal Audit and Compliance Departments report directly to the Board Audit and Compliance Committee whereby the Heads of both the Internal 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**

During the year, the Committee has undertaken the following key activities:

- Reviewed and recommended to the Board the adoption of the Bank's annual financial statements; and
- Reviewed the scope of the 2012 internal audit and compliance plans;
- 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;
- Reviewed all Compliance reviews findings on all the Bank's business units raised by the Bank's Compliance and AML/CFT Department as well as other regulatory bodies;
- Ensured that the Bank's Management was made aware of the Foreign Account Tax Compliance Act (FATCA) with an impact assessment conducted and an implementation roadmap developed towards the same;
- Supervised the data cleansing project (Phase one) across the Bank's IT systems; and
- Held private meetings at least every two (2) months with the Chief Internal Auditor and at least annually with the Head of Compliance & AML/CFT Department, without the presence of management.

During 2012, the Board Audit and Compliance Committee met a total of six (6) times and minutes of such meetings are duly documented. The table below provides the dates and Committee member attendance to committee meetings held:

Meeting Date	Attendance
25 January 2012	3
8 March 2012	2
28 May 2012	2
10 September 2012	2
10 October 2012	2
12 December 2012	2

### 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 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

The Board Risk Committee is composed of two (2) non-executive members and one (1) independent member.

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

### **Activities during the year**

During the year, the Committee has undertaken the following key activities:

- Reviewed and approved Risk Policies and related standards, methodologies used in managing the risks in the Bank;
- Reviewed and ratified risk tolerance levels and portfolio limits, including limits associated with industry sector, geography, asset quality and others;
- Managed all matters relating to the Bank's Business Continuity including Information Security protection and readiness;
- Reviewed the enterprise-wide heat map of risk through the Management Risk Committee (MRC);
- Performed oversight on the worked performed by the MRC throughout the year;
- Reviewed reports of risk assets and exposures as well as other reports covering bank wide portfolio and performance trends; and
- Reviewed the Bank's Basel III readiness plans.

During 2012, the Board Risk Committee met a total of four (4) times and minutes of such meetings are duly documented. The table below provides the dates and Committee member attendance to committee meetings held:

Meeting Date	Attendance
21 March 2012	2
5 September 2012	2
12 September 2012	3
27 November 2012	2

### **3.3 Board Executive Committee**

The Board Executive Committee is responsible for handling matters especially relating to credit facilities (within authorised limits) which require the Board's review, which may arise between full Board meetings as per 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

The Board Executive Committee is composed of three (3) non-executive members and one (1) independent member.

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

### **Activities during the year**

During the year, the Committee has undertaken the following key activities:

- Approved credit facilities in accordance with its mandate;
- Recommended credit facilities to the Board where these are above 10% of the Capital and Reserves of the Bank;
- 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.

During 2012, the Board Executive Committee met a total of 19 times and minutes of such meetings are duly documented. The table below provides the dates and Committee member attendance to committee meetings held:

Meeting Date	Attendance
8 January 2012	4
29 January 2012	3

Meeting Date	Attendance
12 February 2012	4
26 February 2012	4
11 March 2012	2
2 April 2012	3
22 April 2012	4
6 May 2012	3
23 May 2012	3
6 June 2012	4
31 July 2012	3
2 September 2012	4
9 September 2012	3
24 September 2012	3
1 October 2012	4
16 October 2012	3
11 November 2012	3
27 November 2012	3
17 December 2012	3

### 3.4 Policy, Strategy and Governance Committee

The Policy, Strategy and Governance Committee is primarily responsible in attending 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.

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
Mr. Andrew C. Stevens	Group Chief Executive Officer

The Policy, Strategy and Governance Committee is composed of three (3) non-executive members, one (1) independent member and the GCEO.

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

### **Activities during the year**

During the year, the Committee has undertaken the following key activities:

- Reviewed and approved all policies relating to the Bank's organisation and operations including all necessary authorities required by Executive Management in the execution of their responsibilities (except those policies which are subject to other relevant Board Committee review as provided in the Board Delegation of Authority).
- 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; and
- Reviewed and assessed any changes to international and local corporate governance practices that could have an impact on how the Bank operates and manages its governance policies and recommended actions with regard to changes, where required.

During 2012, the Policy, Strategy and Governance Committee met for a total of 10 times and minutes of such meetings are duly documented. The table below provides the dates and Committee member attendance to committee meetings held:

Date	Attendance
22 January 2012	5
15 April 2012	5
6 May 2012	4
31 July 2012	4
16 September 2012	5
1 October 2012	5
22 October 2012	5
11 November 2012	4
26 November 2012	5
3 December 2012	4

### 3.5 Nomination Committee

The Nomination Committee is responsible for recommending Board Members' appointments and re-nomination for election by the General Assembly as well as conducting the annual self-assessment of the Board's performance.

The Committee is composed of the following:

Board Member Name	Status on the Committee
Sh. Jabor bin Ali bin Jabor Al Thani	Chairman
Mr. Jassim Mohammed Jabor Al Mosallam	Member
Mr. Abdulla Mohammed Ibrahim Al Mannai	Alternate Member

The Nomination Committee is composed of two (2) independent members and one (1) alternate independent member.

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

The Nomination Committee has not convened any meeting since it was instituted last October 2012. The Committee is planning to hold two (2) meetings in 2013.

### 3.6 Remuneration Committee

The Remuneration Committee is responsible for evaluating the compensation and remuneration of the members of the Board, management and staff with due regard to the long-term objectives of the Bank.

The Committee is composed of the following:

Board Member Name	Status on the Committee
Sh. Jabor bin Ali bin Jabor Al Thani	Chairman
Mr. Abdulla Mohammed Ibrahim Al Mannai	Member
Mr. Hussain Ibrahim Al Fardan	Member
Mr. Jassim Mohammed Jabor Al Mosallam	Alternate Member

The Remuneration Committee is composed of one (1) non-executive member, two (2) independent members and one (1) alternate independent member.

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

#### **Activities during the year**

Key activities undertaken by the Committee during the year include:

- Approved the Board Committees Charter;
- Reviewed the Bank's Human Resource Policy especially staff remuneration and benefits; and
- Approved the 2013 Remuneration and Benefits Plan.

During 2012, the Remuneration Committee met a total of one (1) time and minutes of such meeting are duly documented. The table below provides the dates and Committee member attendance to committee meetings held:

Meeting Date	Attendance
23 October 2012	3

#### 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.

For 2012, total costs incurred by the Bank with respect to retaining counsel and consultants amounted to QAR 20.3 million.

#### 5. Directors' and Executive Management Remuneration

Board Members' remuneration shall be in accordance with QCB Circular No. 75/2011 and in compliance with the QCCL (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 and shall be made public. The Board shall regularly evaluate and measure risks involved in determining and paying incentives and compensations and review the policy and the system accordingly.

In conformity with the Bank's Remuneration Policy for the Board, 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:

- No Board Member shall participate in the setting of his own remuneration and shall not participate in the Board meeting or deliberations called for such purpose.
- Board shall receive remuneration annually of an amount which shall not exceed in aggregate 10% of the net annual profits of the Bank determined and after deduction of depreciation, transfers to reserves and a notional dividend payment equivalent to 5% of the paid up capital 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 2012, total remuneration earned by the Board in 2012 (including fixed remuneration and meeting attendance fees) was QAR 46.08 million (subject to approval during the Bank's AGM). (2011: QAR 41.45 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 2012 was QAR 70.28 million. (2011: QAR 53.61 million) .

## 6. Executive Management

While the Board has the ultimate responsibility on the governance of the Bank, the Executive Management (defined as the group of persons, appointed by the Board, with operational responsibility for the Bank) is responsible for the overall day-to-day management of the Bank's operations. It is responsible for making sure that operations are carried out in an effective, safe and sound manner, and in compliance with applicable internal Bank policies and procedures and external laws and regulations.

The Bank is headed by Mr. Andrew C. Stevens, GCEO, since 2008. He is supported by a specialised and highly qualified team overseeing the core banking areas of Wholesale Banking and Retail and Consumer Banking; and other support functions which include areas of Risk Management, Banking Operations, Strategic Clients, Legal Affairs, Finance, Organisational Effectiveness, Internal Audit and Compliance and AML/CFT.

As at the date of this report, Executive Management of the Bank is composed of 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"> <li>• Graduated from Birmingham University in 1980 with a B.Com (Hons) in Banking and Finance.</li> <li>• Joined Commercial Bank in 1989; CEO of Commercial Bank from 2001; Group CEO since 2008.</li> <li>• Over 30 years extensive experience in international banking including diverse business development, business process re-engineering and change management.</li> </ul>

Executive Management Name	Position	Education, Experience and Affiliations
		<ul style="list-style-type: none"> <li>• Director of National Bank of Oman, United Arab Bank and CBQ Finance Limited.</li> <li>• Chairman of Orient 1 Limited.</li> <li>• Director of QIC International LLC and is on Visa's International Senior Client Council.</li> </ul>
Mr. Abdulla Al Raisi	Deputy Chief Executive Officer	<ul style="list-style-type: none"> <li>• Graduated from Portland State University in 1982 with a B.Sc. in Political &amp; Social Sciences.</li> <li>• Joined Commercial Bank in 1998; Deputy CEO since March 2007.</li> <li>• Previously with QAFCO.</li> <li>• Over 26 years experience, including extensive banking experience, in Arab Gulf States Folklore Center and Doha Bank, respectively.</li> <li>• Chairman of Commercial Bank Investment Services.</li> </ul>
Mr. Nicholas Coleman	EGM & Group Chief Financial Officer	<ul style="list-style-type: none"> <li>• Graduated from London Guildhall University with a BA (Hons) in Economics.</li> <li>• Joined Commercial Bank as EGM &amp; Group Chief Financial Officer in 2008.</li> <li>• 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.</li> <li>• Previously with Arthur Young in Kuwait.</li> <li>• Fellow of the Institute of Chartered Accountants in England and Wales.</li> <li>• Director of United Arab Bank, Orient 1 Limited, Massoun Insurance Services, Gekko LLC, Commercial Bank Investment Services and CBQ Finance Limited.</li> </ul>
Mr. Sandeep Chouhan	EGM & Group Chief Operating Officer	<ul style="list-style-type: none"> <li>• Graduated from the National Institute of Technology, India.</li> <li>• Joined Commercial Bank as Group Chief Operating</li> </ul>

Executive Management Name	Position	Education, Experience and Affiliations
		<p>Officer in 2008.</p> <ul style="list-style-type: none"> <li>• Previously with Barclays Bank in London.</li> <li>• Over 20 years global experience in banking operations and technology, including 5 years with Morgan Stanley and 8 years with Citigroup across EMEA, Asia and USA.</li> <li>• Chartered Professional of the British Computer Society.</li> <li>• Director of Orient 1 Limited.</li> </ul>
Mr. Abduljalil Borhani	EGM, Strategic Clients	<ul style="list-style-type: none"> <li>• Graduated from Northern Arizona University in Business Administration in 1992.</li> <li>• Joined Commercial Bank in 1993, beginning his career in corporate banking as relationship officer; promoted to EGM, Corporate Banking Officer in January 2009.</li> <li>• Currently EGM, Strategic Clients.</li> </ul>
Mr. Rajbushan Buddhiraju	EGM, Enterprise Banking (Left the Bank in September 2012)	<ul style="list-style-type: none"> <li>• 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).</li> <li>• Joined Commercial Bank as EGM, Retail Banking Officer in August 2008.</li> <li>• Previously with Arab National Bank, Saudi Arabia as Retail and Consumer Banking Head.</li> <li>• 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.</li> </ul>
Mr. Stephen Mullins	EGM, Corporate Banking	<ul style="list-style-type: none"> <li>• Joined Commercial Bank in 2009 as Group Chief Credit Officer and promoted to EGM, Corporate</li> </ul>

Executive Management Name	Position	Education, Experience and Affiliations
		<p>Banking in September 2010.</p> <ul style="list-style-type: none"> <li>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.</li> <li>Associate of the Institute of Bankers.</li> </ul>
Mr. Jerold Williamson	EGM & Chief Risk Officer	<ul style="list-style-type: none"> <li>Graduated from Loughborough University in the UK in 1981 in Banking and Finance.</li> <li>Joined Commercial Bank in 2011 as Chief Risk Officer.</li> <li>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.</li> <li>Director of CBQ Finance Limited.</li> </ul>
Mr. James Kneller	EGM & Head of Organisational Effectiveness	<ul style="list-style-type: none"> <li>Joined Commercial Bank as EGM &amp; Head of Organisational Effectiveness in 2011.</li> <li>Prior to joining, he 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.</li> <li>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.</li> </ul>
Mr. Alex Carre de Malberg	EGM & Global Head, Comcap	<ul style="list-style-type: none"> <li>Graduated from HEC (MBA), University of Massachusetts (MsChE) and ENSIC (Chemical Engineer).</li> <li>Joined Commercial Bank in 2011 as EGM Global</li> </ul>

Executive Management Name	Position	Education, Experience and Affiliations
		<p>Head, Comcap, the investment banking, research and asset management division and parent of Commercial Bank Investment Services, the brokerage arm of Commercial Bank.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• Director of Commercial Bank Investment Services.</li> </ul>
Mr. Dean Proctor	EGM, Retail & Consumer Banking	<ul style="list-style-type: none"> <li>• Joined Commercial Bank in January 2012 as EGM, Retail &amp; Consumer Banking.</li> <li>• Previously CEO of Arbutnot Latham &amp; Co. Ltd, a private bank in the UK, for 3 years.</li> <li>• Concurrently an Executive Director and Board Member of Arbutnot Banking Group a UK listed company.</li> <li>• Previously with Citibank working in the UK as Managing Director, UK Retail &amp; Wealth Management including Egg Banking Plc and internationally as Head of Credit Cards for the Middle East based out of UAE.</li> <li>• Spent 14 years with Lloyds Bank Plc working in retail and corporate banking across all divisions.</li> <li>• Chairman of Asteco Qatar and Director of Massoun Insurance Services and Commercial Bank Investment Services.</li> </ul>
Mr. Fahad Badar	EGM, Government & International Banking	<ul style="list-style-type: none"> <li>• Joined Commercial Bank in 2000 and currently serves as EGM, Government &amp; International</li> </ul>

Executive Management Name	Position	Education, Experience and Affiliations
		<p>Banking.</p> <ul style="list-style-type: none"> <li>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.</li> <li>BA in Banking &amp; Finance from the University of Wales and an MBA from Durham University.</li> </ul>
Mr. Jamal Tartir	EGM, Private Banking (Left the Bank in June 2012)	<ul style="list-style-type: none"> <li>Graduated from Georgia State University with a BBA Degree in Finance.</li> <li>Joined Commercial Bank in 2011 as EGM, Private Banking.</li> <li>Previously Director and Chief Country Officer for Barclays Wealth in Qatar.</li> <li>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 and Kuwait, Arab Jordan Investment Bank and Dar Al Mal Al Islami.</li> </ul>
Mr. Sarmad Lone	Senior EGM & Head of Wholesale Banking	<ul style="list-style-type: none"> <li>Joined Commercial Bank in June 2012 as Senior EGM &amp; Head of Wholesale Banking.</li> <li>He is responsible for the Domestic Corporate, International, Multi-National, Government, Public Sector, Investment Banking (Comcap) and Enterprise/SME businesses at Commercial Bank.</li> <li>Previously worked for more than 20 years with Morgan Stanley and Citibank in MENA &amp; Asia. His last assignment with Morgan Stanley was Head of Investment Banking Middle East &amp; North Africa.</li> <li>Before that, he held various senior management positions in Corporate and Investment Banking Group at Citibank. He was designated as a Senior</li> </ul>

Executive Management Name	Position	Education, Experience and Affiliations
		Credit Officer at Citibank.
Mr. Khoda Fartash	EGM & Group Chief Legal Officer	<ul style="list-style-type: none"> <li>• Joined Commercial Bank in 2007 and currently serves as EGM &amp; Group Chief Legal Officer.</li> <li>• Previously with the law firm Allen &amp; Overy in London, Frankfurt and Milan.</li> <li>• Over 12 years experience as a banking and finance lawyer.</li> <li>• Qualified English Solicitor and registered foreign lawyer at the Milan Bar.</li> <li>• Graduated from Oxford University in 1997 with a BA (Hons) in Oriental Studies (Arabic).</li> </ul>
Mr. Jeremy Davies	EGM & Chief Marketing Officer	<ul style="list-style-type: none"> <li>• Began his career at multinational advertising agency J Walter Thompson in 1990, having graduated in Law from Exeter University. After working in Amsterdam and Sydney and completing an MBA at the Judge Business School, Cambridge, he became the founder and Managing Director of JWT's brand and digital consultancy.</li> <li>• In 2001, he left JWT to join the cable group NTL as Marketing Director.</li> <li>• In 2003, he was appointed Brand &amp; Communications Director at Abbey National/Santander where he was responsible for the group's marketing activities, the refurbishment of the branch network and two re-brandings of the business.</li> <li>• In 2008, he joined the E.ON Group as UK Brand and Communications Director, with responsibility for all UK marketing activity, as well as internal communications, PR and public affairs. In early 2011, he was appointed as Marketing Director of E.ON's new Energy Solutions Business with additional responsibility for product development</li> </ul>

Executive Management Name	Position	Education, Experience and Affiliations
		<p>and management, pricing, customer value and insight. He also established E.ON's global Net Promoter Score Programme, which drives customer satisfaction improvements across E.ON's core markets across Europe.</p> <ul style="list-style-type: none"> <li>• Joined Commercial Bank as EGM &amp; Chief Marketing Officer in 2012.</li> </ul>
Mr. Gary Williams	Senior AGM & Chief Internal Auditor	<ul style="list-style-type: none"> <li>• Joined Commercial Bank in 2010 as Senior AGM and Chief Internal Auditor.</li> <li>• Previously with Standard Chartered Bank for 25 years, the last 12 of which were in Group Internal Audit and Operational Risk Assurance positions.</li> <li>• Roles in the Group Internal Audit function included postings in UK, Singapore, Hong Kong and South Korea.</li> <li>• Final role in Standard Chartered Bank, prior to joining Commercial Bank was to establish and manage the Operational Risk Assurance function in 20 countries across the Africa, Middle East and Pakistan regions for the Bank.</li> </ul>
Mr. Mohamad Mansour	AGM & Head of Compliance & AML/CFT Department	<ul style="list-style-type: none"> <li>• Started his banking career at the Treasury Bills Department of the Central Bank of Lebanon.</li> <li>• 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.</li> <li>• A Certified Anti Money Laundering Specialist (CAMS), &amp; Certified Compliance Officer, actively involved with local and international regulators on</li> </ul>



Executive Management Name	Position	Education, Experience and Affiliations
		<p>enhancing the AML/CFT implementation, raising awareness, and introducing the latest AML &amp; CFT information technology solutions.</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>

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 Corporate Governance Charter 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. The Board has designated the Policy, Strategy and Governance Committee to review and approve the Bank's succession plan for the Executive Management.

## 6.1 Management Committees

The GCEO relies on a number of internal committees in the day-to-day management of the Bank. Based on the governance requirements and broad nature of operations, seven (7) committees were formed. Decisions are formalised if the required quorum is achieved, including the Chairman or his deputy. All decisions shall be unanimous.

A summary of their main activities is documented in the Risk Charter as discussed below.

- *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 these.
- *Management Risk Committee (MRC)*
  - The MRC is the highest management level authority on all risk-related issues facing 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 with the objective of maximising shareholder value, enhancing profitability, and protecting the Bank from facing adverse consequences arising from changes in extreme market condition and compliance with regulatory guidelines. 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 minimise risk, prevent losses, maximise recoveries and restore profits through rehabilitation, restructuring, workout, collection or legal actions. 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.
  
- *Management Credit Committee (MCC)*
  - The MCC reviews, recommends and implements approved credit policies and procedures relating to the Bank. The Committee reviews the delegated authorities related to credit and recommends amendments to the BOD where appropriate. It also escalates its decisions relating to credit facilities, which exceed its authority, to the BEC.
  - The Chief Risk Officer serves as Chairman of the committee. Meetings are held as and when required.
  
- *Investment Committee*
  - The Investment Committee reviews the delegated authorities related to investments and recommends amendments to the BOD where appropriate. The Committee also assumes the responsibility to review and approve the range of investment products across the Bank. It also monitors and reviews the performance of all the investment portfolio activities.
  - The Group Chief Executive Officer serves as Chairman of the committee. Review and approval of the Committee is obtained by circulation to all members.
  
- *Crisis Management Committee (CMC)*
  - The CMC is mainly responsible in heading incidents which may result in a crisis situation for the Bank. The Committee ensures that a bank-wide Crisis Management Plan (CMP) is developed and communicated to all stakeholders including the establishment of a Crisis Management Team. It also ensures formal drills and training are conducted and a comprehensive communication process is developed regarding Crisis Management. In the event of an incident which may conceivably result in the activation of the Bank's Crisis Plan, the Bank's Call Tree will be used to communicate the incident to the DCEO who will confer with the GCEO as required and decide whether the Bank's Recovery Plans require to be actioned. In the event

that the Bank's Recovery Plans are activated this will be rapidly communicated to all stakeholders by way of activation of the Bank's mobile phone Call Trees.

- The Group Chief Executive Officer serves as Chairman of the committee. Meetings are held as and when required.

## 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 Depositary Receipts.

As at 31 December 2012, 85.13% of the total number of shares in the Bank were held by Qatari nationals (whether individuals or entities) and 14.8% of such shares by foreign investors. As at 31 December 2012, in percentage terms, the largest shareholdings in the Bank were as follows:

Qatar Holding LLC	16.67%
Al Watani Fund 3	2.98%
Al Watani Fund 4	2.63%
Al Watani Fund 8	2.60%
Qatar National Bank SAQ	2.05%

## 8. Risk Management

The Bank's Risk Management function continues to be very well positioned to manage risk resulting from the increasing sophistication, scope and diversity of the Bank's business and operations. The risk process covers all types of risks, principal of which are credit, market, operational, liquidity, reputational and strategic. It ensures the effective identification, understanding, measurement, mitigation and reporting of all risks, the allocation of adequate capital against those risks, and the assurance of an appropriate risk/return relationship. These core values are embodied in the Board-approved Risk Charter and Risk-related policies which 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.

The Bank follows a “three lines of defence” model to enterprise risk management, whereby responsibility and accountability for risk management within each line of defence are well embedded and exercised at all levels within the Bank cascading from the Board of Directors, Board-level Committees, Management-level Committees, Executive Management and employees.

Within Commercial Bank, risk management is based on the risk appetite and strategy set by the Board of Directors. 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 90 dedicated staff which underlines Commercial Bank’s commitment to a strong risk governance and management framework. During 2012, the Bank continued to enhance its internal controls and improved various processes in all areas of risk management. At a macro-level, Commercial Bank’s Board is involved in risk-decisions through the:

- 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 and Compliance Committee (for compliance and internal audit matters).

In addition, specific risk-focused management committees (Risk, Asset and Liability and Special Assets Management) convene 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 2012, the Bank further strengthened its risk management processes by advancing its market risk management, monitoring and reporting capabilities, conducting liquidity and market stress testing, extending its internal credit risk rating application to all business segments, fully integrating risk based decision making and automating the operational risk incident reporting process. In addition it introduced a mechanism for identification of key risk indicators (KRIs) in the Bank’s procedures. These KRIs provide an early-warning system to identify potentially costly operational failures (loss and near loss) including fraud, legal and technology risks.

The Bank is also 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 Commercial Bank 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 framework 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 Commercial Bank's financial recordkeeping and reporting.

The Board Audit and Compliance 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 organization 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 Anti Money Laundering/ Combating Financing of Terrorism laws issued in the State of Qatar;
- Monitoring and ensuring the Bank's compliance with QCB, QFMA, labour law, and AML & CFT regulations;
- Proposing relevant recommendations to enhance/ improve the internal control procedures that help in mitigating compliance, and AML/CFT risks; and
- Keeping up-to-date with new laws and regulations and informing 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 breaches and non compliance issues. The results of the Compliance Reviews are reported to the Board Audit and Compliance Committee, the GCEO, the Chief Risk Officer, Executive Management and the concerned unit / department heads on a regular basis.

The reports summarize 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 2012, the Compliance and AML/CFT Department carried out 19 Compliance Reviews which identified compliance and controls deficiencies all of which were appropriately addressed by the Bank's management. None of the compliance issues identified in the department's Compliance Reviews had any material financial impact on the Bank.

Compliance was also present and involved in all the following tasks:

- Provided compliance advice and guidance on all daily inquiries raised by the Bank's management/staff in a timely manner;
- Represented compliance in all Operational Risk Assessment Programs (ORAPs) and MRC meetings;
- Addressed all the Bank's business units' inquiries with QCB;
- Addressed all inquiries raised by QCB Consumer Protection Department on behalf of business units;
- Facilitated and responded to all QCB examiners requests for the 2012 annual QCB regulatory review on all the Bank's business units; and
- Regulatory reporting: Investigated and responded to all inquiries raised by the Financial Intelligence Unit (FIU), QCB, and other regulatory inquiries.

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 carried out the following major compliance related projects during 2012:

- Created awareness on the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA) and implemented related AML controls to ensure compliance with international and local requirements to avoid risk exposure to Iranian transactions;
- Carried out a data Integrity project to address all data gaps and update customers' Know Your Customer profile;
- Created awareness amongst the Bank's management on the importance of the Foreign Account Tax Compliance Act (FATCA) compliance, with an impact assessment being conducted and an implementation roadmap developed;
- Implemented World Check Data files for international sanctions and blacklist checking;
- Introduced Corporate Internet Banking (CIB) enhancements for all exchange companies' transactions for blacklist checking and countries sanctions controls;
- Automated QCB AML Quarterly Report to collate and provide accurate data;
- Introduced multiple AML system enhancements to implement the risk based approach required by QCB; and
- Conducted an E-learning compliance course and live training.

### **Penalties or Fines Imposed on the Bank by Regulatory Authorities**

Penalties imposed on the Bank in 2012 by QCB amounted to QAR 471,000 in respect of breaches of real estate ratios set by QCB.

## 9.2 Internal Audit

The Internal Audit Department is an independent function that intends to enhance/ augment Commercial Bank's overall control environment. Its mandate and authority is defined in its Internal Audit Charter which has been approved by the Board Audit and Compliance Committee and ratified by the Board.

To maintain its independence, the Internal Audit Department reports to the Board, through the Board Audit and Compliance Committee. The remuneration of the department is determined by the Board Audit and Compliance Committee. The Chief Internal Auditor is nominated by the Board Audit and Compliance Committee and submits periodic reports directly to the Committee and the senior management.

The Department is tasked to provide an independent assurance to the Board and its senior management as to the adequacy of the Bank's control environment and the effectiveness of the operation of these controls with respect to the management/ mitigation of the key risks that the Bank is exposed to. The department's risk-based internal audit plan focuses 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.

In addition, the Department is also tasked with the following key responsibilities:

- 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 and Compliance Committee. This includes:
  - 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.
- Performing independent assessments of the quality of the Bank's various credit portfolios. A Credit Review team within Internal Audit function was established during 2012 to perform this.
- 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 the management, design or implementation of new processes, products, systems or applications.
- Performing unscheduled/ ad hoc tasks such as fraud investigations, as and when necessary.

The Internal Audit function 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 2012 Internal Audit Plan, the Department issued and submitted a total of 38 Internal Audit Reports and Investigation Reports to the Board Audit and Compliance Committee. These reports in total covered 177 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 and Compliance Committee meetings, with 6 meetings of this committee being held during 2012. 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 and Compliance Committee to become involved in ensuring the resolution of any such matters. However, there is a Governance framework in place to enable the escalation of issues to the Board Audit and Compliance Committee in need.

As of the end of December 2012, the Department is composed of 13 auditors.

## 10. External Audit

According to QCCL and the relevant regulatory requirements, the General Assembly shall appoint on a yearly basis based on the proposal of the Board the Bank's external auditor and approves the fees. The appointment should be made in consultation with QCB.

Ernst & Young (Qatar Auditors' Registry No. 236) was assigned as the Bank's external auditor until 31 December 2012. This marks Ernst & Young's last year as external auditors of the Bank in line with the rotation requirements prescribed by QCB.

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.

2012 Independent Auditor's Report to Shareholders of Commercial Bank will be published in the Bank's Annual Report after the Annual General Assembly.

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 shareholders 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 established guidelines and protocols with respect to handling actual or perceived conflicts of interest situations and insider trading. Such guidelines are documented in the Bank's Corporate Governance Charter and are applicable to the Bank's Board, Executive Management, employees and other stakeholders (including shareholders, customers, and service providers, among others).

The Charter requires the Bank's Board, Executive Management, employees and other stakeholders (where applicable) to:

- Avoid situations that may create actual or perceived conflict of interest;
- 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;
- Disclose to the Board any direct or indirect material interest in any transaction or matter directly affecting the Bank;
- Protect staff members who prepare conflict of interest reports from any retribution made by those included in such reports;
- Adopt clear rules and procedures governing the trading of securities, granting of credits, outside employment, outside directorships, business interests, related parties and any transaction/ situation that raises questions or doubts with respect to possible conflicted interest;
- Avoid soliciting gifts from prospective or current customers, vendors or any other individual or business;
- Avoid disclosing inside information to outside entities with malicious intention to benefit from the disclosure;
- Restrict certain persons from using the Bank's information for personal gain; and
- Disclose Board member holdings to the public/ stakeholders.

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 2012. Specifically with respect to related party transactions, the Bank has adopted QCB's definition of related parties as provided in its Instructions to Banks.

### 13. Shareholders' Rights

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.

In line with the Bank's AOA and Corporate Governance Charter, the Bank maintains an effective and candid communication with its shareholders, which enables them to understand the business, its financial condition and operating performance and trends. Apart from the Annual Report and formal shareholders' meetings, the Bank hosts a website that provides a wide range of information and issues for all stakeholders.

The Bank strives to provide shareholders with sufficient data to analyse Commercial Bank performance and to take decisions on Board Member elections, and other such matters 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

Stakeholder relationships provide a platform for the Board to take into account the concerns and objectives of the Bank's stakeholders in its decision making, which is fundamental to 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 Corporate Governance Charter which highlights 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 an open and transparent dialogue and communication with its stakeholders. Such process delineates the protocols that will be followed in communicating with stakeholders and the level and degree of information that can be divulged. In addition, the Bank endeavours to maintain equitable and fair treatment of all its stakeholders. To promote ethical conduct, the Bank has rolled out a Bank-wide Code of Conduct which stipulates the ethical principles that each employee must demonstrate. Any breaches are thoroughly investigated and as appropriate, disciplinary and corrective action is taken. Moreover, the Bank has in place a Whistle-blowing Policy where employees and/ or outsourced service providers can report issues without fear of reprisal.

## **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**

The Bank currently has a total of thirty-nine (39) policy manuals/ charters, five (5) of which are specifically focused and involved in on corporate governance and risk management. These are discussed in detail below:

### **15.1 Corporate Governance Charter**

The Bank recognises that an effective corporate governance framework is the focal component in the achievement of the Bank's corporate objectives and maximisation of shareholder's value. The Bank has established corporate governance practices and protocols in compliance with its AOA and relevant regulatory requirements and in line with relevant corporate governance leading practices.

The Corporate Governance Charter captures the detailed guidelines of the Bank's governance framework.

### **15.2 Corporate Social Responsibility**

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

The Bank is committed to promoting sustainable development, protecting and conserving human life, health, natural resources and the environment and adding value to the communities in which it operates. In so doing, the Bank recognises the importance of both financial and non-financial commitment and contribution.

### **15.3 Code of Ethics**

The Bank-wide Code of Ethics serves as a guide to the everyday professional conduct of its employees. The Code covers all applicable laws and regulations and the highest standards of business ethics that the Bank employees should be aware of and comply within the conduct of their day-to-day business activities. In addition to the Bank-wide Code of Ethics, the standards of conduct expected from the Board are also covered in the Board Charter.

The Code extends to the Bank's subsidiaries and outsourced staff and covers the following specific topics:

- Compliance with laws and regulations;

- Board and employee conduct;
- Restrictions on acceptance of gifts or commissions;
- Avoidance of conflict of interest;
- Quality service and operational efficiency;
- Protection and proper use of company assets;
- Prohibition on insider trading;
- Media relations and publicity;
- Whistle-blowing;
- Relations between employees and the Bank;
- Use of proprietary and insider information and stakeholder information;
- Employee information and privacy; and
- Respect for human rights and prohibition of discrimination within the workplace.

#### **15.4 Human Resources**

The Bank provides fair and equitable policies geared towards attracting, retaining and motivating employees which is a key element in the efficient operation of its business. Such policies also capture sound personnel administration practice and maintenance of competitive remuneration and welfare packages to employees.

In terms of Human Resource management, the Bank is committed to:

- Recruit and retain highly qualified and competent candidates through a cost-effective recruitment process;
- Comply with all legal obligations and its own internal regulations relating to hiring, personnel administration and termination of employment;
- Provide fair, equitable and transparent treatment of all employees;
- Develop initiatives to recruit and retain quality Qatari nationals and to meet the targets set by the State of Qatar;
- Follow a consistent and competitive compensation and benefits structure throughout the Bank;
- Implement a fair promotion mechanism which recognises and rewards excellent employee performance;
- Improve employee performance, correct deficiencies, build on strengths and improve organisational effectiveness through a formal performance appraisal system;
- Handle complaints to mitigate grievances and to secure the rights of the Bank and its employees; and
- Promote knowledge sharing and learning across the Bank and facilitate knowledge growth.

#### **15.5 Anti-Fraud**

The Bank promotes an anti-fraud control environment by adopting the following principles:

- Commitment to the principles of integrity, respect and accountability and to an environment of sound governance which includes robust internal controls;
- Commitment to a culture that safeguards public funds and property in order to protect shareholder interest;
- Zero tolerance approach to fraudulent and/or unethical conduct and hold all employees accountable for their actions; and
- Consistent handling of all cases regardless of positions held, connections to authorities, nationality or length of service.

### III. Abbreviations

<b>Abbreviation</b>	<b>Meaning</b>
<b>ALCO</b>	Asset and Liability Committee
<b>ALM</b>	Asset and Liability Management
<b>AOA</b>	Articles of Association
<b>AML</b>	Anti Money Laundering
<b>Bank</b>	Commercial Bank
<b>BOD</b>	Board of Directors
<b>CFT</b>	Combating Financing of Terrorism
<b>FATCA</b>	Foreign Account Tax Compliance Act
<b>GCEO</b>	Group Chief Executive Officer
<b>GSAM</b>	Group Special Assets Management Committee
<b>MRC</b>	Management Risk Committee
<b>QFMA</b>	Qatar Financial Markets Authority
<b>QCB</b>	Qatar Central Bank
<b>QCCL</b>	Qatar Commercial Companies Law