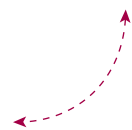


Embracing Challenges Navigating Innovation



2019

Annual Corporate
Governance Report











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1. Chairman's Message

Dear Commercial Bank Stakeholders,

On behalf of myself and my Board of Director colleagues, I am pleased to present the Annual Corporate Governance Report of 2019 that describes the corporate governance best practices that Commercial Bank has adopted and highlights how we apply the principles and provisions of applicable governance laws and regulations of the Qatar Central Bank (QCB), the Qatar Financial Markets Authority (QFMA) and leading international frameworks.

The Board of Directors firmly believes that good corporate governance is fundamental in ensuring the proper management of Commercial Bank in the interests of all of our stakeholders. We recognise that the way we interact with stakeholders is key for the success of our business and the transparent disclosure of our governance assists investors in their investment decisions.

We continue to enhance our corporate governance practices as the Bank's business evolves and regulatory requirements change. During 2019, Commercial Bank's core governance documents were reviewed and updated, namely the Corporate Governance Charter, Board of Directors Charter and Board Committees Charter for enhanced compliance with the QFMA Corporate Governance Code and changes to the Bank's business. We enhanced our Environmental, Social and Governance (ESG) disclosure practices in 2019 by participating in the Qatar Stock Exchange's voluntary ESG disclosure initiative and were the first company in Qatar to implement the QFMA's 10 for 1 stock split directive on 9 June 2019. Commercial Bank also received the "Best Corporate Governance in Qatar 2019" award by World Finance magazine based on the strength of our corporate governance framework and how this framework supports good governance.

In support of Commercial Bank's five-year strategic plan, the Board of Directors continued to work with the Executive Management team towards our vision to be the best bank in Qatar recognised for our five Cs: corporate earnings quality, client experience, creativity and innovation, culture, and compliance. As one of the five Cs, compliance is a fundamental part of Commercial Bank's strategy in recognition that good governance is the essential foundation for growth.

Actions taken under our five-year strategic plan are reflected in the Bank's improved financial performance and the market is recognising our achievements in the form of business award wins such as "Best Retail Bank in Qatar", "Best Cash Management Bank in Qatar", "Best Transaction Banking service in Qatar", and a "Financial Technology Innovation Award 2019" all from The Asian Banker. Commercial Bank has an ESG rating of (BBB) from MSCI and we enjoy strong credit ratings of (A3) from Moody's, (A) from Fitch, and (BBB+) from Standard & Poor's.

Being a publicly listed Qatari company engaged in banking activities, Commercial Bank has complied with the provisions of the QFMA Corporate Governance Code, QCB Corporate Governance Guidelines, and all the disclosure requirements (including financial reporting), as required by the Qatar Stock Exchange and other regulatory authorities.

On behalf of the Board of Directors of Commercial Bank and the Executive Management team, we thank all of our shareholders for their continuing trust and confidence.

Abdulla Bin Ali Bin Jabor Al Thani
Chairman

2. Governance Framework

Effective governance is, at its core, simply about doing the right things for stakeholders. 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 and monitored and its activities are reported, including: the elements of internal control, 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 stakeholders.

The main rules, procedures and practical application of Commercial Bank's governance are contained in the Bank's Corporate Governance Charter, Board of Directors Charter and Board Committees Charter. These charters reflect Commercial Bank's long-standing ethical governance practices and the regulatory requirements mandated by:

- guidelines and instructions issued by the Qatar Central Bank on 26 July 2015 by virtue of Circular No. 68/2015 (QCB Corporate Governance Guidelines);
- the Commercial Companies Law promulgated by Law No. 11 of 2015 (CCL); and
- the Governance Code for Companies and Legal Entities Listed on the Main Market issued by Qatar Financial Markets Authority pursuant to Decision No. 5 of 2016 (QFMA Corporate Governance Code).

These charters also follow the recommendations of leading international best practice for corporate governance developed by the Organisation for Economic Cooperation and Development (OECD), the Bank for International Settlements (BIS), and the International Institute of Finance (IIF).

In 2019, each of the Corporate Governance Charter, Board of Directors Charter and Board Committees Charter were updated for enhanced compliance

with the QFMA Corporate Governance Code and changes to the Bank's business. Following Commercial Bank's Extraordinary General Meeting on 20 March 2019, the Bank's Articles of Association were amended to comply with QFMA's instructions to reduce the nominal value of the shares of the Bank from QAR 10 per share to a nominal value of QAR 1 per share by way of share split.

The Bank's Corporate Governance Charter, Board of Directors Charter, Board Committees Charter and the Articles of Association can be found on the Bank's website at www.cbq.qa.

2.1 Commercial Bank's Corporate Governance Principles

The Board understands that sound corporate governance principles and practices are fundamental to maintaining the trust of its stakeholders, which is also critical in business growth, sustainability and profitability. The Board is committed to implement the corporate governance principles of justice, equality among stakeholders without discrimination, transparency and disclosure, while upholding the values of corporate social responsibility and acting in the public interest of Commercial Bank and stakeholders over their personal interests, as well as performing their duties, tasks and functions in good faith, integrity, honour and sincerity. The implementation of these principles is driven by a qualified Board aided by a seasoned and experienced Executive Management team. The Board ensures that the Bank adheres to these corporate governance principles in its day-to-day activities at all times.

2.2 Shareholders' Rights and Communication

The Board and Chairman's responsibilities detailed in the Corporate Governance Charter are to govern the interests of not only the Bank but also "partners, shareholders and stakeholders, and to achieve public interest and investment development in the State as well as the community" as per Article 2 of the QFMA Corporate Governance Code.

Commercial Bank upholds the principle of equality among shareholders, with shareholders' rights detailed in the Bank's AOA and Corporate Governance Charter including (but not limited to) the:

- 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;
- Protection of minority shareholders in major transactions;
- Right to vote;
- Right to attend and participate at the AGM personally or by proxy; and
- Approve the dividend distribution endorsed by the Board.

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 or provide unfair advantage to some shareholders over the others.

In line with the Bank's AOA and Corporate Governance Charter, the Bank maintains effective and candid communication with its shareholders, which enables them to understand the business, its financial condition, its operating performance and trends, actively participate in the AGM and to execute their voting rights. Commercial Bank has a dedicated Head of Shareholder Relationships position to oversee effective communication channels with shareholders, receive their opinions and complaints, and make shareholders' opinions known to the Board.

Apart from the Annual Report and formal shareholders' meetings, the Bank regularly provides a wide range of information for all stakeholders through its website www.cbq.qa which contains the

Bank's corporate governance charters, financial data and non-financial information.

2.3 Corporate Social Responsibility

Commercial Bank's longstanding commitment to Corporate Social Responsibility (CSR) is formalised in the Corporate Governance Charter which includes the provisions of QFMA Corporate Governance Code Article 39 relating to community development and preservation of the environment. A detailed report of the Bank's CSR activities in 2019 is contained in the Annual Report.

2.4 Environment Social Governance (ESG)

Commercial Bank aims to be a leading ESG company in Qatar and within its international peer group. Due to the nature of Commercial Bank's business, the governance component of ESG is especially critical for the interests of all our stakeholders, with the Bank's corporate governance best practices detailed in this Report.

In 2019 the Bank enhanced its ESG disclosure practices by participating in the QSE's voluntary ESG disclosure initiative. Commercial Bank's ESG data for 2017 to 2019 is publicly available via the QSE's Sustainability and ESG Dashboard at qse.arabsustainability.com/cbq

In partnership with a local provider, in 2019 Commercial Bank commenced recycling of paper printed in Bank premises, with segregated bins provided for the separation of paper, plastic and metal waste. Secure bins are also provided for the shredding and recycling of confidential paper waste.

2.5 Code of Conduct

In addition to Commercial Bank's corporate governance charters, the Board is responsible for setting the Bank's professional conduct rules found in the Bank-wide Code of Conduct, and regularly reviews the Bank's internal policies and procedures that are binding on the Board, Executive Management and employees.

The Bank-wide Code of Conduct serves as a guide to the everyday professional conduct of Board Members, Executive Management and employees. The Code covers all applicable laws and regulations and the highest standards of business ethics that Bank employees should be aware of and comply with in the conduct of their day-to-day business activities. Further standards of conduct expected from the Board are also covered in the Board of Directors 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 accepting gifts or commissions;
- Avoiding conflict of interest;
- Quality service and operational efficiency;
- Protection and proper use of Bank 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.

2.6 Conflict of Interests and Related Party Transactions

The Bank has adopted clear rules and procedures governing granting of credits, outside employment, outside directorships, business interests, related parties and any transaction/situation that raises questions or doubts with respect to possible conflicts of interest. These rules and procedures are documented in the Bank's Code of Conduct and 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 Corporate Governance 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's customers or with the Bank itself;
- Protect staff members who prepare conflict of interest reports from any retribution made by those included in such reports (whistle blowing);
- 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 persons from using the Bank's information for personal gain; and
- Disclose Board Member holdings to the public/ stakeholders.

In regards to insider trading, the Bank has clear rules and procedures governing the trading of securities which are documented in the Bank's Corporate Governance Charter. In general, in accordance with QSE bylaws, Commercial Bank's Board Members, Executive Management or employees are not permitted to exploit inside information about the Bank for trading in its shares to seek personal benefit or benefit to other persons, nor disclose information which is not yet disclosed to QSE and is capable of affecting the prices of the securities or trading in the QSE.

Related Party Transactions:

The Board is required to approve related party transactions, and material related party transactions require subsequent approval by shareholders at the Bank's AGM. The Bank has adopted clear rules and procedures governing transactions with related parties, which are documented in the Bank's Corporate Governance Charter.

Board Members and Executive Management 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 Commercial Bank. Related party transactions require the prior review and endorsement of the Board and when considering the approval of a related party transaction, a legitimate business case must be developed including the arm's length nature of the proposed transaction and the disclosure implications of such a transaction.

To ensure independent decisions, related parties are not permitted to attend the Board meeting while discussing that related party transaction or relationship in question, and are not entitled to vote regarding the transaction. The Board must disclose related party transactions in detail to shareholders and material related party transactions are approved by shareholders at the Bank's AGM.

The Bank has observed and complied with the definition and protocols required by applicable regulatory authorities with respect to related party transactions it has entered into during 2019. In compliance with QFMA Corporate Governance Code Article 4.11, related party transactions are disclosed in the Bank's consolidated financial statements within the Annual Report 2019, Note No. 39.

3. The Board of Directors

3.1 Role of the Board, Board Committees 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. The responsibilities of the Board of Directors are clearly defined in the Bank's AOA, Corporate Governance Charter, and Board of Directors in compliance QFMA Corporate Governance Code Article 8, which can be found on the Bank's website at www.cbq.qa

In order to provide an organised and focused means of achieving the Bank's goals and to properly address issues in 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.

3.2 Board Composition & Directors' Qualifications

The Bank has nine Directors, whose details and qualifications can be found in Disclosures, Section 1. Three Directors are independent and five are non-executive. The Bank is in compliance with QFMA Corporate Governance Code Article 6 by at least one-third of the Board being comprised of independent Board Members, and a majority comprised of non-executive Board Members.

Notwithstanding Commercial Bank's designations of Board Members as "non-independent" and "executive" as per the QCB and QFMA definitions, no Board Members have a full-time management position at Commercial Bank and no Board Members receive a wage. Directors' remunerations can be found in Disclosures, Section 6.

As per QFMA Corporate Governance Code Article 7, each Board Member provided their annual acknowledgement in 2019 that they are not combining their position as a Board Member of Commercial Bank with prohibited positions being:

- A board chairman or vice-chairman for more than two listed companies headquartered in Qatar;
- A managing director in more than one listed company headquartered in Qatar;
- A board member in more than three shareholding companies headquartered in Qatar; and
- A board member combining memberships in two listed companies headquartered in Qatar exercising a homogenous activity.

The positions of Commercial Bank's Chairman and the Group Chief Executive Officer are distinct and separate and the Chairman is prohibited from exercising the position of Chief Executive Officer and any other full time management position in Commercial Bank and from receiving a wage as per the Corporate Governance Charter.

The Board Remuneration, Nomination & Governance Committee annually assesses that the Board is the right size and has an appropriate balance of skill, experience and background to ensure optimum effectiveness as part of the Board self-assessment exercise detailed in Section 3.4.

Members of the Board possess the personal qualities and technical skills required to effectively carry out their assigned roles, provide leadership of the Bank and supervise management.

In 2019, the Board of Directors Charter was updated to include more detailed requirements for Board Membership that are applicable to all Board Members, together with the requirements for independent Board Members as per QCB and QFMA definitions. Requirements for all Board Members include the provisions of QFMA Corporate Governance Code Article 5 and QCB Corporate Governance Guidelines Second Principle 1 at a minimum, together with additional criteria established by the Board Remuneration, Nomination & Governance Committee to ensure a highly qualified Board with a diverse range of skills.

3.3 Nominating and Electing Directors

The Board Remuneration, Nomination & Governance Committee is responsible for recommending Board Members' appointments and nomination for election at the AGM. Nominations, appointment and removal of Board Members are made in accordance with formal, rigorous and transparent procedures in line with the Bank's AOA, Board of Directors Charter and Board Committees Charter. Members of the Board are elected by the AGM for a period of three years, and a Director may be re-elected more than once.

In 2019, the Board of Directors Charter was updated to include more detailed provisions relating to the nomination period, application procedure, evaluation procedure and election procedure for Board Members subject to approval at the AGM.

The Board opened the nomination period on 1 December 2019 for the election of three independent Board Members and six non-independent Board Members who will serve a three year term from 2020 to 2022. In line with the provisions of the Board of Directors Charter, the nomination process is transparent, with the announcement detailing the dates of the nomination period with references to eligibility requirements for Board Members and the application procedure published in Arabic and English local newspapers, on the Bank's website and via the QSE.

3.4 Board Self-Assessment and Training

In compliance with international leading practices, QCB Corporate Governance Guidelines, the QFMA Corporate Governance Code and the Board of Directors Charter, the Board and Board Committees completed their annual self-assessment for 2019. The Board of Directors annual self-assessment questionnaire was updated in 2019 to align more closely with the key functions of the Board and Board responsibilities as per Articles 8 and 9 of the QFMA Corporate Governance Code.

The Board and Board Committees self-assessment exercise was approved by the Board Remuneration, Nomination & Governance Committee, and the results were reviewed to help ensure the Board of Directors, Board Committees and each Board Member continually improves towards carrying out their roles and responsibilities effectively and efficiently. A headline summary of the Board and Board Committees self-assessment in compliance with QFMA Corporate Governance Code Article 4.7 is found in Disclosures, Section 2.

The expertise of the Board is augmented by the continuing Board Member education programme. The Board underwent their annual corporate governance training programme in 2019 as approved by the Board Remuneration, Nomination & Governance Committee to ensure they are updated with the very latest local corporate governance regulations and international best practice. In addition, in 2019 the Board received AML training and training in regards to cyber security as per QCB Circular 4-2018.

3.5 Board Responsibilities

3.5.1 Board Chairman and Managing Director

The Chairman is the president of Commercial Bank, represents it before others, and is primarily responsible for ensuring the proper management of Commercial Bank in an effective and productive manner and working to achieve the interests of the Bank, partners, shareholders and stakeholders.

Among the duties of the Managing Director are supporting the Chairman in leading Board meetings, supervising the GCEO to achieve the Bank's Board-approved strategy, monitoring the Bank's performance and supporting the Chairman to oversee the Bank's Corporate Affairs and governance functions.

The full duties of the Chairman in compliance with QFMA Corporate Governance Code Article 11 are detailed in the Board of Directors Charter, together with the duties of the Managing Director.

3.5.2 Board of Directors

The Board of Directors is responsible for the stewardship of the Bank, providing effective supervision over Executive Management and leading the Bank's business to grow in a profitable and sustainable manner. The Board's key functions and responsibilities include (but are not limited to):

- Providing strategic direction to the Bank;
- Appoint and renew the mandate of the GCEO;

- Review, approve and ensure the accuracy of the Bank's financial statements;
- Monitor the Bank's financial performance;
- Monitor the development of the Bank's internal control framework;
- Overseeing a strong risk governance framework; and
- Oversee overall corporate governance of the Bank

The full responsibilities of the Board are clearly defined in the Bank's AOA, Corporate Governance Charter, and Board of Directors Charter in compliance QFMA Corporate Governance Code Article 8.

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

3.5.3 Board Reserved Matters

Among the matters reserved for Board approval are certain written policies as per QCB Instructions to Banks, QCB Corporate Governance Guidelines, the QFMA Corporate Governance Code, other applicable laws and regulations, and the Bank's governance documents.

The Bank's Risk Policy (Risk Appetite Statement), Board Remuneration Policy and Employee Remuneration Policy underwent their mandatory annual review in 2019.

The Corporate Governance Charter, Director Remuneration Policy, Employee Remuneration Policy and Dividend Distribution Policy were approved by the Bank's shareholders at the Annual General Assembly on 20 March 2019.

The Board is required to approve transactions of certain nature and over a certain amount as provided in the Board delegation of authority, and applicable laws and regulations.

3.6 Board Meetings

The Board held seven meetings in 2019, with dates and attendance details listed in Disclosures, Section 3. Invitations, participation frequency, and decisions of Board meetings are conducted in line with QCB Corporate Governance Guidelines, QFMA Corporate Governance Code Articles 13, 14 and 15, Commercial Bank's AOA and the Board of Directors Charter. The minutes of Board meetings are prepared by the Board Secretary with details of the matters considered by the Board and decisions reached, including any concerns raised by Members. The draft minutes are circulated to all Members of the Board for their comments. The Board formally adopts the draft minutes at the subsequent meeting. Minutes of Board meetings are kept by the Board Secretary.

The draft agenda for Board meetings is prepared by the Board Secretary and approved by the Chairman of the Board. It is usually sent to the Members not less than 10 days before the intended date of the Board meeting. All Members of the Board have full and timely access to relevant information.

3.7 Board Secretary

The Board appointed Ms. Marie-Therese Lebbos Auger as Board Secretary and Head of Commercial Bank's Corporate Affairs Department in 2018 in accordance with QFMA Corporate Governance Code Article 16.

In her role as Board Secretary and in accordance with QFMA Corporate Governance Code Article 17, Ms. Auger provides administrative support to Board Members, the Board Committees and the Chairman to facilitate the execution of all their functions.

All Members of the Board have access to the advice and services of the Board Secretary, who

is responsible for ensuring that the correct Board procedures are followed and advising the Board on all corporate governance matters.

4. Board Committees

To increase the efficiency of the Board's control over the Bank's various activities and the risks to which it is exposed in an independent and professional manner, 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 meet the minimum committee requirements set by applicable corporate governance regulations.

The Board has formed four Board Committees:

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

Each Board Committee has detailed and specific roles, duties and authorities as determined by the Board and captured in the Board Committees Charter approved by the Board. The Board Committees Charter has been developed taking into consideration regulatory requirements including QFMA Corporate Governance Code Article 18, QCB Corporate Governance Guidelines Fourth Principle, Commercial Companies Law, and leading corporate governance practices.

Members and chairs of the four Board Committees are found in Disclosures, Section 4. In compliance with QFMA Corporate Governance Code Article 19, no Board Member is the chairman of more than one Board Committee and the Chairman of the Board of Directors is not a member of the Board Audit and Compliance Committee, Board Risk Committee and Board Remuneration, Nomination and Governance Committee as per Article 7.

4.1 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 and Combating Financing of Terrorism (AML/CFT) requirements, and defining criteria and control mechanisms for all activities involving Bank-wide related risks. The Committee's role, responsibilities, composition, membership requirements and other protocols are fully documented in the Board Committees Charter.

Members of the Board Audit and Compliance Committee are found in Disclosures, Section 4. In compliance with QFMA Corporate Governance Code Article 18, the chairperson and the majority of the Board Audit and Compliance Committee are independent Board Members, and in compliance with QCB Corporate Governance Guidelines Fourth Principle 1, the members are not members of any other Committee.

Conforming to the transparency and independence principle, the Bank's Internal Audit Department and Compliance Department reports directly to the Board Audit and Compliance Committee whereby the heads of both the Internal Audit and Compliance Departments 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 undertook the following key activities:

- Reviewed and recommended to the Board the adoption of the Bank's interim and annual financial statements;
- Reviewed the scope of the 2019 internal audit and compliance plans;
- Performed oversight on the work performed by the External Auditors throughout the year and made recommendations regarding their re-appointment;
- Reviewed the significant accounting, financial reporting and other issues raised by management, and the internal and External Auditors, including a review of all reports issued by the Bank's Internal Audit Department (which includes credit reviews and investigation reports);
- Reviewed the progress made by the Bank in resolving the various issues raised in Internal Audit reports, the External Auditor's management letter and the QCB inspection report;
- Reviewed all Compliance's 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 Executive 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;
- Held private meetings with the Chief Internal Auditor and the Head of Compliance and AML/CFT, at least every two months, without the presence of Executive Management;
- Introduced the "Follow up Audit Review" report for the non-satisfactory audits issued in 2018, in addition to the preparation of the SOP related to this newly introduced process;
- Introduced the first annual Audit report to the Board of Directors based on corporate governance requirements;
- Introduced the Quality Assurance review results and presented to BACC as per the IIA standards and BACC charter requirements;
- Pro-active contribution in the Deloitte's "AML/CFT and Sanctions compliance Gap Remediation" project and providing valuable input during their review meetings in order to recognize and prevent any futuristic issues;
- Investigation conducted (for an UHNW Customer), in proactive, timely and with high quality, without affecting timelines on regular audits; and

- Completed Audit Management System “AMS” upgrade to latest version, enabled functionality for automation of RCM and creation of all reports within AMS. Currently coordinating with vendor for creation of individual templates, scripts as well as AMS training for IA team covering new features.

The Committee is required to meet at least six times a year. During 2019, the Board Audit and Compliance Committee met a total of eleven times and minutes of such meetings are duly documented. The dates and attendance details of the Committee meetings are listed in Disclosures, Section 5.1.

4.2 Board Risk Committee

The Board Risk Committee has been delegated risk oversight functions by the Board of Directors, including, but not limited to: credit, interest rate, liquidity, price, operational, strategic, and reputational risks. The Board Risk Committee is responsible for advising the Board on the Bank’s overall and future risk appetite, overseeing Executive Management’s implementation of the “Risk Appetite Statement”, reporting on the state of risk culture in the Bank, and interacting and overseeing the Chief Risk Officer. The Board Risk Committee’s role, responsibilities, composition, membership requirements and other protocols are fully documented in the Board Committees Charter, and members of the Board Risk Committee are found in Disclosures, Section 4.

The Board Risk Committee maintains oversight enterprise-wide risks through the Management Risk Committee (MRC), the GCEO, and the Chief Risk Officer, and provides risk management directives through the GCEO and the Chief Risk Officer.

Activities during the year

During the year, the Board Risk Committee undertook the following key activities:

- Reviewed periodically the Bank’s non-performing loan portfolios, adequacy of

provisioning and corrective actions and other steps taken for recovery;

- Reviewed credit quality and performance of Retail and Consumer Banking’s loan portfolio;
- Reviewed and approved various credit policies and underwriting guidelines related to corporate lending, real estate lending and others;
- Reviewed liquidity risk of the Bank, including deposit rate, duration, funds providers, concentrations, and geographic risks;
- Reviewed operational risk management, including incidents by category, corrective actions tracker, and 2019 loss forecasts;
- Approved revised Delegations of Authority for provisioning and write-offs, as well as others;
- Reviewed acquired properties, including valuations, occupancies, and balance sheet and profit & loss impacts in 2019;
- Reviewed fraud risk management, including major incidents, investigations, controls, and 2019 loss forecasts;
- Reviewed information technology risks and cyber security threats;
- Reviewed risk performance of Wholesale Banking’s corporate loan portfolio, including pricing, restructured accounts, IFRS9 staging and expected credit losses, concentrations, among others;
- Reviewed and ratified risk appetite, risk tolerance levels, and portfolio limits, including limits at Bank-level, as well as at the SBU-level for Wholesale Banking, Enterprise Banking and Retail Banking separately;
- Performed oversight on actions taken by the MRC throughout the year, along with ratification of MRC decisions requiring Board Risk Committee approval;
- Reviewed and discussed Bank-wide portfolio, performance, and risk trends;
- Reviewed and approved the Bank’s ICAAP and capital & recovery plan;
- Reviewed and approved the Bank’s cyber security strategy;

- Recommended enhancements to the risk management structure (through the Risk Charter) where new committees were set up for Cybersecurity and Technology. In addition, the Investment Committee (ICO) and Management Credit Committee (MCC) terms of reference were enhanced to reflect the working dynamics of the organization.

The Board Risk Committee is required to meet at least four times a year. During 2019, the Board Risk Committee met a total of six times and minutes of such meetings are duly documented. The dates and attendance details of the Board Risk Committee meetings are listed in Disclosures, Section 5.2.

4.3 Board Executive Committee

The Board Executive Committee is responsible for approving credit facilities and major investments within Board-approved limits. In addition, the Board Executive Committee is also responsible for approving strategies, plans, budgets/objectives and policies, procedures and systems as well as reviewing the performance of the Bank. The Board Executive Committee's role, responsibilities, composition, membership requirements and other protocols are fully documented in the Board Committees Charter and members of the Board Executive Committee are found in Disclosures, Section 4.

Activities during the year

During the year, the Board Executive Committee undertook the following key activities:

- Reviewed and approved credit facilities in accordance with its mandate and within its delegated authority;
- Recommended credit facilities to the Board above 10% of the capital and reserves of the Bank;
- Reviewed country risk and financial institutions exposures and recommended amendments in country limits to the Board;
- 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 of the Bank's financial and operating performance and evaluated key performance indicators against their accompanying strategies;
- Reviewed and approved the Bank's operating and capital expenditure budgets; and
- Decided on all matters related to corporate premises.

The Committee is required to meet at least twelve times a year. During 2019, the Board Executive Committee met a total of 20 times and minutes of such meetings were duly documented. The dates and attendance details of the Committee meetings are listed in Disclosures, Section 5.3.

4.4 Board Remuneration, Nomination and Governance Committee

The Board Remuneration, Nomination and Governance Committee is responsible for evaluating the Bank's compensation and remuneration framework for Board Members, Executive Management and staff, based on the long-term performance and objectives of the Bank. The Committee is also responsible for recommending Board Members' appointments and re-nomination for election by the General Assembly, recommending Executive Management appointments, supervising the training of the Board Members with regard to corporate governance of the Bank, and conducting the annual self-assessment of the Board and Board Committee's performance. In addition, the Committee is primarily responsible for attending to issues relating to governance.

Members of the Board Remuneration, Nomination and Governance Committee are found in Disclosures, Section 4 and 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 undertook the following key activities:

- Approved the Bank's 2019 annual remuneration policies for Board Members and employees;
- Approved the Bank's 2019 employee bonus pool and deferral strategy;
- Reviewed and approved the Bank's Corporate Governance Charter, Board of Directors Charter, and Board Committees Charter in line with applicable regulations;
- Reviewed and approved revised provisions relating to the nomination period, application procedure, evaluation procedure and election procedure for Board Members;
- Reviewed and assessed applications for Board Membership and prepared a report for the Board with the Committee's recommendations;
- Reviewed and assessed the annual self-assessment of the Board and Board Committees' performance;
- Reviewed and approved the Bank's revised induction program for new Board Members;
- Reviewed the Bank's annual corporate governance training programme for all Board Members;
- 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.

The Committee is required to meet at least two times a year. During 2019, the Board Remuneration, Nomination and Governance Committee met a total of five times and minutes of such meeting were duly documented. The dates and attendance details of the Committee meetings are listed in Disclosures, Section 5.4.

Directors' Remuneration

Rules on Directors' remuneration are contained in the Bank's AOA, Corporate Governance Charter and Board Committees Charter. Directors' remuneration takes into account the responsibilities and scope

of functions of the Board Members and the Bank's performance. In addition, the remuneration may include fixed elements and matters, which are related to the performance of the Bank in the long-term. The Board Committees Charter restricts the maximum annual remuneration of the Chairman (QAR 2 million); a Board member (QAR 1.5 million); and additional remuneration for Board members on Committees (QAR 500,000) as per QCB Circular 18/2014.

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

- The Board shall receive remuneration annually of an amount which shall not exceed in aggregate 5% of the net annual profits of the Bank after deduction of transfers to reserves, legal liabilities and a dividend payment equivalent to 5% of the paid up capital of the Bank to shareholders; and
- The amount of such remuneration is approved annually by the General Assembly, taking into account the level of profitability of the Bank.

The Board Remuneration, Nomination and Governance Committee approves the annual remuneration policy for Board Members. Board Members' remuneration is disclosed in accordance with QCB Circular No. 18/2014. This remuneration policy is presented to the shareholders at the AGM for approval and made public. The Board regularly evaluates and measures risks involved in determining and paying incentives and compensations and reviews the remuneration policy accordingly.

Directors' remuneration for 2019 is disclosed in Disclosures, Section 6, and is subject to shareholder approval at the Bank's AGM.

Executive Management Remuneration

The Board Remuneration, Nomination and Governance Committee also approves the annual remuneration plan for Executive Management and staff. This plan outlines the compensation structures for Executive Management and employees, which are competitive relative to the market, reward

performance that contributes to the Bank's growth and profitability and are consistent with the Bank's strategy. In 2018, Commercial Bank was the first bank in Qatar to introduce deferred bonuses for Executive Management with provisions for malus and clawback, in line with international best practice and good governance.

Remuneration linked to sustainable performance

The Bank's Employee Remuneration Policy that is applicable to all employees was approved by the Bank's shareholders at the Annual General Assembly on 20 March 2019.

As per this Policy, Commercial Bank Board regularly reviews compensation and benefits to make sure we:

- Pay fairly and competitively;
- Reward high performers;
- Manage risk by:
 - Considering the mix between salary and incentives;
 - Considering the balance between profit, risk and the time horizons associated with those risks; and
 - Linking a proportion of senior employees' bonuses directly to the long-term performance of Commercial Bank, and to shareholders' interests.

To promote a sustainable and performance driven culture, Commercial Bank applies a variable pay framework that uses key corporate performance metrics to determine an available bonus pool. A minimum level corporate performance must be achieved for the bonus pool to accumulate and maximum size restrictions apply. The governance of the framework lies with the Board Remuneration, Nomination and Governance Committee.

It is compulsory for Executive Management, other senior managers and key risk takers to defer their individual bonuses, with 50% of the awarded bonus deferred over a total of three years from the award date and with provisions for malus and clawback.

Executive Management remuneration is disclosed in the Bank's Annual Report 2019 consolidated financial statements, Note No. 39.

5. Executive Management

While the Board has the ultimate responsibility for the governance of the Bank, the Board delegates the day-to-day responsibility of managing Commercial Bank to the GCEO, and to Executive Management through the GCEO. This delegation of authority must be within the limits detailed in the Board Delegation of Authority document.

Executive Management is composed of a group of the Bank's highly qualified senior employees headed by the GCEO, who implement the processes, activities, and Board resolutions according to the strategies and the policies approved by the Board and the Bank's risk structure. Executive Management contribute to the implementation and development of a sound governance system and ensures 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.

Executive Management profiles can be found in Disclosures, Section 8.

To ensure high quality replacements 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 for key leadership roles within the Bank. The Board Remuneration, Nomination and Governance Committee can nominate whoever it deems fit to fill any Executive Management position.

6. Management Committees

The GCEO relies on a number of internal Management Committees in the day-to-day management of the Bank. Based on governance requirements and the broad nature of the Bank's operations, ten Management Committees have been formed. Decisions are formalised if the required Committee quorum is achieved, including the chairperson or his deputy.

Management Committees' activities are summarised below.

Executive Committee (EXCO)

- EXCO is chaired by the GCEO, Mr. Joseph Abraham and meets on a regular basis 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 items.
- During 2019, the Executive Committee met a total of eleven times and minutes of such meetings were duly documented.

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 policies and portfolio issues to the Board Risk Committee.
- The Chief Risk Officer, Mr. Paul Gossiaux, serves as chairperson of the MRC, which meets at least four times a year, and more frequently if necessary.
- During 2019, the MRC met a total of nine times and minutes of such meetings were duly documented.

Asset and Liability Committee (ALCO)

- ALCO is a decision making body for developing policies relating to asset and liability 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.

- The Chief Financial Officer, Mr. Rehan Ahmed Khan serves as chairperson of ALCO. Meetings of ALCO are held monthly and more frequently if necessary, particularly in the case of a volatile operating environment.
- During 2019, ALCO met a total of twelve times and minutes of such meetings were duly documented.

Management Credit Committee (MCC)

- The MCC is the third highest level authority on all borrower and counterparty credit risk exposure, after the Board of Directors and Board Executive Committee. The MCC approves credit requests within the limits of its delegated authority, and reviews, recommends and implements approved credit policies and procedures relating to the Bank. The Committee reviews all delegated credit authorities, and recommends amendments to the Board Risk Committee where appropriate. It also recommends and/or escalates credit proposals to the Board Executive Committee for decision as necessary.
- The Chief Risk Officer, Mr. Paul Gossiaux, serves as chairperson of the MCC. Meetings are held as and when required.
- During 2019, the MCC met a total of fifty times and minutes of such meetings were duly documented.

Investment Committee (ICO)

- The ICO is the decision making committee for the Bank's investment activities, with a view to optimise returns, ensuring that the investment book provides a liquidity buffer for the Bank and mitigates market risk attached to the nature of targeted investment. ICO also assumes the responsibility to review and approve the investment strategy for the Bank. It also monitors and reviews the performance of all the investment portfolio activities.
- The Group Chief Executive Officer, Mr. Joseph Abraham serves as chairperson of the Committee. During 2019, ICO met a total of four times and minutes of such meetings were duly documented.

Operational Risk Committee (ORC)

- The ORC oversees management of operational risk which is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
- The GCEO, Mr. Joseph Abraham serves as the chairperson of the ORC and the Chief Risk Officer, Mr. Paul Gossiaux, is the deputy chairperson.
- ORC is required to meet at least four times a year. During 2019, ORC met a total of five times and minutes of these meetings were duly documented.

Technology Risk Committee (TRC)

- The TRC is the highest management-level authority on all technology risk related issues facing the Bank, and reports on all technology related policies and portfolio issues to the Management Risk Committee.
- The TRC is responsible for handling matters relating to technology risk and policies which may arise across Commercial Bank. The TRC is also responsible for approving all strategies, policies, procedures and systems as well as reviewing the performance of the Bank's technology risk capability.
- The Chief Operating Officer, Ms. Leonie Lethbridge, serves as chairperson of the TRC, and the Chief Risk Officer, Mr. Paul Gossiaux as deputy chairperson. The Committee was formally established in 2019 and from 2020 is due to meet at least four times a year, and more frequently if necessary.

Information Security Committee (ISC)

- The ISC is the highest management-level authority on all information-security related issues facing the Bank, and reports on all information security policies and portfolio issues to the Board Risk Committee.
- The Information Security Committee is responsible for handling matters relating to information security strategy, policies and information security risks which may arise across Commercial Bank, as per QCB Circular 4-2018.

The ISC is also responsible for approving all strategies, policies, procedures and systems as well as reviewing the performance of the Bank's information security capability.

- The Chief Operating Officer, Ms. Leonie Lethbridge, serves as chairperson of the ISC, and the Chief Risk Officer, Mr. Paul Gossiaux as deputy chairperson. ISC was established in 2019 and met once during the year.

Compliance Risk Committee

- The Compliance Risk Committee (CRC) facilitates / monitors the implementation of the Compliance Management Framework in the Bank, including but not limited to: ensuring customers' risk based rating methodology; KYC data mapping; quality of customers' data is adequately and efficiently maintained and implemented as per the regulatory requirements; reviewing and monitoring the resolution of compliance critical issues and ensuring appropriate mitigation of compliance risk exposures.
- The Senior AGM & Chief Compliance Officer, Mr. Abdulla Al Fadli, serves as chairperson of the CRC. During 2019, the CRC met twelve times on monthly basis, and minutes of such meetings were duly documented.

Crisis Management Committee (CMC)

- The CMC oversees implementation of the Bank's crisis management and business continuity framework. Commercial Bank has a documented Crisis Management Plan (CMP) and Crisis Communication Plan (CCP) in place to manage crisis incidents. A Crisis Management Team (CMT) has been formed to respond to any crisis incident and act as a central command during a crisis.
- The GCEO, Mr. Joseph Abraham serves as the Chairperson of the CMC and Chief Operating Officer, Ms. Leonie Ruth Lethbridge is the Deputy Chairperson.
- During 2019, the CMC met a total of two times and minutes of these meetings were duly documented.

- The Bank has launched an e-learning module for 'Business Continuity and Crisis Management' which is required to be taken by all employees on an annual basis. This will increase employee awareness and understanding of key Business Continuity and Crisis Management issues, as well as their role during an operational disruption and/or other crisis incidents.

7. Risk Management

Risk governance at Commercial Bank applies the principles of sound corporate governance to the identification, measurement, monitoring, and controlling of risks, ensuring that risk-taking activities are in line with the Bank's strategy and risk appetite. Key components of risk governance include:

Risk Culture: the shared values, attitudes, competencies, and behaviours throughout the Bank that share and influence governance practices and risk decisions. To promote a sound risk culture:

- a. the Board of Directors takes the lead in establishing the tone at the top by promoting risk awareness within a sound risk culture by conveying its expectations to all employees that the Board does not support excessive risk taking, and that all employees are responsible for ensuring the Bank operates within the established risk appetite and limits; and
- b. Executive Management implements and reinforces a sound risk culture, and provides incentives that reward appropriate behaviour and penalizes inappropriate behaviour.

Risk Appetite: the aggregate level and types of risk that the Board and Executive Management are willing to assume to achieve the Bank's goals, objectives, and operating plan, consistent with applicable capital, liquidity, and other requirements.

Risk Management System: the policies, processes, personnel, and control systems used to identify, measure, monitor, control, and report risk exposures consistent with the Board-established

risk appetite. The categories of risk covered by the Risk Management System include: credit; interest rate; liquidity; price; operational; compliance; strategic; and reputation.

The core values of the Bank are embodied in the Board-approved Risk Charter and Risk Appetite Statement, as well as in risk policies outlining enterprise-wide risk management activities of the Bank, and detailing the organisation, authorities and processes relating to all aspects of risk management.

Commercial Bank's Risk Management System is built on three lines of defence, namely:

First Line of Defence: front line business units or functions that create risk. These groups are responsible and accountable for identifying, assessing, and managing the risks that they take. These groups are the Bank's primary risk takers, and are responsible for implementing effective internal controls, and maintaining processes for identifying, assessing, controlling, and mitigating the risks associated with their activities consistent with the Bank's established risk appetite and risk limits.

Second Line of Defence: independent risk management function. The independent risk management function oversees risk taking, and assesses risks independent of the front line business units or functions that create risk. The independent risk management complements the front line units' risk-taking activities through its monitoring and reporting responsibilities, including compliance with the Bank's risk appetite. The independent risk management function provides input into key risk decisions, and is responsible for identifying, measuring, monitoring, and controlling aggregate and emerging risks enterprise-wide.

At Commercial Bank, the independent risk management function is performed by the Risk Management SBU, headed by the EGM Chief Risk Officer, and the Compliance and Anti-Money Laundering SBU, headed by the Senior AGM Chief Compliance Officer.

Third Line of Defence: internal audit function. The internal audit function provides independent assurance to the Board on the quality and effectiveness of governance, risk management, and internal controls. At Commercial Bank, the Internal Audit function is performed by the Internal Audit SBU, headed by the EGM Chief Internal Audit Officer.

As part of the overall corporate governance framework, the Board is responsible for overseeing a strong risk governance framework, including: a strong risk culture; a well-developed risk appetite articulated through the Risk Appetite Statement; and, well-defined responsibilities for risk management and control functions. The Board may delegate some of its functions, though not its responsibilities, to Board Committees (including the Board Risk Committee and Board Executive Committee) where appropriate.

The Board Risk Committee has been delegated risk oversight functions by the Board of Directors and its responsibilities are detailed in Section 4.2.

The Chief Risk Officer has primary responsibility for overseeing the development and implementation of the Bank's independent risk management function. This includes, among others, the ongoing strengthening of staff skills and enhancements to risk management systems, policies, processes, quantitative models, and reports as necessary to ensure the Bank's risk management capabilities are sufficiently robust and effective to fully support its strategic objectives and all of its risk taking activities.

The Bank has enhanced its controls and processes in all areas of risk management by implementing components of ICAAP into its periodic reporting, as well as addressing information security matters under the broader digitization strategy and providing updates with regards to meeting the strategic risk objectives of the Bank.

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 all major risks that the Bank faces.

Overall, 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 the Basel Committee, and QCB guidelines.

8. Information Security

Information security governance is the responsibility of the Board and Executive Management and an integral and transparent part of enterprise governance. In general, whilst senior executives have the responsibility to consider and respond to the concerns and sensitivities raised by information security, boards of directors are increasingly expected to make information security an intrinsic part of governance, integrated with processes they already have in place to govern other critical organizational resources. To this end and in compliance with QCB Circular 4-2018, oversight of the Bank's technology and cyber security risks have been clearly designated to the Board Risk Committee.

The benefits of good information security are not just a reduction in risk or a reduction in the impact should something go wrong. Good security can improve reputation, confidence and trust from others with whom business is conducted, and can even improve efficiency by avoiding wasted time and effort recovering from a security incident. Educating staff on how to protect themselves from cyber threats is a key goal of the Bank and all staff were required to complete a mandatory e-training course in 2019 covering awareness around key threats including phishing, malware/viruses and data protection.

The threat landscape both locally and internationally continues to grow through the implementation of new technologies and the growth of the digital interconnected world. Throughout 2019, Qatar's financial sector observed the following top threats:

- **Phishing attacks** - "Over 90% of cyber breaches start with a type of phishing." Phishing is sending an email, phone call or SMS which is intended to trick the recipient into clicking a malicious link and downloading malware or handing over sensitive details to the attacker such as corporate passwords; and
- **Denial of Service (DoS)** – A denial of service is when an attacker sends large amounts of traffic to a service (i.e. internet banking) with the intentions of overloading the infrastructure and networks hosting the service and taking it offline.

Additionally, Commercial Bank has observed the following threats are on the rise globally:

- **Data breaches** – Data breaches cost a company on average QAR 29 million in total costs which include investigation, recovery, customer loss, legal fees and regulatory fines. In the last 12 months Adobe, Amazon Japan, Bulgaria's tax agency and Capital One have been some of the major organisations affected by a data breach.
- **Supply chain attacks** - Hackers are now trying to hack into the suppliers of services to large organisations (i.e. banks) in order to steal data or gain access to the customers' environment through the trusted connections in place between the organisation and the supplier.

Commercial Bank continues to innovate and implement new information security technologies, processes and controls to combat these threats and protect our customers and staff.

9. Commercial Bank's 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 record keeping 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 Board Audit and Compliance 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 & Financial Crimes Control

The Compliance & Financial Crimes Control SBU on a pro-active basis, identifies documents and assesses 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 & Financial Crimes Control SBU include:

- Ensuring complete adherence of branches/ departments to relevant laws/regulations, QCB instructions and AML/CTF laws issued and applicable in the State of Qatar;
- Issue written instructions to employees on the proper application of laws, regulations and standards;

- Monitoring and ensuring the Bank's compliance with QCB, QFMA, Labour Law, CCL, FATF and AML/CTF regulations;
- Proposing relevant recommendations to enhance/improve the internal control procedures that help mitigate non-compliance and AML/CTF sanctions and fraud risks;
- Keeping up-to-date with new laws and regulations and informing Executive Management and the concerned departments for their timely implementation;
- Monitoring customers' financial transactions, investigate and raise suspicious transaction reports to the Financial Information Unit (FIU);
- Ensuring proper implementation of enhanced due diligence (EDD) for correspondent relations and high risk customers;
- Ensuring the proper implementation of FATCA/CRS regulations; and
- Providing training and awareness to the Bank's staff on governance, QCB regulations, AML/CTF sanctions, fraud and FATCA/CRS regulations on frequent basis.

The Compliance & Financial Crimes Control SBU monitors and tests compliance by performing independent 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 and the concerned Executive Management on a regular basis. The reports summarise deficiencies and/or breaches and recommend 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 2019, the Compliance & Financial Crimes Control SBU carried out 16 compliance reviews which identified compliance and controls deficiencies, all of which were appropriately addressed by the Bank's Executive Management. None of the compliance issues identified in the Department's compliance reviews had any material financial impact on the Bank.

The Compliance & Financial Crimes Control SBU was also involved in all the following tasks:

- Provided compliance advice and guidance on all daily inquiries raised by the Bank's Executive Management and staff in a timely manner;
- Represented compliance in all Operational Risk Assessment Process (ORAPs) and Management Committee meetings;
- Addressed all the Bank's business units' inquiries with QCB;
- Addressed all inquiries raised by QCB on behalf of business units;
- Facilitated and responded to all QCB examiners' requests for the 2019 QCB regulatory review on the Bank's business units;
- Regulatory reporting: investigated and responded to all inquiries raised by the QFIU, QCB, and other regulatory inquiries;
- Monitored the Bank's ratios versus QCB mandated ratios;
- Followed-up the closure of the compliance observations;
- Track the implementation progress of QCB circulars and letters; and
- Coordinated the implementation and improvement of the KYC – AML/CTF Risk Based Approach controls.

9.2 Internal Audit

The Internal Audit Department is an independent function that enhances Commercial Bank's overall control environment. Its mandate and authority are 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 Executive 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 to which the Bank is exposed. 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; and
 - 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 undertakes this role;
- 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; and

- Performing unscheduled/ad hoc tasks such as fraud investigations and other assignments at the request of the Board Audit and Compliance Committee, the regulator or the Bank's Executive Management, as and when necessary.

The Internal Audit function regularly makes recommendations to the Bank's Executive 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 or instances of non-compliance which were beyond the Bank's risk tolerance level.

In line with the 2019 Internal Audit Plan, the Department issued and submitted a total of 33 Internal Audit reports and investigation reports to the Board Audit and Compliance Committee. These reports in total covered more than 124 units within the Bank's inventory of "auditable units", with certain units, including the majority of the Bank's branches, being covered in more than one audit assignment. All key recommendations with respect to these reports were presented and discussed during the Board Audit and Compliance Committee meetings, with eleven meetings of this Committee being held during 2019. The Bank's management proactively and timely responded 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 2019, the Department is composed of 15 auditors.

9.3 External Audit

As per the CCL and regulatory requirements, and based on the proposal of the Board, the Bank's External Auditor is appointed annually at the AGM and their fees approved. The External Auditor's appointment is made in consultation with QCB.

The shareholders approved the re-appointment of Ernst & Young (Qatar auditor's registration No. 114) as the Bank's External Auditor for the financial year 2019 during the AGM held on 20 March 2019. The External Auditor's annual fee for 2019 is QAR 760,000.

The External Auditor performs the audit of the Bank's financial statements quarterly and annually, in accordance with the relevant International Standards on Auditing (ISA). 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.

The 2019 Independent Auditor's Report to Shareholders of Commercial Bank is published in the Bank's Annual Report 2019.

10. Abbreviations

Abbreviation	Meaning
AGM	Annual General Meeting / General Assembly
AML	Anti-Money Laundering
AOA	Articles of Association
Bank	Commercial Bank
The State	The State of Qatar
The Board	Commercial Bank Board of Directors
CCL	Commercial Companies Law
CFT	Combating Financing of Terrorism
EGM	Executive General Manager
FATCA	Foreign Account Tax Compliance Act
GCEO	Group Chief Executive Officer
ICAAP	The Internal Capital Adequacy Assessment Process
MRC	Management Risk Committee
SBU	Strategic Business Unit
QCB	Qatar Central Bank
QSE	Qatar Stock Exchange
QFMA	Qatar Financial Markets Authority

Disclosures

1. Board Members

Sheikh Abdulla bin Ali bin Jabor Al Thani

Chairman

Date of First Appointment	1990
Expiry of Current Appointment	2019
Status on the Board	Non-Independent & Executive
Number & Percentage of Shares %*	1.68% 67,987,705 shares

Experience and Membership in Other Boards

- Graduated from Qatar University with a BA in Social Science;
- Owner of Vista Trading Company;
- Partner in Integrated Intelligence Services Company;
- Vice Chairman of National Bank of Oman;
- Director of United Arab Bank.

Mr. Hussain Ibrahim Alfardan

Vice Chairman

Date of First Appointment	1975
Expiry of Current Appointment	2019
Status on the Board	Non-Independent & Executive
Number & Percentage of Shares %*	1.03% 41,861,340 shares

Experience and Membership in Other Boards

- Chairman of Alfardan Group
- Vice Chairman of Gulf Publishing and Printing Company;
- Vice Chairman of the Qatar Businessmen Association;
- Director of Qatar Insurance Company Q.S.P.C. (QIC) and Chairman of QIC's investment committee.

HE Mr. Abdul Rahman Bin Hamad Al Attiyah

Member

Date of First Appointment	2014
Expiry of Current Appointment	2019
Status on the Board	Non-Independent & Executive
Number & Percentage of Shares %*	0.27% 11,118,130 shares

Experience and Membership in Other Boards

- Graduated from the USA with a BA in Political Science;
- State Minister;
- Vice President of the Board of Trustees of the Arab Thought Forum – Amman, Jordan
- Former Secretary General of the Cooperation Council for the Arab States of the Gulf;
- Former Undersecretary of the Foreign Ministry;
- Former Ambassador of the State of Qatar to Saudi Arabia, France, Italy, Greece, Yemen, Switzerland and Djibouti;
- Former permanent representative of the State of Qatar to the United Nations and other international organizations (Geneva, Rome and Paris);
- Owner and Chairman of Mawten Trading Co.;
- Former Director of the National Bank of Oman (NBO);
- Holder of the Orders of Merit from France, Italy, Yemen, and Sudan as well as the Award of Excellence from the Cooperation Council for the Arab States of the Gulf.
- Holder of the State Award of Appreciation.

Mr. Omar Hussain Alfardan

Managing Director

Date of First Appointment	2002
Expiry of Current Appointment	2019
Status on the Board	Non-Independent & Executive
Number & Percentage of Shares %*	0.25% 10,218,130 shares

Experience and Membership in Other Boards

- Graduated from Webster University, Geneva with a Bachelor's degree in Business Administration and a Master's degree in Finance;
- President & CEO of Alfardan Group and its subsidiaries in Qatar and Oman;
- Board Member of Alfardan Jewellery, Alfardan Investment and Alfardan Marine Services in Qatar;
- Vice Chairman of the Board of Directors and Chairman of the Board Governance & Remuneration Committee of United Arab Bank in UAE;
- Chairman of the Board of Directors of Alternatif Bank in Turkey;
- Advisory Board Member of Qatar Financial Centre Authority;
- Board Member of Qatar Red Crescent Society;
- Member of the Board of Governors at Sidra Medicine.

Sheikh Jabor bin Ali bin Jabor Al Thani

Member

Date of First Appointment	2002
Expiry of Current Appointment	2019
Status on the Board	Non-Independent & Non-Executive
Number & Percentage of Shares %*	0.40% 16,192,296 shares

- Owner of Al Maha Trading and Contracting Co.;
- Director of Gulf Publishing and Printing Company;

Sheikh Faisal bin Fahad bin Jassim Al Thani

Member

Date of First Appointment	2017
Expiry of Current Appointment	2019
Status on the Board	Independent & Non-Executive
Number & Percentage of Shares %*	0.25% 10,118,130 shares

Experience and Membership in Other Boards

- Completed his education under Fullbright Scholarship from Colorado University of Boulder, USA;
- Holds a Bachelor in Petroleum Engineering from Tulsa University, USA;
- Holds a Master of Science in Construction Management from the University of Bath, UK;
- Holds a PhD in Project Finance from Leeds, UK;
- Board member of United Development Company (Q.P.S.C.);
- Board member of Aamal Company (Q.P.S.C.)
- Chairman of Al Namma Real Estate;
- Chairman of Capstone Real Estate
- Chairman of Qatar Petroleum Society;
- Chairman of Doha Petroleum Club;
- Chairman of Sheikh Faisal bin Fahad bin Jassim Al Thani charity organisation;
- Member of the Qatar Businessmen Association (QBA);
- Joined Qatar Petroleum (QP) in 1987 – 2017;
- Previously seconded to several companies - Shell from 1987 to 1992; Qatar Petroleum from 1987 to 1997; Arco Petroleum from 1997 to 2001; BP from 2001 to 2003; Anadarko Petroleum from 2003 to 2007; Maersk Oil Qatar from 2008 – 2017.

Mr. Mohd Ismail Mandani Al Emadi

Member

Date of First Appointment 2014

Expiry of Current Appointment 2019

Status on the Board Independent & Non-Executive

Number & Percentage of Shares %* None

Experience and Membership in Other Boards

- Graduated from Holy Names University, California with a BSc in Business Administration & Economics;
- Over 30 years of experience in banking;
- Occupied a number of key roles in Commercial Bank from 1983 to 2006 including Head of Banking, Operations, Commercial Services and Risk Management;
- Deputy General Manager of Commercial Bank from 2004 to 2007;
- Director of National Bank of Oman;
- Director of Alternatif Bank in Turkey;
- CEO of Qatar Real Estate Investment Co. from 2008 to 2011;
- Former Managing Director of Qatar Cinema & Film Distribution Co. in Qatar;
- Former Director of Qatar Real Estate Investment Co.;
- Former Director of Mannai Corporation;
- Former Director of Qatar Shipping Co.;
- Former Director of Doha Securities Market.

Qatar Insurance Company

Member

(Represented by HE Mr. Khalaf Ahmed Al Mannai)
(The representative is Independent & Non-Executive, whose date of appointment is 2018)

Date of First Appointment 2017

Expiry of Current Appointment 2019

Status on the Board Non-Independent & Non-Executive

Number & Percentage of Shares %* 0.70%
28,402,908 shares**Experience and Membership in Other Boards**

- Graduated from Cairo University with in Bachelor's degree in Business Administration;
- Undersecretary of the Ministry of Finance;
- Chairman of the Board of Directors of OQIC;
- Member of the Board of Directors of Qatar Insurance Company Q.S.P.C. (QIC);
- Member of the Administrative Committee of Al Aqsa and Al Quds Funds "Islamic development Bank" Jeddah;
- Former Member of the Advisory Council, the QCB Board of Directors, the Qatar Financial Markets Authority and Hamad Medical Corporation;
- Former Chairman of the Board of Directors of the Tunisian-Qatari Bank, Vice Chairman of Al Jazeera and Vice Chairman of the General Retirement Authority.

HE Mr. Saleh Abdulla Mohamed Al Ibrahim Al Mannai

Member

Date of First Appointment 2017

Expiry of Current Appointment 2019

Status on the Board Independent & Non-Executive

Number & Percentage of Shares %* 0.35%
14,304,000 shares

Experience and Membership in Other Boards

- Holds a degree in Business Administration and a diploma in International Economy from Ain Shams University;
- Member of the Shura Council (2018)
- Board Member of Al Dar for Exchange Works (2018)
- Director and proprietor of Qatar Marble & Islamic Mosaic Co. and Ampex.
- Started his banking career with Commercial Bank in 1991 to 1993;
- Joined Qatar National Bank in 1994 and held various positions: teller, Officer in Charge, Assistance Branch Manager, Branch Manager, Group Branch Manager and Corporate Branch Manager.

There are 45 statements about the Board. Each statement is phrased positively e.g. "The Board is the right size and has an appropriate balance of skill, experience and background to ensure optimum effectiveness." Board Members then assess each statement as follows:

- 5 = strongly agree
- 4 = frequently agree
- 3 = satisfactory or not sure
- 2 = disagree
- 1 = strongly disagree

Overall scores are calculated by adding together the total of numbers for the 45 statements:

- Excellent = >85% (>191)
- Good = 65% to 85% (146 to 190)
- Average = 50% to 65% (113 to 145)
- Unsatisfactory = 40% to 50% (90 to 112)
- Poor = <40% (<89)

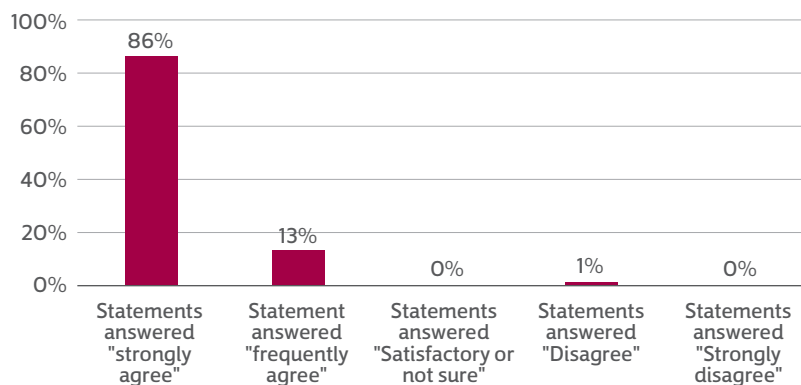
Based on the questionnaire responses, all 9 Board Members scored the overall performance of the Board as "Excellent."

2. Board and Board Committees Self-Assessment Summary

2.1 The Board

The Board is assessed on range of criteria: Board structure; Board meetings; Board Chairman; training & development; succession planning & incentives; Company Secretary; interaction with Executive Management; Bank strategy; governance; oversight of control functions; financial reporting / disclosure.

Breakdown of Responses



Charts show the breakdown of responses to positively phrased statements provided by all 9 Directors





Board of Directors





1	2	3
4	5	6
7	8	9

- 1. Sheikh Abdulla bin Ali bin Jabor Al Thani**
Chairman
 - 2. Mr. Hussain Ibrahim Alfardan**
Vice Chairman
 - 3. HE Mr. Abdul Rahman Bin Hamad Al Attiyah**
Member
 - 4. Mr. Omar Hussain Alfardan**
Managing Director
 - 5. Sheikh Jabor bin Ali bin Jabor Al Thani**
Member
 - 6. Sheikh Faisal bin Fahad bin Jassim Al Thani**
Member
 - 7. Mr. Mohd Ismail Mandani Al Emadi**
Member
 - 8. HE Mr. Khalaf Ahmed Al Mannai**
Member
(Representing Qatar Insurance Company)
 - 9. HE Mr. Saleh Abdulla Mohamed Al Ibrahim Al Mannai**
Member
- 
- 

2.2 Board Committees

Each Board Committee is assessed on range of criteria that:

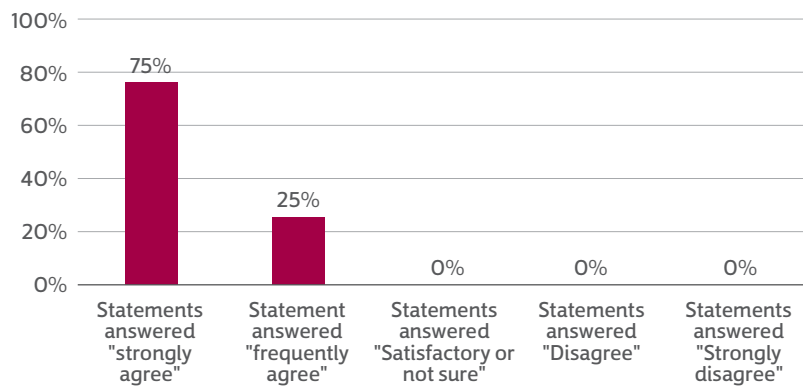
1. Applies generally to all Committees e.g. Committee processes, contribution of individual Committee members; relationship with Management; and
2. Is specific to the work of that Committee.

Board Committee scoring works the same as for the Board. Positively phrased statements are scored 1 to 5 and overall ratings are calculated by adding together the total.

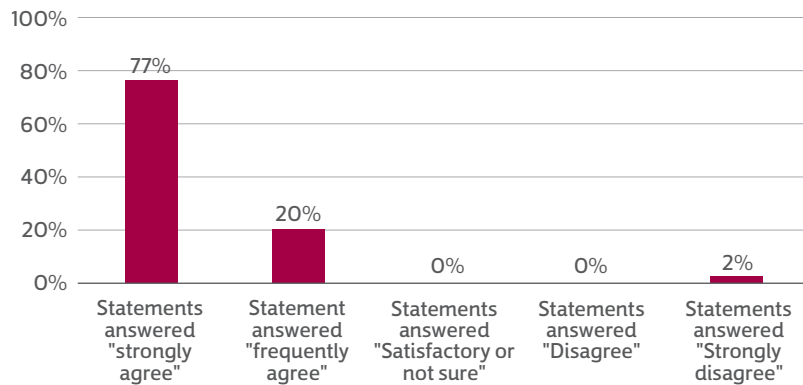
Based on the questionnaire responses:

- all 3 BRC members scored the overall performance of the BRC as "Excellent"
- all 3 BRNGC members scored the overall performance of the BRNGC as "Excellent"
- all 4 BEC members scored the overall performance of the BEC as "Excellent"
- all 3 BACC members scored the overall performance of the BACC as "Excellent"

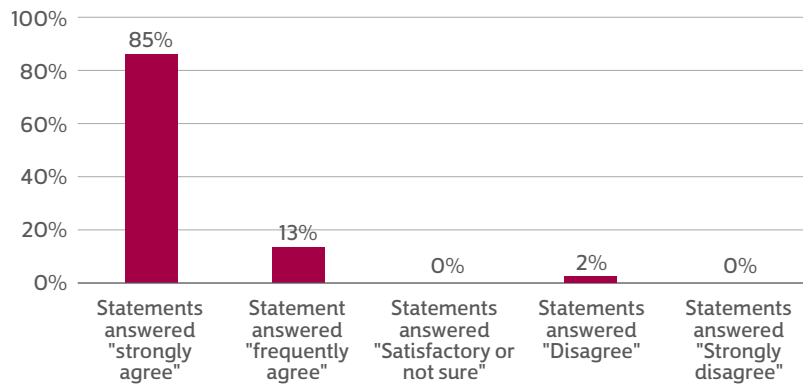
BRC Breakdown



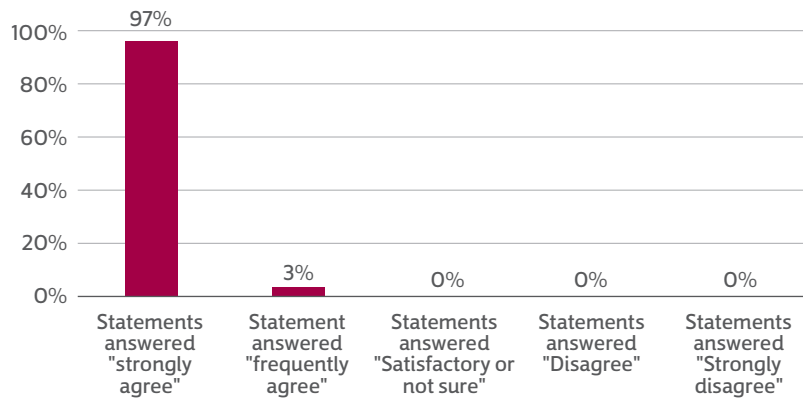
BRNGC Breakdown



BEC Breakdown



BACC Breakdown



Charts show the breakdown of responses to positively phrased statements provided by Committee members

3. Board Meetings Dates and Attendance

Meeting Dates	Attendance
4 February 2019	9
17 April 2019	7
27 May 2019	7
16 July 2019	6
2 October 2019	6
22 October 2019	6
17 December 2019	8

4. Board Committees Members

Board Member Name	Status on the Board	Board Executive Committee	Board Risk Committee	Board Audit and Compliance Committee	Board Remuneration, Nomination and Governance Committee
Sheikh Abdulla bin Ali bin Jabor Al Thani	Board Chairman	X Committee Chairman			
Mr. Hussain Ibrahim Alfardan	Non-Independent & Executive	X			X Committee Chairman
HE Mr. Abdul Rahman Bin Hamad Al Attiyah	Non-Independent & Executive	X	X		
Mr. Omar Hussain Alfardan	Non-Independent & Executive	X			X
Sheikh Jabor bin Ali bin Jabor Al Thani	Non-Independent & Non-Executive			X	
Qatar Insurance Company (represented by HE Mr. Khalaf Ahmed Al Mannai)	Non-Independent & Non-Executive		X		
Sheikh Faisal bin Fahad bin Jassim Al Thani	Independent & Non-Executive			X Committee Chairman	
Mr. Mohd Ismail Mandani Al Emadi	Independent & Non-Executive		X Committee Chairman		X
HE Mr. Saleh Abdulla Mohamed Al Ibrahim Al Mannai	Independent & Non-Executive			X	

5. Board Committees Dates and Attendance

5.1 Board Audit and Compliance Committee

Meeting Dates	Attendance
28 January 2019	2
4 February 2019	3
19 March 2019	2
17 April 2019	2
7 May 2019	2
9 July 2019	3
16 July 2019	3
24 September 2019	3
22 October 2019	3
27 October 2019	3
26 November 2019	2

5.2 Board Risk Committee

Meeting Dates	Attendance
24 February 2019	3
18 April 2019	3
19 June 2019	3
25 September 2019	3
24 November 2019	3
16 December 2019	3

5.3 Board Executive Committee (BEC)

Meeting Dates	Attendance
7 January 2019	4
21 January 2019	4
18 February 2019	3
25 February 2019	4
21 March 2019	4
1 April 2019	4
21 April 2019	4
13 May 2019	4
28 May 2019	4
17 June 2019	4

24 June 2019	4
16 July 2019	3
10 September 2019	4
23 September 2019	4
2 October 2019	4
13 October 2019	4
4 November 2019	4
18 November 2019	4
1 December 2019	4
17 December 2019	4

5.4 Board Remuneration, Nomination and Governance Committee

Meeting Dates	Attendance
22 January 2019	3
27 March 2019	3
23 September 2019	3
24 November 2019	3
16 December 2019	3

6. Directors' Remuneration

As reported in the Bank's Annual Report 2019, total remuneration earned by the Board in 2019 was QAR 18,500 million (subject to approval during the Bank's AGM) (2018: QAR 18,500 million).

7. Executive Management Remuneration

Executive Management remuneration is disclosed in the Bank's Annual Report 2019 consolidated financial statements, Note No. 39.

8. Executive Management Profiles

Mr. Joseph Abraham

Group Chief Executive Officer

He does not own any shares in Commercial Bank.

Education, Experience and Affiliations

- Holds an MBA from the Graduate School of Business, Stanford University in California, USA.
- Joined Commercial Bank in June 2016 as Group Chief Executive Officer.
- Prior to joining Commercial Bank, served as CEO of ANZ Indonesia (Australia and New Zealand Banking Group) based in Jakarta (2008-2016).
- Worked in Indonesia, Singapore, Hong Kong, Ghana, UK and India in various country and regional banking roles with a successful track record covering general management, corporate banking, strategy, product management as well as acquisitions and integrations.
- Vice Chairman of the Board of Alternatif Bank in Turkey (fully owned subsidiary).
- Board Director of National Bank of Oman.
- Board Director of United Arab Bank, UAE.
- Director of CB Innovation Services LLC, Orient 1, CBQ Finance, CBQ Global Trading Limited and CB Global Limited.

Mr. Rehan Khan

EGM, Chief Financial Officer

He does not own any shares in Commercial Bank.

Education, Experience and Affiliations

- Graduated from London School of Economics with a Bachelor in Economics.
- Trained with KPMG in London and member of the Institute of Chartered Accountants in England and Wales.
- 23 years banking experience with HSBC working in London, India, Malaysia and Saudi Arabia.
- Joined Commercial Bank as Chief Financial Officer in 2013.
- Director of Orient 1, CBQ Finance, CB Global and CB Financial Services.

Mr. Raju Buddhiraju

EGM, Chief Wholesale Banking

He does not own any shares in Commercial Bank.

Education, Experience and Affiliations

- Graduated from Indian School of Mines, India with a Bachelor in Petroleum Engineering.
- MBA from Indian Institute of Management, Calcutta.
- Joined Commercial Bank in 2014 as EGM, Head of Wholesale Banking.
- Previously EGM, Retail & SME Banking, Dubai Islamic Bank, Dubai, U.A.E.
- Joined Commercial Bank as EGM in Retail and Enterprise Banking in 2008 till Sept of 2012.
- General Manager & Head of Retail & Consumer Group, Arab National Bank, Saudi Arabia in May 2006 and Head of Retail Assets in Sept. 2002.
- Worked in CitiGroup for 13 years in India, Singapore, Poland and Hungary (1989-2002).
- Deputy Chairman of Orient 1 Limited.

Sheikh Jassim Saud Abdulaziz Hamad Al Thani

EGM, Chief Human Capital Officer

He does not own any shares in Commercial Bank.

Education, Experience and Affiliations

- Holds a Masters in Strategic Management from HEC Paris and a Bachelor's degree in Computer Science from University of Qatar.
- Extensive experience leading HR functions including management of HR operations in Maersk Oil Qatar and partnering with major business units in Maersk Oil in Denmark.
- Led the Qatarization function for Maersk.
- Joined Commercial Bank from North Oil where he was Public Relations and Communications Manager.

Mr. Parvez Khan

EGM, Treasury & Strategy

He owns 101,890 shares in Commercial Bank

Education, Experience and Affiliations

- Graduated from Aligarh Muslim University with BSC in Chemical Engineering.
- Joined Commercial Bank in 1994 and was responsible for setting up Investment services business.
- Over 20 years of experience in Treasury Capital Markets and Investment Banking.
- Holds a Diploma in International Capital Markets from New York Institute of Finance.
- Director of CBQ Finance Limited and CB Global.

Mr. Fahad Badar

EGM, International Banking

He owns 28,960 shares in Commercial Bank

Education, Experience and Affiliations

- Holds an MBA from Durham University, UK and a Bachelor's in Banking & Finance from Bangor University, UK.
- Joined Commercial Bank as a graduate in 2000, rising up in his career to the position of EGM, Government & International Banking in 2011.
- A seasoned banker with over 20 years of banking experience at Commercial Bank, having successfully held several key roles including EGM Wholesale Banking and EGM Government Sector and International Banking, as well as other senior positions in Retail Banking and Operations across the Bank.
- Currently as EGM, International Banking at Commercial Bank he has the responsibility of the Bank's international lending and financial institutions relationships.
- Director of National Bank of Oman.
- Director of United Arab Bank.

Dr. Leonie Ruth Lethbridge

EGM, Chief Operating Officer

She does not own any shares in Commercial Bank.

Education, Experience and Affiliations

- Holds a PhD from Swinburne University of Technology and a Master's Degree in Applied Science from RMIT University.
- Joined Commercial Bank as Chief Operating Officer in July 2017.
- Has oversight of Commercial Bank's innovation entity – CB Innovation Services.
- Previously CEO of ANZ Royal Bank in Cambodia from 2016 to 2017.
- In her 15 years at ANZ, Dr Lethbridge served in senior roles across developed and emerging markets, including as a CEO, COO and CRO.
- Previously a management consultant, advising clients in the financial services, manufacturing and telecommunication sectors.
- Held executive roles in the manufacturing industry in Australia and Asia in a range of organisations and acted in numerous advisory positions for both government and private sector organisations.
- Director of Alternatif Bank

Ms. Rana Salatt

EGM, Chief Internal Audit Officer

She owns 13,280 shares in Commercial Bank.

Education, Experience and Affiliations

- Graduated from Qatar University in 1996 with a major in English.
- Joined Commercial Bank in 1996 as a graduate trainee in Retail Banking and then promoted to Risk Management Assistant.
- A number of promotions followed: Manager, Credit Risk Administration in 2003, Head of Credit Administration & Control in 2005, Head of Client Relations in 2008, Head of Credit Control in 2009, Assistant General Manager and Head of Risk Controls in 2011 and EGM, Chief Risk Officer in 2013.
- 20 years of banking experience in Commercial Bank between Retail and Risk.

- Handled the role as Chief Risk Officer, from April 2013 until Jan 2018 where her primary role was to lead and establish a comprehensive and effective enterprise wide integrated risk management framework for the Bank ensuring all risks (including credit, market, liquidity, operational, reputational, corporate governance and regulatory risk) are effectively managed within the defined risk appetite and government regulations.
- Currently she is EGM Chief Internal Audit Officer, leading, the development and implementation of strategies, policies, and procedures related to Internal Audit and give professional independent opinions and recommendations on critical risk and compliance issues.

Mr. Amit Sah

EGM, Consumer Banking

He does not own any shares in Commercial Bank.

Education, Experience and Affiliations

- Holds an MBA from Indian Institute & Management, Ahmedabad, India and a Bachelor of Engineering degree from Indian Institute of Technology, Roorkee, India.
- Joined Commercial Bank in December 2016.
- In his current role, Mr. Amit is responsible for managing the Retail Banking (including SME) franchise for Commercial Bank with focus on defining and executing a growth strategy for sustained profitability driven by market leading value propositions, enhanced customer experience and improved operational efficiencies.
- Mr. Amit is a veteran in the financial services industry and has benefitted from his experience of working in multiple geographies and across multiple functional units.
- Prior to joining Commercial Bank, he worked with Citibank for over 28 years in various roles including Country Management responsibilities in Thailand and Russia and regional management for the EMEA region based out of London.

Mr. Hussain Ali Al-Abdulla

EGM, Chief Marketing Officer

He does not own any shares in Commercial Bank.

Education, Experience and Affiliations

- Holds a degree in Petroleum Engineering from Colorado School of Mines in Golden Colorado, USA.
- Holds a Bachelor's in Business Administration and Management (2007) from University of Qatar - Masters in "The Adaptation of Digital Transformation in the Banking Sector" from the United Kingdom.
- Joined Commercial Bank in July 2017, as EGM, Chief Marketing Officer.
- Prior to joining Commercial Bank, served as General Manager -Personal Banking (2012-2017) in Barwa Bank, Doha Qatar.
- Held various roles for 13 years (1999 – 2012) in HSBC Bank Middle East Ltd, Doha Qatar, including Head of Retail Banking from 2009 – 2012.

Mr. Paul Gossiaux

EGM, Acting Chief Risk Officer

He does not own any shares in Commercial Bank.

Education, Experience and Affiliations

- Holds an MIA degree from the School of International and Public Affairs, Columbia University, New York, New York.
- Graduated with a BA degree from Fordham University, New York;
- Joined Commercial Bank in 2010 as Head of International Credit, subsequently appointed Chief Credit Officer in 2016 and EGM Chief Risk Officer in 2018.
- Appointed Member of the Board of Directors of Alternatif Bank, Turkey, in 2016.
- Over 25 years' experience building and managing risk management and control teams in both commercial banking and investment banking sectors across the UK, Europe, Middle East, and Asia.
- Previous positions include: Executive Director, UBS Investment Bank (London); Director, Deutsche Bank (London); and, senior credit and business development positions with Bank of America (New York, London, Madrid), among others.

Mr. Abdulla Ahmed Al-Fadli

Senior AGM, Chief Compliance Officer

He does not own any shares in Commercial Bank.

Education, Experience and Affiliations

- Holds a Master of Business Administration from Hull University, UK;
- Previously Acting Head of Human Capital.
- Joined Commercial Bank as Head of Internal Audit Strategy & Operations.
- Prior to joining Commercial Bank, led internal audit at Barwa Bank.

9. Ownership Structure

In accordance with Article 6 of the Bank's AOA, no natural person or corporate body shall own at any time 5% or more of the Bank's shares directly or indirectly, with the exception of (a) Qatar Investment Authority, Qatar Holding LLC or any of their subsidiaries and (b) a custodian bank or depository bank holding shares in respect of an offering of Global Depositary Receipts.

On 31 December 2019, 80.79% of the total number of shares in the Bank were held by Qatari nationals (whether individuals or entities) and 19.21% of shares by foreign investors.

On 31 December 2019, Qatar Holding LLC held 16.67% of the Bank's shares. No other individuals or entities held more than 5% of the Bank's shares.

10. General Statements

Commercial Bank has complied with all the provisions of the QFMA Corporate Governance Code.

In line with our commitment to transparency, Commercial Bank has rigorously complied with all the disclosure requirements, including financial reporting, as required by Qatar Exchange and other regulatory authorities. Such disclosures represent accurate and non-misleading data and information.

11. Management's Report on Internal Control over Financial Reporting

The Board of Directors of The Commercial Bank (P.S.Q.C.) (the 'Company') and its consolidated subsidiaries (the 'Group') is responsible for establishing and maintaining adequate internal control over financial reporting (ICOFR). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external reporting purposes in accordance with International Financial Reporting Standards (IFRS). ICOFR includes our disclosure controls and procedures designed to prevent misstatements.

We have conducted an evaluation of the design and operating effectiveness of internal control over financial reporting, for the year ended December 31, 2019, based on the framework and the criteria established in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Risks in Financial Reporting

The main risks in financial reporting are that either financial statements do not present a true and fair view due to inadvertent or intentional errors (fraud) or the publication of financial statements is not done on a timely basis. A lack of fair presentation arises when one or more financial statement amounts or disclosures contain misstatements (or omissions) that are material. Misstatements are deemed material if they could, individually or collectively, influence economic decisions that users make on the basis of the financial statements.

To confine those risks of financial reporting, the Company has established ICOFR with the aim of providing reasonable but not absolute assurance against material misstatements and conducted an assessment of the design effectiveness of the Company's internal control over financial reporting based on the framework established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO recommends the establishment of specific objectives to facilitate the design and evaluate adequacy of a control system.

The COSO Framework includes 17 basic principles, and five components:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

Controls covering each of the 17 principles and five components have been identified and documented. As a result in establishing ICOFR, management has adopted the following financial statement objectives:

- Existence / Occurrence - assets and liabilities exist and transactions have occurred.
- Completeness - all transactions are recorded, account balances are included in the financial statements.
- Valuation / Measurement - assets, liabilities and transactions are recorded in the financial reports at the appropriate amounts.
- Rights and Obligations and ownership - rights and obligations are appropriately recorded as assets and liabilities.
- Presentation and disclosures - classification, disclosure and presentation of financial reporting is appropriate.

However, any internal control system, including ICOFR, no matter how well conceived and operated, can provide only reasonable, but not absolute assurance that the objectives of that control system are met. As such, disclosure controls and procedures or systems for ICOFR may not prevent all errors and fraud. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Organization of the Internal Control System

Functions Involved in the System of Internal Control over Financial Reporting

Controls within the system of ICOFR are performed by all business functions and infrastructure functions with an involvement in reviewing the reliability of the books and records that underlie the financial statements. As a result, the operation of ICOFR involves staff based in various functions across the organization and covers the following major process:

- Treasury and investments
- Loans and advances
- Customer deposits
- Net interest income
- Net fee and commission income
- Other operating income
- Operating expenses
- Financial reporting and entity-level controls

Controls to Minimize the Risk of Financial Reporting Misstatement

The system of ICOFR consists of a large number of internal controls and procedures aimed at minimizing the risk of misstatement of the financial statements. Such controls are integrated into the operating process and include those which:

- are ongoing or permanent in nature such as supervision within written policies and procedures or segregation of duties,

- operate on a periodic basis such as those which are performed as part of the annual financial statement preparation process,
- are preventative or detective in nature,
- have a direct or indirect impact on the financial statements themselves. Controls which have an indirect effect on the financial statements include entity level controls and IT general controls such as system access and deployment controls whereas a control with a direct impact could be, for example, a reconciliation which directly supports a balance sheet line item,
- feature automated and/or manual components. Automated controls are control functions embedded within system processes such as application enforced segregation of duty controls and interface checks over the completeness and accuracy of inputs. Manual internal controls are those operated by an individual or group of individuals such as authorization of transactions.

Measuring Effectiveness of Internal Control

The Group has undertaken a formal evaluation of the adequacy and operating effectiveness of the Internal Controls over Financial Reporting. This evaluation incorporates an assessment of the design of the control environment as well as individual controls which make up the system of ICOFR taking into account:

- The risk of misstatement of the financial statement line items, considering such factors as materiality and the susceptibility of the particular financial statement item to misstatement.
- The susceptibility of identified controls to failure, considering such factors as the degree of automation, complexity, and risk of management override, competence of personnel and the level of judgment required.

These factors, in aggregate, determine the nature and extent of evidence that management requires in order to be able to assess whether or not the ICOFR is effective. The evidence itself is generated from procedures integrated within the daily responsibilities of staff or from procedures implemented specifically for purposes of the ICOFR evaluation. Information from other sources also form an important component of the evaluation since such evidence may either bring additional control issues to the attention of management or may corroborate findings.

As a result of the evaluation, management has concluded that ICOFR is appropriately designed and operating effectively for the year ended December 31, 2019.

Procedures followed by the Bank in addressing Internal Control failures

This is managed through the following:

- Risk and Control Self-Assessment (RCSA)
- Key Risk Indicators (KRI)
- Incident Management Process
- An independent Internal Audit process

The ongoing monitoring and effectiveness of controls is managed through a designated risk champion in each department, coordinated by Operational Risk and periodically and systematically audited by Internal Audit.

The Board of Directors is responsible for ensuring that there is an appropriate control culture and oversees the adherence to the framework by all concerned through the regular reports submitted to the Board by the internal control functions (Compliance, Risk and Internal Audit).

Senior Management is responsible for coordinating and facilitating the implementation of the control framework and addressing risk related issues.

Senior Management ensures that all controls are functioning effectively at all times and coordinates with the Business, Operations, Support Services, Operational Risk, Compliance and Internal Audit to resolve control weaknesses reported by the control functions in a timely manner.

Internal Audit has continuous involvement in the verification and reporting of the adequacy of the control framework. If Internal Audit identifies control weaknesses through the regular audit process or otherwise, Management will provide Internal Audit with its action plan for mitigation of identified deficiency. Each action plan will have a target due date for resolution and depending on the severity and potential impact of the risk to the organization, the remediation action is prioritized.

As at 31 December 2019, no failures or weaknesses in the internal control system occurred that had a material adverse impact on the financial position of the Bank.

12. Violations

No violations were committed by Commercial Bank during 2019 that could have a material impact on its financial position.

13. Disputes

A small number of legal cases have been filed against the Bank in 2019. These are all being defended in accordance with proper procedures. All disputes and lawsuits in which the Bank is a party are handled and tracked by the Bank's Legal Department. These cases together with the latest updates are regularly reported to the Management Risk Committee and the Board Risk Committee for information and proper decision.

14. Scope

Commercial Bank is a group of companies including foreign and domestic subsidiaries and associates which operate independent businesses in Qatar, Oman, UAE and Turkey.

Commercial Bank exercises its control and oversight through adoption of management practices and policies that are appropriate to the activities and geographical situation of each, taking into consideration the local governance requirements.

QCB Corporate Governance Disclosure Requirements

Article No.	Article Title	Item No.	Description	Disclosure
1	Share Ownership	1.1	Ownership by Nationality	Local: 80.79%. Other Nationalities: 19.21%.
		1.2	Ownership by Number of Shareholders	3,235 shareholders. Total Number of Shares: 4,047,253,750 (as at 31 December 2019).
		1.3	State Ownership	20.09%
		1.4	Major Shareholders (above 10% holdings)	Qatar Holding LLC (16.67%)
		1.5	Minor Shareholders (above 5% holdings)	None (excluding Qatar Holding LLC)
2	Board of Directors and Executive Management	2.1	Board Functions Detailed Statement	Corporate Governance Report (Section 3.5)
		2.2	Transactions Requiring Board Approval	Corporate Governance Report (Sections 2.6 and 3.5.3)
		2.3	Members of the Board (indicating names, authorities, capacities, details, including membership on boards of other financial institutions, positions, qualifications and expertise)	Corporate Governance Report (Disclosures Section 1)
		2.4	Number and Name of Independent Members	Corporate Governance Report (Section 3.2 and Disclosures Section 1)
		2.5	Appointment Date and Expiry Date	Corporate Governance Report (Disclosures Section 1)
		2.6	Board Members Training and Induction Program	Corporate Governance Report (Section 3.4)
		2.7	Board Members Ownership in Bank's Shares	Corporate Governance Report (Disclosures Section 1)
		2.8	Board Election Process	Corporate Governance Report (Section 3.3)
		2.9	Insiders Trading	QSE website
		2.10	Number of Board Meetings and Dates	Corporate Governance Report (Section 3.6 and Disclosures Section 3)
		2.11	Board Members Meeting Attendance	Corporate Governance Report (Disclosures Section 3)

Article No.	Article Title	Item No.	Description	Disclosure
		2.12	Total Remuneration Paid to Board Members	Corporate Governance Report (Disclosures Section 6)
		2.13	Total Remuneration Paid to Executive Management	Corporate Governance Report (Disclosures Section 7) Disclosed in the Bank's Annual Report 2019 consolidated financial statements, Note No. 39
		2.14	Bank Policy on Remuneration to the Board and Executive Management	Corporate Governance Report (Section 4.4)
		2.15	Senior Executives Names and Biographies	Corporate Governance Report (Disclosures Section 8)
		2.16	Shares Owned by Senior Executives	Corporate Governance Report (Disclosures Section 8)
		2.17	Bank-wide Code of Conduct	Corporate Governance Report (Section 2.5)
3	Board Committees	3.1	Board Committee Names	Corporate Governance Report (Section 4)
		3.2	Board Committee Duties and Responsibilities	Corporate Governance Report (Sections 4.1 to 4.4)
		3.3	Board Committee Members	Corporate Governance Report (Disclosures Section 4)
		3.4	Minimum Number of Meetings Per Year	Corporate Governance Report (Sections 4.1 to 4.4)
		3.5	Total Number of Board Committee Meetings	Corporate Governance Report (Sections 4.1 to 4.4)
		3.6	Board Committee Members Meeting Attendance	Corporate Governance Report (Disclosures Section 5.1 to 5.4)
		3.7	Total Remuneration for Board Committee Members	Corporate Governance Report (Disclosures Section 6)
		3.8	Board Committee Activities During the Year	Corporate Governance Report (Sections 4.1 to 4.4)
4	Corporate Governance	4.1	Separate Section in the Annual Report	Contained in the Bank's Annual Report 2019
		4.2	Reference to Corporate Governance Charter	Corporate Governance Report (Section 2)

Article No.	Article Title	Item No.	Description	Disclosure
5	External Auditors	5.1	Audit Fees	QAR 760,000 for 2019
		5.2	Services falling outside the audit scope and provided by the external auditors and fees of such services	None
		5.3	Reasons for Replacing/ Reappointing External Auditors	Corporate Governance Report (Section 9.3)
6	Other Matters	6.1	Related Party Transactions	Disclosed in the Bank's Annual Report 2019 consolidated financial statements, Note No. 39
		6.2	Approval Procedures for Related Party Transactions	Corporate Governance Report (Section 2.6)
		6.3	Communications with Shareholders and Investors	Corporate Governance Report (Section 2.2)
		6.4	Risk Management Report	Corporate Governance Report (Section 7)
		6.5	Review of Internal Control Procedures & Publication of Financial Statements	Review of internal control is found in the Corporate Governance Report (Section 9). The Bank's quarterly financial results for 2019 were published Arabic and English local newspapers and can be found on the Bank's website
		6.6	Statement of Board's Responsibilities	Board responsibilities are found in the financial statements published on the Bank's website and Annual Report 2019
		6.7	Directors' Independence for Related Party Transactions	Corporate Governance Report (Section 2.6)
		6.8	Periodical Assessment of the Board Members and the Board Committee Members	Corporate Governance Report (Section 3.4 and Disclosures Section 2)



Independent Assurance Report

To The Shareholders of the Commercial Bank (P.S.Q.C.)

Reporting on the Compliance with the Qatar Financial Markets Authority's Law and relevant legislations including the Governance Code for Companies & Legal Entities Listed on the Main Market

Introduction

In accordance with Article 24 of the Governance Code for Companies & Legal Entities Listed on the Main Market Issued by the Qatar Financial Markets Authority (QFMA) Board pursuant to Decision No. (5) of 2016, we have carried out a limited assurance engagement over the Board of Directors' assessment of compliance of The Commercial Bank (P.S.Q.C.) ("the Bank") with the QFMA's law and relevant legislations including the Governance Code for Companies & Legal Entities Listed on the Main Market as at 31 December 2019.

Responsibilities of the Board of Directors and Those Charged with Governance

The Board of Directors of the Bank is responsible for preparing the accompanying 'Annual Corporate Governance Report 2019' that covers at the minimum the requirements of Article 4 of the Governance Code for Companies & Legal Entities Listed on the Main Market issued by the QFMA's Board pursuant to Decision No. (5) of 2016 (the 'Code').

In the Annual Corporate Governance Report 2019, the Board of Directors presents their statement on compliance with the QFMA's law and relevant legislations including the Code (the "Directors' Report").

In addition, the Board of Directors of the Bank is responsible for the design, implementation and maintenance of adequate internal controls that would ensure the orderly and efficient conduct of its business, including:

- adherence to Bank's policies;
- the safeguarding of its assets;
- the prevention and detection of frauds and errors;

- the accuracy and completeness of the accounting records;
- the timely preparation of reliable financial information; and
- compliance with applicable laws and regulations, including the QFMA's law and relevant legislations and the Governance Code for Companies & Legal Entities Listed on the Main Market issued by the QFMA's Board pursuant to Decision No. (5) of 2016.

Our Responsibilities

Our responsibility is to issue a limited assurance conclusion on whether anything has come to our attention that causes us to believe that the "Board of Directors' Report on compliance with the QFMA's law and relevant legislations including the Code" do not present fairly, in all material respects, the Bank's compliance with the QFMA's law and relevant legislations including the Code, based on our limited assurance procedures.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board ('IAASB'). This standard requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Board of Directors' statement of compliance with the QFMA law and relevant legislations including the Code, taken as a whole, is not prepared in all material respects in accordance with the Code.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.



We did not perform any additional procedures that would have been required if this were to be a reasonable assurance engagement.

Our limited assurance procedures comprise mainly of inquiries of management to obtain an understanding of the processes followed to identify the requirements of the QFMA law and relevant legislations including the Code (the 'Requirements'); the procedures adopted by management to comply with these Requirements; and the methodology adopted by management to assess compliance with these Requirements. When deemed necessary, we observed evidences gathered by management to assess compliance with the Requirements.

Our limited assurance procedures do not involve assessing the qualitative aspects or effectiveness of the procedures adopted by management to comply with the Requirements. Therefore, we do not provide any assurance as to whether the procedures adopted by management were functioning effectively to achieve the objectives of the QFMA's law and relevant legislations, including the Code.

Inherent Limitations

Non-financial information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information.

Many of the procedures followed by entities to adopt governance and legal requirements depend on the personnel applying the procedure, their interpretation of the objective of such procedure, their assessment of whether the compliance procedure was implemented effectively, and in certain cases would not maintain audit trail. It is also noticeable that the design of compliance procedures would follow best practices that vary from one entity to another and from one country to another, which do not form a clear set of criteria to compare with.

Our Independence and Quality Control

In carrying out our work, we have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA code") issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour and the ethical requirements that are relevant in Qatar. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Other information

The Board of Directors are responsible for the other information. The other information comprises the information included in the Bank's Annual Corporate Governance Report 2019, but does not include the Directors' Report on compliance with QFMA's law and relevant legislations including the Code, and our report thereon.

Our conclusion on the Directors' Report does not cover the other information and we do not and will not express any form of assurance conclusion thereon. We have been engaged by the Bank to provide a separate reasonable assurance report on the Management's Report on Internal Control Framework over Financial Reporting, included within the other information.

In connection with our engagement of the Directors' report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Directors' report or our knowledge obtained in the engagement, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the complete Annual Corporate Governance Report 2019, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Conclusion

Based on our limited assurance procedures, nothing has come to our attention that causes us to believe that the Board of Directors' report on compliance with QFMA's law and relevant legislations including the Code do not present fairly, in all material respects, the Bank's compliance with the QFMA's law and relevant legislations including the Code.

Ahmed Sayed
Of Ernst & Young
Auditor's Registration No.: 326

Date: 02 March 2020
Doha

Independent Assurance Report

To The Shareholders of the Commercial Bank (P.S.Q.C.)

Reporting on the Description of the Processes and Internal Controls and Suitability of the Design, Implementation and Operating Effectiveness of Internal Controls over Financial Reporting

Introduction

In accordance with Article 24 of the Governance Code for Companies & Legal Entities Listed on the Main Market Issued by the Qatar Financial Markets Authority ("QFMA") Board pursuant to Decision No. (5) of 2016, we have carried out a reasonable assurance engagement over the Board of Directors' description of the processes and internal controls and assessment of suitability of the design, implementation and operating effectiveness of The Commercial Bank (P.S.Q.C.) (the "Bank's") internal controls over financial reporting as at 31 December 2019.

Responsibilities of the Board of Directors and Those Charged with Governance

The Board of Directors of the Bank is responsible for preparing the accompanying Management's Report on Internal Control over Financial Reporting that covers at the minimum the requirements of Article 4 of the Governance Code for Companies & Legal Entities Listed on the Main Market issued by the QFMA's Board pursuant to Decision No. (5) of 2016 (the 'Code').

The Board of Directors present in their Annual Corporate Governance Report 2019, the report Management's Report on Internal Control over Financial Reporting, which includes:

- the Board of Directors' assessment of the suitability of design, implementation and operating effectiveness of internal control framework over financial reporting;
- the description of the process and internal controls over financial reporting for the processes of treasury and investments, loans and advances, customer deposits, net interest income, net fee and commission income, other operating income, operating expenses, financial reporting and entity-level controls;

- the control objectives; identifying the risks that threaten the achievement of the control objectives;
- designing and implementing controls that are operating effectively to achieve the stated control objectives; and
- identification of control gaps and failures; how they are remediated; and procedures set to prevent such failures or to close control gaps.

The Board of Directors is responsible for establishing and maintaining internal financial controls based on the criteria of framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO framework").

These responsibilities include the design, implementation, operation and maintenance of adequate internal financial controls that if operating effectively would ensure the orderly and efficient conduct of its business, including:

- adherence to Bank's policies;
- the safeguarding of its assets;
- the prevention and detection of frauds and errors;
- the accuracy and completeness of the accounting records;
- the timely preparation of reliable financial information; and
- compliance with applicable laws and regulations, including the QFMA's law and relevant legislations and the Governance Code for Companies & Legal Entities Listed on the Main Market issued by the QFMA's Board pursuant to Decision No. (5) of 2016.



Our Responsibilities

Our responsibilities are to express a reasonable assurance opinion on the fairness of the presentation of the “Board of Directors’ description and on the suitability of the design, implementation and operating effectiveness of the Bank’s internal controls over financial reporting of Significant Processes” presented in Management’s Report on Internal Controls over Financial Reporting in the Annual Corporate Governance Report 2019 to achieve the related control objectives stated in that description based on our assurance procedures.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) ‘Assurance Engagements Other Than Audits or Reviews of Historical Financial Information’ issued by the International Auditing and Assurance Standards Board (‘IAASB’). This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the Board of Directors’ description of the processes and internal controls over financial reporting is fairly presented and the internal controls were suitably designed, implemented and operating effectively, in all material respects, to achieve the related control objectives stated in the description.

An assurance engagement to issue a reasonable assurance opinion on the description of the processes and internal controls and the design, implementation and operating effectiveness of internal controls over financial reporting at an organization involves performing procedures to obtain evidence about the fairness of the presentation of the description of the processes and internal controls and the suitability of design, implementation and operating effectiveness of the controls. Our procedures on internal controls over financial reporting included, for all significant processes:

- obtaining an understanding of internal controls over financial reporting for all significant processes;
- assessing the risk that a material weakness exists; and

- testing and evaluating the design, implementation and operating effectiveness of internal control based on the assessed risk.

A process is considered significant if a misstatement due to fraud or error in the stream of transactions or financial statement amount would reasonably be expected to affect the decisions of the users of financial statements. For the purpose of this engagement, the processes that were determined as significant are: treasury and investments, loans and advances, customer deposits, net interest income, net fee and commission income, other operating income, operating expenses, financial reporting and entity-level controls.

In carrying out our engagement, we obtained understanding of the following components of the control system:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communication
5. Monitoring

The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the suitability of design, implementation and operating effectiveness, whether due to fraud or error. Our procedures also included assessing the risks that the Board of Directors’ description of the processes and internal controls is not fairly presented and that the controls were not suitably designed, implemented and operating effectively to achieve the related control objectives stated in the Management’s Report on Internal Controls over Financial Reporting presented in the Annual Corporate Governance Report 2019.





An assurance engagement of this type also includes evaluating Board of Directors' assessment of the suitability of the control objectives stated therein. It further includes performing such other procedures as considered necessary in the circumstances.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion on the Bank's internal control system over financial reporting.

Meaning of Internal Controls over Financial Reporting

An entity's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. An entity's internal control over financial reporting includes those policies and procedures that:

- 1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity;
- 2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of the management of the entity; and
- 3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements, which would reasonably be expected to impact the decisions of the users of financial statements.

Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. Because of the inherent limitations of internal controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Therefore, internal controls over financial reporting may not prevent or detect all errors or omissions in processing or reporting transactions and consequently cannot provide absolute assurance that the control objectives will be met.

In addition, projections of any evaluation of the internal controls over financial reporting to future periods are subject to the risk that the internal control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Furthermore, the controls activities designed, implemented and operated during the period covered by our assurance report will not have retrospectively remedied any weaknesses or deficiencies that existed in relation to the internal controls over financial reporting prior to the date those controls were placed in operation.

Many of the procedures followed by entities to adopt governance and legal requirements depend on the personnel applying the procedure, their interpretation of the objective of such procedure, their assessment of whether the compliance procedure was implemented effectively, and in certain cases would not maintain audit trail. It is also noticeable that the design of compliance procedures would follow best practices that vary from one entity to another and from one country to another, which do not form a clear set of criteria to compare with.



Our Independence and Quality Control

In carrying out our work, we have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA code") issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour and the ethical requirements that are relevant in Qatar. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Other information

The Board of Directors are responsible for the other information. The other information comprises the information included in the Bank's Annual Corporate Governance Report 2019, but does not include the Management's Report on Internal Control Framework over Financial Reporting, and our report thereon.

Our conclusion on the Management's Report on Internal Control Framework over Financial Reporting does not cover the other information and we do not and will not express any form of assurance conclusion thereon. We have been engaged by the Bank to provide a separate limited assurance report on the Directors' Report on compliance with QFMA's law and relevant legislations including the Code, included within the other information.

In connection with our engagement on the Management's Report on Internal Control Framework over Financial Reporting, our responsibility is to read

the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Management's Report on Internal Control Framework over Financial Reporting or our knowledge obtained in the engagement, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the complete Annual Corporate Governance Report 2019, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Conclusion

In our opinion, based on the results of our reasonable assurance procedures:

- a) the Management's Report on Internal Control over Financial Reporting presents fairly the Bank's system that had been designed as at 31 December 2019; and
- b) the controls related to the control objectives were suitably designed, implemented and operating effectively as at 31 December 2019,

in all material respects, based on the COSO framework.

Ahmed Sayed
Of Ernst & Young
Auditor's Registration No.: 326

Date: 02 March 2020
Doha





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