

CORPORATE GOVERNANCE REPORT

2011

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OVERVIEW

As part of the compliance requirement of the Corporate Governance code for listed companies; issued by Qatar Financial Markets Authority; Doha Bank as a Qatari shareholding company listed on the Qatar Exchange is required to disclose the extent to which it complies with the provisions of the code. The Code adopted by the QFMA is based on the principle of comply or explain.

During the period, Doha Bank has enhanced its governance structure by formalizing and documenting governance practices adopted by the Bank and was keen on explaining the reasons for non-compliance “where applicable” and the actions taken for compliance in the future. This report summarizes Doha Bank’s governance processes for 2011 in accordance with QFMA disclosure requirements as illustrated below.

BOARD OF DIRECTORS AND BOARD COMMITTEES

Roles and Responsibilities:

The Board of Directors is responsible for the stewardship of the Bank and providing effective leadership to supervise Doha Bank’s business to grow value in a profitable and sustainable manner.

The roles and responsibilities of the Board are defined in the Board Charter. This document will be available to shareholders before the Shareholder’s meeting and it will be added to AGM Agenda. The Board’s roles and responsibilities are compliant with the requirements of the Code, and cover the following areas:

- Strategy
- Governance
- Compliance
- Risk Management
- Authorities and Delegations
- Internal and External Audit
- Board Committees
- Board Code of Conduct
- Board Composition
- Board Meetings
- Board Membership Requirements.

Each Board Member duties have been updated and defined in job descriptions prepared for this purpose. Moreover, each Board Member is also required to provide sufficient time to perform his duties.

Currently, time commitments are not contractually set but are understood by all directors. Director appointment forms have been developed and will be put in place after being approved by the Board of Directors. In the future, every director is required to sign this form upon enrollment in the Board.

Composition

The Board consists of 8 members; the breakdown of the current composition of the Board is as follows:

- Chairman;
- Vice Chairman;
- Managing Director;
- 5 Non-Executive directors including one independent member

The current composition of the Board does not include independent directors as required by the Code except for one. This is due to the fact that Board Members have been involved in the stewardship of the Bank over several years and current market conditions.

Briefs of each Board Member's education and experience profile are depicted below:

Sheikh Fahad Bin Mohammad Bin Jabor Al Thani

- Chairman
- Date of Appointment on Board: June 3, 1996
- Education/ Experience: Graduate of the Royal Academy, Sandhurst, UK
- Other Board Memberships: Board Member at Al Khaleej Takaful Insurance & Re Insurance Co.
- Ownership: **1.66%** (December 31, 2011)

Mr. Ahmed Abdul Rehman Yousef Obeidan

- Vice Chairman
- Date of Appointment on Board: April 20, 1982
- Education/ Experience: General Manager, Al Waha Contracting & Trading Est.
- Ownership: **1.67%** (December 31, 2011)

Sheikh Abdul Rahman Bin Mohammad Bin Jabor Al Thani

- Managing Director
- Date of Appointment on Board: December 21, 1978
- Education/ Experience: Bachelor of Civil Engineering, Missouri University, USA
- Other Board Memberships: Chairman of the Board of Directors, Qatar Industrial Manufacturing Co. Chairman of the Board of Directors (State of Qatar representative): Qatari Oman Investment Company and Board Member: National Leasing Holding
- Ownership: **1.71%** (December 31, 2011)

Sheikh Abdulla Mohamed Jabor Al-Thani

- Non-Executive Board Member.
- Date of Appointment on Board: April 20, 1982
- Other Board Memberships: Chairman of Al Khaleej Takaful Insurance & Re-Insurance Co.
- Ownership: **1.04%** (December 31, 2011)

Sheikh Abdulla Bin Nasser Bin Abdulla Al Ahmed Al-Thani

- Non-Executive Board Member
- Date of Appointment on Board: June 3, 1996
- Other Board Memberships: Board Member, Al Khaleej Insurance & Re-Insurance Co., General Manager Nasser Bin Abdulla & Sons Group, General Manager Abdulla Bin Nasser Trading Co.
- Ownership: **1%** (December 31, 2011)

Mr. Jabor Bin Sultan Towar Al Kuwari

- Non-Executive Board Member
- Date of Appointment on Board: April 12, 1993
- Education/ Experience: Businessman
- Ownership: **1.17%** (December 31, 2011)

Mr. Hamad Mohammed Hamad Abdulla Al Mana

- Non-Executive Board Member
- Date of Appointment on Board: April 13, 1999
- Other Board Memberships: Vice Chairman: Mohammad Hamad Al Mana Group Companies,
- Board Member: Qatar General Insurance & Re Insurance Co, Board Member: Qatar Navigation Co., Board Member: Arab Qatari Co. for Dairy Products
- Ownership: **1.57%** (December 31, 2011)

Sheikh Falah Bin Jassim Bin Jabor Al-Thani

- Non-Executive Board Member and Independent
- Date of Appointment on Board: 27th Feb 2011
- Education: Bachelor of Finance
- Experience: Minster of civil Servant Affair Housing : 1996 to 2006
- Other Board Membership : ChairMan of Board of Directors : National Leasing Holding
- Ownership: **1%** (December 31, 2011)

Board Meetings

The Board meets based on the invitation of the Chairman or two members of the Board. Each Board meeting has an agenda which is submitted to all members at least one week prior to the meeting for preparation purposes. As per the Board Charter, the Board meets a minimum of 6 times (once every two months at a minimum). The Board met a total of seven times in 2011 to conduct its duties and responsibilities.

Board Remuneration

The Bank has adopted a policy which regulates the disbursement of remuneration, bonuses and benefits. At the end of each year prior to the General Assembly meeting, the proposed remuneration for board members and the chairman is presented to the shareholders for discussion and approval. Additionally, other benefits provided to board members are reviewed by the Qatar Central Bank and the External Auditors, and is subsequently sent to Qatar Central Bank and then presented to the shareholders.

Senior Management Remuneration

The Bank has adopted a policy which regulates the process for assessing the performance of Senior Management against strategic goals which are set on a 3 year basis. Based on the performance assessment and the Bank's results the additional benefits and bonuses are set. With regard to salaries, the bank has adopted a salary scale which is approved by the Board.

Board Secretary

The Board has appointed Mr. Mokhtar Abdel Monem Elhenawy as Board Secretary since July 2007. Mr. Elhenawy holds a Bachelor degree in law from Ain Shams University since 1987 and a Diploma in Law, 1988; and has over 23 years experience with in his field and as a legal advisor to Bank's Board of Directors since the year 2000 . It is in Doha Bank's view that Mr. Elhenawy meets all the Board Secretary requirements of the Code.

The Board Secretary maintains all Board documentation and manages the overall processes related to Board Meetings. The Board Secretary reports directly to the Chairman, however, all members have access to the secretary's services.

Conflict of Interest and Insider Trading

Doha Bank has set in place several controls to prevent conflict of interest situations from occurring. Specifically, the bank has adopted a related party policy which will be published to shareholders in the near future. Related party transactions are approved by the Board/ Management based on materiality. As per Commercial Companies Law, if a board member has a conflict, he does not participate in the board meeting. It is also worth noting that the Bank has adopted a conflict of interest policy which must be complied with by all employees of the bank.

Currently, monitoring and controls on insider trading are done by Qatar Exchange directly. A policy on insider trading has been adopted by the Bank.

Other Board Matters

Consultancy: The Board may consult at the Bank's expense any independent expert or consultant. The Bank will consider including a clause in its Board Charter to allow non-executive members to seek for consultancy services without obtaining Chairman/ Managing Director approval.

Access to documentation: As defined in the Board Charter, Board Members shall have full and immediate access to information, documents, and records pertaining to the Bank. The Bank's executive

management shall provide the Board and its committees with all requested documents and information pertaining to Board decisions.

Nomination: The Bank has established a system for nomination/ appointment of BOD. Going forward, as per the Nomination and Governance Committee Terms of Reference, the committee will convene in the coming year and establish written procedures in this regard.

Induction: Though a formal induction program has not yet been implemented, the Bank will put in place Corporate Governance Policies which include guidelines on Board induction program and formal trainings.

Governance: the Board will be kept up to date on governance practices through Management and the Board Nomination and Governance Committee.

Termination: Members whom do not attend Board meetings on a regular basis can be removed based on the Articles of Association of Doha Bank.

Self Assessment: The board has adopted templates and tools to perform an annual self-assessment which will be implemented in due course.

Remuneration: Doha Bank has adopted a Remuneration Policy for the Board. The Bank will consider establishing a Remuneration Policy for Executive Management and present the same to the General Assembly.

Board Committees

Board Committees are established to assist the Board of Directors in conducting their duties. Each committee has developed terms of reference that defines the committee's roles and responsibilities in accordance with QFMA regulations and leading governance practices. Board Committee Terms of Reference will be published in the near future.

The following four Board Committees have been established at Doha Bank:

Audit, Compliance and Risk Committee

Membership: Non-Executive Board Member (Chairman), Vice Chairman (Member), Independent Member (not part of Board)

Roles and Responsibilities: responsible for reviewing financial statements, work of external and internal audit, internal control environment, compliance with regulations and risk management aspects of the Bank.

The Audit Committee has met a total of ten times in 2011, which is above the requirements of quarterly meetings as defined by the Code. Also the committee has overseen the development of whistle-blowing framework and an external audit appointment policy which have been developed as part of Doha Bank's Governance Manual.

The Committee has had no disagreements with the Board during 2011.

Nomination and Governance Committee

Membership: Managing Director (Chairman of Committee) and 2 Non-executive Board Members (Members)

Roles and Responsibilities: Reviewing nominations to the BOD membership and monitoring Doha Bank's corporate governance structure.

Policies, Development and Remuneration Committee

Membership: Managing Director (Chairman), 2 Non-Executive Board Members

Roles and Responsibilities: reviewing and approving bank policies, strategies and reviewing the remuneration framework for executive management and the Board.

Executive Committee

Membership: Chairman (Chairman of Committee), Vice Chairman (Member) and Managing Director (Member)

Roles and Responsibilities: providing assistance to the Board and reviewing/ approving credit facilities within delegated authority

Due to the current Board composition, Doha Bank has been unable to fulfill the requirement of having majority of members being independent in the Audit, Compliance and Risk Committee and in the Policies, Development and Remuneration Committee, and the Nomination and Governance Committee. Doha Bank will consider changes in the composition of these committees in the future taking into consideration market considerations.

INTERNAL CONTROL, COMPLIANCE, RISK MANAGEMENT AND INTERNAL AUDIT

Internal Control

The general objective of the internal controls procedures of Doha Bank is to safeguard assets and capital and to ensure the reliability of Doha Bank's and its subsidiaries' financial recordkeeping. Doha Bank has adopted a process of internal controls that allow Management to detect errors in procedures or financial recordkeeping. Doha Bank's internal control framework includes the establishment of strong **finance, risk management, compliance and internal audit departments** which support in establishing a strong internal control framework.

The Internal Control Framework is overseen by the Audit, Compliance and Risk Committee. The Internal Audit, Compliance and Risk Departments respectively provide periodic reports to the Audit, Compliance and Risk Committee on:

- The major risks associated with the banking business related to Strategic, Reputation, Compliance, Legal, Credit, Liquidity, Market, and Operational Risks;
- Overall compliance of the Bank with rules and regulations;
- Internal Audit and External Audit recommendations and findings.

Internal Audit, Compliance and Risk Management all have developed policies and procedures which have been approved by management and the board/ board committees.

Compliance

The main responsibility of the Compliance Department at the Bank is to assist the Board and Bank's Executive Management in managing and controlling the Compliance risks efficiently and to protect the Bank from financial losses "if any" due to failure of compliance. Compliance risks include risk of legal/regulatory sanctions, material financial loss, or loss of reputation. Compliance also assists the board of directors and executive management in improving the internal controls procedures that will mitigate Compliance, AML and Anti – Terrorist Financing (ATF) risks. Moreover, Compliance acts as a liaison between the Bank and the respective regulators and updates management with new laws and regulations.

Internal Audit

The Bank has established an internal audit function staffed with 14 Auditors, which periodically conduct extensive internal audits on both operational and financial aspects as agreed with the Audit, Compliance and Risk Committee. Internal Audit periodically reports its findings and recommendations and the progress against the Internal Audit Plan to the Audit, Compliance and Risk Committee. In 2011, a total of 48 reports were issued. Internal Audit Reports were prepared based on Institute of Internal Audit Standards.

Risk Management

The Bank has consistently and continually monitored risks and processes across the organization to identify, assess, measure, manage and report on opportunities and threats that could impact the achievement of the Bank's objectives. The Board and the Executive Management are ultimately responsible for all the risks assumed by the Bank. They seek to balance the risk profile against sustainable returns to achieve the business goals of the Bank. The Board has engaged qualified professionals and has set policies and procedures, risk limits, organizational framework, committees, authority levels and accountability. Currently, the process of identifying and assessing risk is performed through periodic risk assessments.

Implementation of the Risk Management Framework is entrusted to a highly competent team and is controlled and implemented through various senior level management committees chaired by the Chief Executive Officer covering Credit, Investment and Asset & Liability Management.

INTERNAL CONTROL ASSESSMENT

The board receives periodic reports on the internal control framework from Senior Management and control functions such as Internal Audit, Compliance and Risk Management. Such reports are assessed and scrutinized by the Board to ensure that the internal control framework is being implemented according to management prerogatives. The Board views that the current processes adopted for internal control by the Board and Senior Management are robust for Doha Bank's operations.

No major breach of control or internal control failure has taken place which has affected or may affect Bank's financial performance during 2011.

VIOLATIONS OF LISTING REQUIREMENTS

The Bank complies with the rules and conditions which control the disclosure and listing operations in the market. For the financial year 2011, the Company did not have any violations.

EXTERNAL AUDIT

The external auditor is recommended by the Board and approved by the general assembly. The external auditor provides in his report that the consolidated financial statements give a true and fair view of the financial position of the bank as of December 31, of every year. He also reports significant financial issues and provides a management letter on the financial controls in place. Doha Bank's financials are prepared in accordance with IFRS and Qatar Central Bank regulations and are audited on a semi-annual basis and reviewed quarterly. The current external auditors are Deloitte, one of the big 4 audit firms. Doha Bank has adopted a rotation policy in accordance with QCB regulation. The external auditor attends the Annual General Assembly meeting to present to the shareholders his report on the Bank's consolidated financial statements. Doha Bank financial statements are published on the Qatar Exchange website for the access of all shareholders and concerned stakeholders.

SHAREHOLDER RELATIONS

Doha Bank considers its shareholders as key stakeholders. Doha Bank has established a Shareholder Relations function which is responsible for addressing shareholder queries. Currently, the shareholder register details are maintained by the Qatar Exchange, while Doha Bank can provide general information such as financial statements, articles of association and by-laws of the Bank to its shareholders.

Doha Bank strives to provide shareholders with sufficient data to analyze Doha Bank performance and to take decisions on Board Member elections and other matters such as dividends (a dividend policy is adopted). Doha Bank ensures that its assembly meetings and the mechanism for voting adopted is in accordance with commercial companies' law.

STAKEHOLDER RIGHTS

Doha Bank endeavors to maintain equitable and fair treatment of all its stakeholders. To enhance ethical conduct by the Bank's employees, each employee must abide by Doha Bank's Code of Ethics which stipulates ethical principles that each employee must demonstrate. Any breaches of ethical conduct are investigated and, as appropriate, disciplinary and corrective action is taken. Moreover, Doha Bank has established a whistle-blowing policy, whereby employees can report concerns without fear of retribution. Such concerns are reviewed and, as necessary, investigated and reported to the Audit, Compliance and Risk Committee.

It is also worth noting, that Doha Bank has standardized its processes related to compensation and assessment of employees by adopting a performance appraisal scheme and a staff compensation and benefits structure.

Fahad Bin Mohammad Bin Jabor Al Thani
Chairman