POLICY FOR INTERNAL CONTROL OVER FINANCIAL REPORTING

Contents

Clause

1. PURPOSE OF THE POLICY

1.1 The purpose of this policy is to establish a dependable framework of internal controls and Risk Managements, to ensure that the Bank's accounts and records are accurate and reliable, transactions are properly authorized, and assets are adequately safeguarded. The established system will also assist the Bank in the identification, Assessment and appropriate Management of all relevant Risks that could affect its ability in reaching its goals and strategic objectives.

1.2 The purpose of this Policy is to define the Internal Control over Financial Reporting ("**ICFR**") Policy of Ahli Bank QPSC (the "**Bank**") to:

(a) Define the scope of the ICFR.

(b) Define the roles and responsibilities of ICFR.

(c) Lay the groundwork to facilitate the adaptation of the ICFR to the changes that may take place both within the organisation and in the regulatory framework and with regard to best practices. In this connection, the ICFR model must:

(i) Identify the critical risks and controls to ensure the reliability of the financial reporting.

(ii) Monitor and anticipate any potential corrective measures.

(iii) Make efficient use of the registration, processing and preparation of financial reporting, as well as the execution of the controls themselves.

(d) Determine the methodology to follow and properly implement ICFR.

1.3 The Bank has adopted this Policy to comply with requirements of the QFMA and QCB Governance Regulations, and the CCL (*terms as defined below*), with respect to ICFR, and which by reference thereto shall constitute an integral part of this Policy.

1.4 This Policy shall apply effective from its approval by the board or the relevant Board committee currently being the Governance, Nomination and Remuneration Committee ("**GNR**").

2. DEFINITIONS

2.1 Capitalised terms in this Policy, unless otherwise defined else shall have the following meanings;

Business means the business activities of the Bank conducted within the activities as detailed in its Constitutional Documents.

Bank means Ahli Bank QPSC.

Board of Directors means the Bank's board of directors at any given time.

CCL means the commercial companies' law in effect at any given time and as it may be repealed, replaced or amended from time to time.

Constitutional Documents means the Bank's memorandum and Articles of Association as may be amended and restated from time to time, and any other licenses which may be issued periodically and based on which the Bank conducts its Business activities.

Governance Regulations means the QFMA governance regulations, the QCB governance regulations and other applicable and relevant governance regulations as amended from time to time.

ICFR means the Bank's internal controls designed to address risks related to financial reporting and which intends to provide reasonable assurance that the Bank's records are not intentionally or unintentionally misstated, that also supports the ICFR process.

Internal Control Systems means the set of policies and procedures of the Bank which are in place to set clear lines of responsibility and accountability throughout the Bank's departments.

QFMA means Qatar Financial Market Authority.

QCB means Qatar Central Bank.

3. SCOPE OF APPLICATION

3.1 ICFR is a process that affects all levels of the organisation and is implemented by all its staff taking into account the Three Lines of Defence model adopted by the Bank, where:

(a) the first line of defence is the party responsible for assessing risks and establishing measures to mitigate them;

(b) the second line of defence assesses the appropriateness of the control activities in force; and

(c) the third line of defence (Internal Audit) carries out tasks aimed at verifying the ICFR model and reporting to the Audit Committee.

3.2 In particular, this process covers the risks that threaten the objectives of the financial reporting (existence and occurrence, integrity, assessment, presentation, cut-off of transactions, breakdown and comparability, and rights and obligations) however, it also takes into account the effects of other types of risks covered by the Bank's risk manual.

4. OVERVIEW OF THE ICFR PROCESS

4.1 Taking as reference the internal control framework set out in the COSO (*Committee of Sponsoring Organisations of the Treadway Commission*), ICFR is defined as the set of processes carried out by the entity to provide reasonable assurance regarding the reliability of financial reporting disseminated in the market.

4.2 To that end, the Bank's ICFR must ensure the following objectives are met:

(a) **Existence and occurrence:** transactions and other events contained in the financial reporting actually exist and have been recognised at the appropriate time.

(b) **Integrity:** the information reflects all the transactions and other events in which the entity is the party affected.

(c) **Presentation, breakdown and comparability:** the transactions and other events are classified, presented and disclosed in the financial reporting in accordance with the applicable legislation.

(d) **Rights and obligations:** the financial reporting reflects, at the corresponding date, the rights and obligations through the corresponding assets and liabilities, in accordance with the applicable legislation.

4.3 Likewise, safeguarding the Bank's assets and preventing/detecting fraud are considered ICFR objectives due to the impact they have on the preceding six basic objectives.

4.4 The principles and best practices in relation to internal control and, specifically, ICFR, are based on internationally recognised integrated control frameworks. In this context, the Bank's ICFR is based on the COSO framework and principles.

5. ICFR PRINCIPLES

5.1 The principles on which the Bank's ICFR is based are fundamentally:

(e) Culture of control:

(i) The Bank demonstrates its commitment to integrity and ethical values.

(ii) The Board of Directors demonstrates its independence from management and supervises the implementation and performance of the internal controls.

(iii) Bank's management establishes, with the approval of the Board, the structures, reporting lines and the appropriate authorisations and responsibilities in the pursuit of its objectives.

(iv) The Bank demonstrates a commitment to attracting, developing and retaining competent people in keeping with its objectives.

(v) The Bank retains individuals committed to their internal control responsibilities in the pursuit of its objectives.

(f) Risk assessment:

(i) The Bank specifies objectives with sufficient clarity to enable the identification and assessment of the risks related to its objectives.

(ii) The Bank identifies the risks regarding fulfilment of the objectives through the entity and analyses the risks to determine how those risks must be managed.

(iii) The Bank considers the possibility of fraud in the assessment of the risks posed in relation to achieving its objectives.

(iv) The organisation identifies and assesses changes that may have a significant impact on the Internal Control System.

(g) Control activities:

(i) The Bank chooses and carries out control activities that contribute to reducing to acceptable levels the risks posed in relation to achieving its objectives.

(ii) The Bank chooses and carries out general control activities in relation to technology to aid the achievement of its objectives.

(iii) The Bank rolls out control activities through policies that establish expectations and procedures that implement the aforementioned policies.

(h) Information and communication:

(i) The Bank obtains or creates and uses relevant and quality information to support the functioning of internal control.

(ii) The Bank communicates information internally, including objectives and responsibilities related to internal control that are necessary to support the functioning of internal control.

(iii) The Bank communicates with external groups with respect to situations that affect the functioning of internal control.

(i) Monitoring and reporting:

(i) The Bank selects implements and carries out ongoing and/or separate assessments to verify when the components of internal control are present and functioning.

(ii) The Bank appropriately assesses and communicates internal control weaknesses to the groups responsible for taking corrective action, including senior management and the Board, as appropriate.

6. TERM OF REVIEW

6.1 The owner department shall review this policy every three years or whenever necessary to ensure compliance with the QCB requirements and corporate governance practices as well as conformity with the strategy of the Bank and the development of its operations. Any proposed changes to the Policy shall be approved by the Board or its relevant committee.

6.2 Notwithstanding the above, this policy shall continue in effect whether or not it was reviewed as stated above.

7. PUBLIC POLICY

7.1 The Bank shall adopt Internal Control Systems, and supervision on the implementation of proper internal control framework and procedures regularly, primarily through the Audit Committee and approved by the Board, to evaluate the methods and procedures for risk management, implementation of the Bank's corporate governance code and compliance with related laws and regulations.

7.2 The Internal Control Systems shall set clear lines of responsibility and accountability throughout the Bank's departments.

7.3 Internal Control Systems shall include effective and independent risk assessment and management functions, as well as independent internal audit functions in addition to the external audit.

7.4 The Bank's internal controls shall be embedded in the day-to-day activities of the Bank, through policies, procedures, and financial and operational authorities of the Bank. All employees should understand the internal controls relevant to their position and follow the policies and procedures related to these controls.

7.5 The Bank's Audit Committee shall delegate and ensure periodic audits and shall report to the Board on its review of the effectiveness of the systems of internal control for the accounting year and the period to the date of approval of the financial statements.

7.6 The Bank's Internal Control Systems shall be discussed with the Management to ensure effective performance of duties toward the development of efficient systems.

8. INTERNAL CONTROL UNITS AND REPORTS

8.1 The Board shall adopt a proposal submitted by the Audit Committee on the Bank's Internal Control environment. The proposal shall include control mechanism, duties and functions of the Bank's departments and sections, its provisions and procedures of responsibility, and awareness and education programs for employees about the importance of nternal Controls.

8.2 Internal Control framework of the Bank is primarily the responsibility of the respective departments for assessment of management of risk and internal audit shall review the process.

8.3 On quarterly basis, the internal audit department shall submit to the Audit Committee a report on Internal Control assessment in the bank. Based on the Audit Committee recommendation, the board shall determine the data that the report should include, which are at least the following:

(a) Review of the development of risk factors in the Bank and the appropriateness and effectiveness of the systems in the Bank to face the drastic or unexpected changes in the Market.

(b) Comprehensive assessment of the Bank's performance regarding implementation of the Internal Control System in compliance with provisions of QCB governance and QFMA's Corporate Governance Code, where applicable.

(c) The Bank's compliance with applicable market listing and disclosure rules and requirements.

(d) The Bank's compliance with Internal Control Systems when determining and managing risks.

(e) The Bank's risks, their types, causes and the actions taken in this regard.

(f) Suggestions for addressing the violations and mitigating the risks.

9. ROLES & RESPONSIBILITY MATRIX

As per chapter II, part seven (Banking Managerial Risk, page No. 276, section Corporate Governance), of QCB Instructions to Banks, 2013, Qatar Financial Market Authority Governance Code; here under given responsibilities of Board of Directors, Executive Management, Heads of Departments/Units, and Internal Audit:

10. BOARD OF DIRECTORS

10.1 The board of directors shall assume the following responsibilities:

(a) Develop a written policy that would details the banks approach towards internal control;

(b) Ensure the implementation of control systems appropriate in line with the risk management framework by generally forecasting the risks that the company may encounter and disclosing them transparently;

(c) Ensuring the required controls are in place to ensure the integrity of the financial and accounting rules, including rules related to the preparation of financial reports;

(d) Internal controls are being defined based on a framework and an effective risk assessment that allows the board and the management to plan and respond to existing and emerging risks in the bank's activities. Furthermore, the bank should ensure that policies and procedures are updated to reflect the required controls periodically and monitored for compliance.

(e) Understand the major risks run by the bank, setting acceptable levels for these risks and ensuring that senior management takes the steps necessary to identify, measure, monitor and control these risks;

(f) Determine whether there is a control system in place to periodically test and monitor compliance with internal control policies/procedures and to report to the board instances of non-compliance;

(g) Ensure that appropriate remedial action has been taken when instance of non-compliance are reported and that system has been improved to avoid recurring errors/mistakes; and

(h) Ensure that controls within management information systems are adequate to ensure accurate information is being extracted and adequate access to bank's records in needed.

10.2 **Executive Management**

(a) Assists in setting and complying with (implementing) the appropriate internal control policies, and monitoring the adequacy and effectiveness of the internal control system;

(b) Management should also test the effectiveness of internal controls regularly (monthly/ quarterly/ annually)

(c) Assists the Board of Directors in reviewing and approving the organizational structures and Internal Control Structure of the internal control units on periodic basis to ensure distinct distribution for the functions, tasks and responsibilities; and

(d) Ensure the development of Professional Aptitude and Skills.

10.3 **Internal Audit**

On quarterly basis, the internal auditor shall submit to the Audit Committee a report on Internal Control assessment in the bank with responses from the management and Board Secretary.

10.4 **Head of Business Departments/Units**

(a) Ensure duties and responsibilities are properly segregated to minimize the possibility of errors and irregularities to maintain an effective Internal Control System;

(b) Ensure that conflicts of interest are minimized or controlled based on internal control system;

(c) Ensure that areas of potential conflicts of interest are identified, minimized, and subject to careful, independent monitoring;

(d) Ensure that the overall effectiveness of the bank's internal controls should be monitored on an ongoing basis. Monitoring of key risks should be part of the daily activities of the bank as well as periodic evaluations by the different Business lines;

(e) Raise issues of concern, including any issues involving the internal control environment; and

(f) Ensure timely IC checks are being conducted and full coordination with the IC effectiveness testing on regular basis.