

Corporate Governance Report





Corporate Governance Framework

Within the framework of governance rules and regulations issued by the Central Bank of Kuwait in June 2012, as lastly amended in September 2019, and to keep pace with the latest supervisory and international standards issued with respect to sound governance, KIB has developed the Board's Governance parameters by updating the Governance Manual, in compliance with the instructions of the Central Bank of Kuwait.

The standards emphasized the necessity for the board of directors to assume all its responsibilities towards the Bank, including setting strategic objectives, applications of governance, effective participation in organizing the Bank business and assuming all responsibilities related to its financial integrity. This is in addition to the emphasis on risk management and governance, compliance governance, and the emphasis on managing risks of information security and cybersecurity systems, especially in light of the current technological development witnessed by various financial sectors.

In this context, KIB has updated its strategy by restructuring KIB business model, enhancing its technological infrastructure, and introducing new e-banking solutions that attract the largest possible segment of customers, and fit their modern lifestyle.

The Board of Directors confirms the independence of both internal and external auditors, and establishes the principle of the independence of the Board of Directors in terms of commitment of each member of the Board to perform his duties towards the Bank and all its shareholders, without being influenced by any factor that may limit his ability to consider and discuss matters of the Bank, impartially and objectively, and with due regard to protecting the rights of minority shareholders.

In this context, KIB was keen to implement the Central Bank of Kuwait's instructions regarding independent members of the board of directors, as the Bank's articles of association and policies were amended so that the Bank should have at least two independent members in the board of directors. KIB has been also keen on continuously developing strong systems for macro risk management and supervisory roles to protect the security and safety of the Bank's operations, thus enhancing confidence in KIB system and maintaining sound governance.

Governance Manual Applications for KIB

The Governance Manual contains nine pillars, reflecting the instructions of the Central Bank of Kuwait. These pillars incorporate the Board of Directors, Executive Management, the Bank's behavioral values (ethics), the rules governing related parties' transactions and conflict of interest, and internal controls. It also tackles full recognition of the operational structure of the Bank's businesses, resultant risks as well as the prominent role of Risk Management Department in this respect, and compliance governance and cybersecurity risk and information security. In addition, the pillars confirm sound application of disclosure and transparency principles, remunerations policies and systems, and protection of stakeholders and shareholders rights. Therefore, the Board of Directors emphasizes full compliance and application of the aforesaid pillars as indicated in the content of the Bank's annual report in addition to the following:

The Board's Overall Responsibility

The Board of Directors has set the strategic objectives of the Bank, risk strategy and governance guidelines, whereby it oversees the performance of the Executive Management. The Board also approves the internal controls, and ensures the effectiveness thereof, and oversees the Bank departments' compliance with the strategic plan and the approved policies, as required by laws and regulations and by virtue of the Central Bank of Kuwait and regulatory authorities' instructions. In this context, the Board of Directors' Charter and the Bank's Articles of Association have been amended, in compliance with the instructions of the Central Bank of Kuwait aiming at consolidating the principle of the independence of the members of the Board of Directors, which is one of the basics for practicing sound governance. In addition to developing the concept of public trust in the Bank's management, the Board reviews integrity of related parties' transactions, and ensures that all the Bank's risks are soundly managed.

Code of Conduct (Behavioral Values)

The Board, through the governance manual and the Code of Conduct and Ethics, has been keen to define appropriate governance practices for its own work and has in place the means to ensure that such practices are followed and periodically reviewed for ongoing improvement. The Board takes the lead in establishing the "tone at the top" and in setting professional standards and corporate values that promote integrity for the Bank, Senior Management and staff members.

Sound governance practices have been revised in line with the standards governing the professional behavior of the Bank's stakeholders, whereby a code of conduct and ethics was laid down including a clear definition of conflict of interest. The code of conduct and ethics and the whistleblowing policy have been circulated to all Bank staff and Board members for signature acknowledging the content thereof.

In this context, KIB constantly provides the required support to all regulatory roles within the Bank, with a view to secure efficiency and sufficiency of all operations, by defining such roles and determining their reporting lines within the organizational structure and by verifying the adequacy of internal controls pertinent to related parties transactions and to ensure that all operations are in line with relevant approved policies. Furthermore, the Bank has policies and procedures governing the credit facilities extended to Board members and related parties, all in line with the regulatory rules and instructions, in order to ensure no preferential treatment for Board members, such as disallowing them from attending any meetings that, directly or indirectly, discuss or vote for any facilities extended to them personally.

In addition, the stakeholders of KIB have been always keen on applying the professional code of conduct concerning utilizing internal information about the Bank's position for personal interests and this applies over all Board members and staff.

The Executive Management of KIB has been always keen on protecting customers' interests by laying down adequate mechanisms and policies to deal with customers' complaints, in compliance with Central Bank of Kuwait instructions related to customer protection and meeting the requirements of all customer segments, particularly customers with special needs.

Conflict of Interest

The Bank has a clear formal written comprehensive Conflict of Interests Policy related to the matters and possibilities.

Banking Confidentiality

The Bank gives the highest priority to banking confidentiality as a corner stone of its business and in its dealings with its customers. The Bank's policies on keeping the confidentiality of banking business, stipulate the following:

- It is necessary that Board members and the Bank's staff keep the banking confidentiality of information and data of the Bank and its clients, and the information and data of the clients of other banks, to which they have access while performing their duties.
- Non-disclosure of the Bank's or its clients' information and data unless by the authorized persons, and to the extent allowed by the Bank's internal rules, regulations and policies.
- Maintaining the security of information of the Bank and its clients and setting the regulatory controls to prevent access to the same by anyone save for the authorized persons. Thus, the Bank's Board of Directors shall be responsible, via Disclosure Policy Manual, for laying down the control systems to restrict access to information and data only by the authorized persons, and shall ensure that the control systems would prevent leakage of any banking information in breach of banking confidentiality, via Information Security Unit at KIB.
- The Board and Senior Management shall recognize their responsibility for developing security awareness in the Bank in a way that enhances and maintains banking confidentiality.
- The significance of not exploiting any information about the Bank's status which might be made available to a Board member or any of the Bank's staff for serving personal or other related parties' interests ought to be secured and complied with.
- The Bank's internal audit department function shall monitor implementation of such policies.

Related Parties

KIB ensures that all transactions with related parties are conducted on an equal basis and are subject to the terms and conditions without any preferential terms. The Bank has a written policy for related party transactions which includes the rules and procedures regulating operations with related parties. The Bank keeps records of all related party transactions which are subject to an appropriate audit. The Bank keeps updated records of these parties in order to control any transaction with them. All related party transactions are disclosed in accordance with International Financial Reporting Standards (IFRS) applicable to this effect.

Operation Organizational Structure

The Bank adopts sound and effective methods to ensure that the Board of Directors is informed with the material risks and issues that influence the Bank and its subsidiaries, and also that sound effective measures and systems are in place for obtaining the required information from the Bank and its subsidiaries. An operation organizational structure has been established in order to mitigate the potential risks affecting this structure so that unnecessary sophisticated structures can be avoided. Such structures shall be regularly reviewed to ensure their suitability.

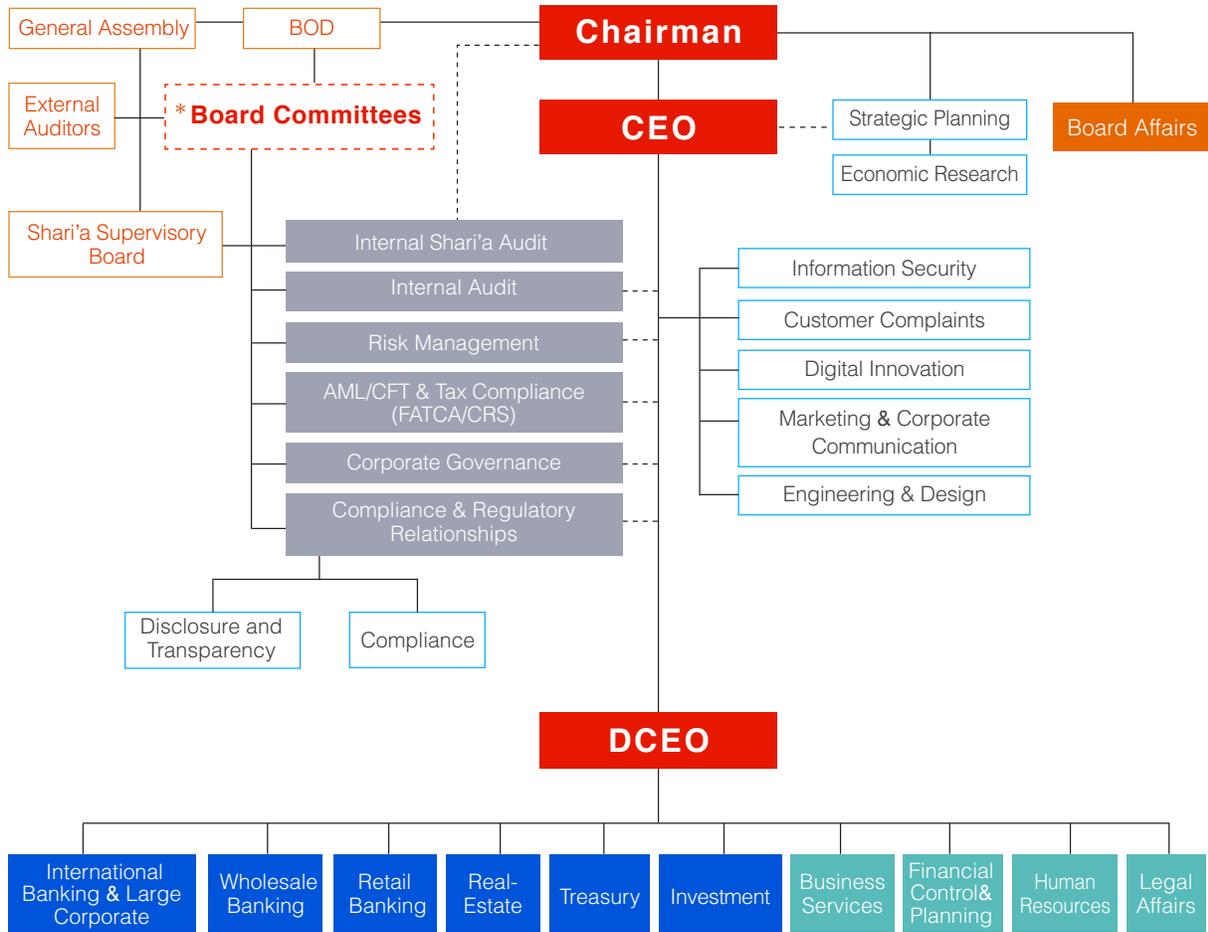
Protection of Shareholders' Rights

The Bank has been always keen on protecting the shareholders rights and treating them equally. The shareholders should have the right to review and participate in the decisions related to amending the Bank's Articles of Association, as well as the decisions which might affect the Bank's future or activity. The Bank provides all the information required for shareholders on time and by appropriate means to help them perfectly practice their rights. The Bank's procedures and policies also reflect the content of laws, regulations and instructions issued by the supervisory and regulatory authorities in this regard.

Protection of Stakeholders' Rights

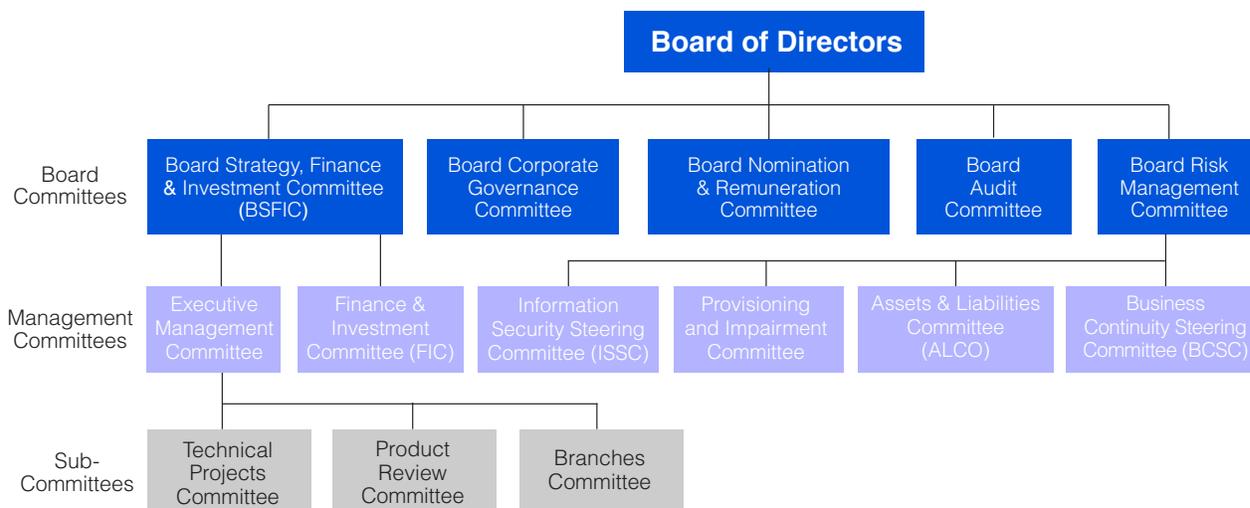
A stakeholder is defined as any person or entity that has a relationship with the Bank, for example (shareholders, depositors, Bank employees, creditors, suppliers and society). Stakeholders have a vivid and vital role in the success of the Bank. In accordance with Law No. 32 of 1968 concerning currency, the Central Bank of Kuwait, and the regulation of banking business, the Bank has been always keen on protecting the rights of stakeholders. The Board understands that the success of the Bank is finally achieved by collaborated efforts of different parties involved including depositors, debtors, and staff. The Bank's policies and practices confirm the importance of respecting the rights of stakeholders in line with the relevant bylaws, rules and regulations.

KIB Organization Structure



- * Internal Shari'a Audit report to Board Audit Committee & Shari'a Supervisory Board.
 - * Risk Management, AML/CFT & Tax Compliance (FATCA/CRS), and Compliance & Regulatory Relationships report to Board Risk Management Committee.
 - * Corporate Governance reports to Board Corporate Governance Committee.
 - * Internal Audit report to Board Audit Committee.
 - * External Auditors reports to Board Audit Committee and Shareholder Assembly.
- Administrative Reporting
 - Direct Reporting
 - Control Functions
 - Support Functions
 - Business Functions

KIB Governance Structure



Board of Directors

The Board is fully responsible for the Bank and for overseeing the performance of the Executive Management, including the granting of approvals, supervision, monitoring the implementation of the strategic objectives of the Bank, risk strategy, and ensuring the implementation of sound governance standards.

The Board of Directors consists of eight non-executive members and one executive member, all elected by the General Assembly. Election or renewal of membership takes place every three years during the Shareholders' General Assembly meeting in accordance with applicable rules and regulations issued by the Central Bank of Kuwait and other regulatory bodies. The Board of Directors shall perform its duties through its committees, and shall be responsible for setting all policies and taking decisions. The Board shall also ensure appropriate strategy implementation, and shall have an adequate number of members to form the committees in compliance with the sound governance regulations.

The Board is also responsible for all the Bank's operations, financial soundness, compliance with the Central Bank of Kuwait's regulations, and maintaining the interests of shareholders, depositors, creditors, staff and other stakeholders. The Board shall also ensure that the Bank's administrative work is properly carried out and in accordance with the applicable laws and regulations and in line with the Bank's internal policies and procedures.

The number of Board meetings should not be less than six meetings during the year, provided that the quorum is met by not less than half of the members of the board.

Board of Directors and its Committees Meetings

On 26/03/2020, KIB convened its General Assembly Meeting, during which the Board of Directors approved formation of Board committees with a view to enhance effective supervision and control of the Bank's processes and activities and to ensure application of best practices. The following table shows the attendees of Board and Board committee meetings:

	Board of Directors	Board Strategy, Finance & Investment Committee	Board Audit Committee	Board Nomination & Remuneration Committee	Board Corporate Governance Committee	Board Risk Management Committee
Total Number of meetings held in 2020	15	23	9	7	2	8
The minimum number of meetings	6	12	4	2	2	4
Names of the Board of Directors Members	Number of meetings attended by the Board Members					
Sheikh Mohammed Jarrah Al-Sabah	15	23	-	-	2	-
Mr. Raed Jawad Bukhamseen	15	-	-	-	-	-
Dr. Haider Hassan Al-Jumaa	15	-	9	-	-	-
Mr. Anwar Jawad Bukhamseen	15	23	-	6	2	-
Mr. Jassem Hassan Zainal	15	23	-	-	2	8
*Dr. Abdullah Abdul Samad Marafi	14	21	-	7	-	8
Mr. Saleh Sulaiman Al Trad	15	-	9	7	2	-
Mr. Marzook Khaled Yousef Al Marzook	15	-	9	-	-	-
Mr. Anwar Fozan Abdullah Al Sabej	13	-	-	-	-	7

* Dr Abdullah Abdul Samad Marafi resigned from Board of Directors on 14 December 2020.

Members of the Board assumed their steering duties, held their responsibilities during the meetings to manage the Bank's various activities, and worked to ensure optimum utilization of the human and financial resources of the Bank. The Board convened 15 meetings during 2020, while the Bank's Articles of Association stipulates for convening at least 6 meetings per annum. The Board rendered 170 decisions during the year, in addition to 15 decisions taken by circulation. The following is the formation of the committees and most significant accomplishments in 2020.

Board Strategy, Finance & Investment Committee (BSFIC)

The role of BSFIC is to safeguard and protect the Bank's asset quality, and ensure that exposures to finance and investment risks match with the rules and regulations issued by the Central Bank of Kuwait and the Bank's applicable policies, and that finance transactions ensure the highest returns and do not have adverse impacts on the financial stability of the Bank. The Committee also ensure that the Executive Management is fully aware of the exposures to finance and investment risks in the Bank, and continuously monitor such exposures and the non-performing finance and investment transactions, and take all remedial actions necessary to maintain the Bank interests and the quality of its assets. In addition,

the committee reviews and approves the strategic plan, develops the Bank's strategy on the long run, mandates corrective actions concerning pending issues which are not the responsibility of any other board-level committee. The committee shall also sort out any non-performing financing/investments referred by the Board of Directors. The Committee shall take decisions within the authority delegated to it by the Board and make recommendations to the Board of Directors on issues beyond its authority.

The Committee is composed of the following members:

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|-------------------------------------|---------------|
| 1. Sheikh Mohammed Jarrah Al-Sabah | Chairman |
| 2. Mr. Anwar Jawad Bukhamseen | Vice Chairman |
| 3. *Dr. Abdullah Abdul Samad Marafi | Member |
| 4. Mr. Jassem Hassan Zainal | Member |

The Board Strategy, Finance & Investment Committee convened 23 meetings in 2020, and adopted 176 decisions, in addition to 6 decisions by circulation taken during the year.

Most Significant Accomplishments by the Committee in 2020

- Review and approve the concurred recommendations by Finance & Investment Committee (Executive Management), concerning finance and investment transactions.
- Merge of Strategy Committee and the Board Finance and Investment Committee aims to develop a strategy for the Bank in the long term and the inclusion of certain responsibilities related to strategy to develop and implement the strategy to assist the Board of Directors in formulating the strategy, directing the executive management, reviewing and approving the strategic plan of the Bank or any other pending issues not listed under the authority of any specific committee at the board level.
- Make amendments as per regulatory instructions to encounter the repercussions of Coronavirus crisis, in accordance with the decision of the Central Bank of Kuwait's Board of Directors on 01/04/2020 concerning inserting amendments to certain regulatory instructions and macro-prudential policy tools aiming to enhance the ability of banks to play their vital role in the economy, expand the lending space It has, and strengthen their financing capabilities. This is also to urge the banks to continue extending loans and financing to productive economic sectors and to support (retail and corporate) customers affected by this crisis and who are in need at this stage for liquidity to enable them to continue with their activities without interruption and in a way that enhances their roles in supporting economic activity.
- Delegate the Finance and Investment Committee and grant it the authority to approve the financing facilities extended to the health and food sectors as well as to the logistical services of the two sectors.
- Grant the general managers of the Bank's departments (Wholesale Banking - Real Estate Banking - International Banking and Large Corporate Departments) the authority to approve extension of tenor of facilities payable by the customers.
- Approve the renewal of the limits recommended by Finance and Investment Committee for countries and banks/financial institutions.
- Review the developments of the implementation of the strategic plan.

Changes in Committee Membership

* Dr. Abdullah Abdul Samad Marafi resigned from Board of Directors on 14 December 2020.

Board Audit Committee

The duties of the Board Audit Committee are signified in setting the appropriate standards to ensure the application of internal audit, in order to help the Board to fulfill its supervisory responsibilities over regulatory controls, by giving a larger scale of support and securing full independence from the Executive Management and by realizing that the external audit functions are performed in line with the approach that realizes the dual audit principle. The Committee also ensures compliance with the Bank's internal policies and other pertinent laws, regulations and instructions. The Committee also monitors the level of compliance with the Islamic Shari'a laws and principles, as well as the funds for listed investment accounts, and ensures that expenses and profits are distributed according to the Islamic Shari'a provisions and system approved by Shari'a Supervisory Board. The Committee also evaluates the effectiveness and efficiency of internal Shari'a audit and its contribution in securing compliance with the Islamic Shari'a provisions and principles. The Committee also ensures that the internal control systems related to financial and management issues are characterized with financial comprehensiveness and are controlled and audited in due course. The Committee also assists the Board of Directors in reviewing the financial reports, ensuring the Bank's compliance with the legal and regulatory requirements, ensuring the adequacy of qualifications and expertise of independent auditors and creating an environment of disciplines and internal controls in the Bank.

The Committee is composed of the following members:

- | | |
|---|---------------|
| 1. Dr. Haider Hassan Al-Jumaa | Chairman |
| 2. Mr. Saleh Sulaiman Al Trad | Vice Chairman |
| 3. Mr. Marzook Khaled Yousef Al Marzook | Member |

In 2020, the Committee convened 9 meetings and adopted 24 decisions. In addition to 9 decisions by circulation during the year.

Most Significant Accomplishments by the Committee in 2020

- Review of the quarterly and annual financials.
- Discuss all regulatory reports.
- Approve the Internal Shari'a Audit Department's plan for 2020.
- Review and approve ICR report for 2019.
- Select KPMG Safi Abdulaziz AlMutawa & Partners to conduct an audit over all consumer installment financing cases.
- Discuss a report on the accounting and other records and the internal control systems for the year ended December 31, 2019.
- Approve the amendments made to the Board Audit Committee Charter.
- Approve the amendments to the Internal Audit Department's policies and procedures.
- Discuss the Compliance & Regulatory Relationships Division Activities Report.
- Discuss amendments to Internal Shari'a Audit Plan for Q2, Q3, and Q4 2020.

Changes in Committee Membership

No change.

Board Nomination & Remuneration Committee

The role of this Committee is to submit the recommendations to the Board of Directors concerning the candidates to the Board in accordance with the approved policies, standards and instructions issued by the Central Bank of Kuwait with regard to controls of nomination to the membership of the Board. The Committee also monitors and ensures transparency of appointing the members of Shari'a Supervisory Board members, and estimates its effectiveness as a whole and on an individual basis. The Committee also warrants placement of transparent policies, rewards, and compensations for Shari'a Supervisory Board in line with their duties and responsibilities. The Committee also carries out periodic reviews of the requirements of the appropriate skills to the membership of the Board, and prepares descriptions of qualifications and efficiencies required for the membership of the Board tailored to the Bank business interest. The Committee also conducts annual assessment of the performance of the Board as a whole, and the performance of each member independently, as well as checking and endorsement of the standards of selection and measures for appointment of the Chief Executive Officer and the Deputy Chief Executive Officer and General Managers. This Committee works also to ensure the setup and application of the remuneration framework, reviews and submits the recommendations concerning the matters relevant to the changes in the pay and remuneration policy, including the end-of-service policies.

The Committee is composed of the following members:

- | | |
|-------------------------------------|---------------|
| 1. Mr. Anwar Jawad Bukhamseen | Chairman |
| 2. Mr. Saleh Sulaiman Al Trad | Vice Chairman |
| 3. *Dr. Abdullah Abdul Samad Marafi | Member |
| 4. **Dr. Haider Hassan Al-Jumaa | Member |

In 2020, the Committee convened 7 meetings and adopted 70 decisions, in addition to 6 decisions by circulation during the year.

Most Significant Accomplishments by the Committee in 2020

- Approve the amendments to the organizational structure of certain departments of the Bank.
- Approve the policies related to the Central Bank of Kuwait's instructions concerning Shari'a supervisory governance and approve the appraisal form for the members of the Shari'a Supervisory Board.
- Approve the amendments made to the Charter of the Board Remuneration and Nomination Committee.
- Merge and transfer the reporting lines of certain units as per the recommendations of BCG to develop a strategy aiming at cutting costs and to the best interest of the Bank.
- Discuss the issue of candidates for Board of Directors independent membership, and provide recommendations for the Board concerning the candidates fulfilling the required terms and conditions.
- Approve the amendments made to the Bank's work contract, based on the proposal submitted by Human Resources Department.

Changes in Committee Membership

* Dr. Abdullah Abdul Samad Marafi resigned from Board of Directors on 14 December 2020.

** Dr. Haider Hassan Al-Jumaa joined the Committee on 11 January 2021.

Board Risk Management Committee

The Committee helps the Board to fulfill its responsibilities by overseeing the tasks of Risk Management Department in the Bank and to ensure that the Bank's policies embody sound risk management practices and implementation thereof. The Committee also monitors the Risk Management Department's compliance with the standards set by the Central Bank of Kuwait and the IFSB, provided however that they should not conflict with the provisions and principles of Islamic Shari'a and with the regulations issued by the Central Bank of Kuwait to this effect. The Committee conducts revision and assessment of the Bank's capital adequacy and its distribution, as well as the soundness and adequacy of the Risk Management Department function. It also ensures that Senior Management is well aware and continually oversees the risks encountered by the Bank, such as credit and real estate risks and the pertinent policies and procedures.

The Committee is composed of the following members:

- | | |
|--------------------------------------|---------------|
| 1. Mr. Jassem Hassan Zainal | Chairman |
| 2. *Dr. Abdullah Abdul Samad Marafi | Vice Chairman |
| 3. Mr. Anwar Fozan Abdullah Al Sabej | Member |
| 4. **Mr. Anwar Jawad Bukhamseen | Member |

In 2020, the Committee convened 8 meetings and adopted 53 decisions. In addition to 5 decisions by circulation during the year.

Most significant accomplishments by the Committee in 2020

- Follow up on the internal ICAAP and Stress Testing results' reports.
- Approve the Bank's CAMEL BCOM recorded results.
- Approve all the amendments to the Bank's policies and procedures.
- Follow up on the system for weighing risks and data analysis.
- Review the results of the Stress Testing required by the Central Bank of Kuwait for the Coronavirus period.
- Review the actions taken by KIB and its work plan, as requested by the Central Bank of Kuwait.
- Approve the renewal of limits recommended by the Board Strategy, Finance and Investment Committee (BSFIC) for countries and banks/financial institutions.

Changes in Committee Membership

* Dr. Abdullah Abdul Samad Marafi resigned from Board of Directors on 14 December 2020.

** Mr. Anwar Jawad Bukhamseen joined the Committee on 11 January 2021.

Board Corporate Governance Committee

The role played by this Committee is signified in assisting the Board of Directors to assume its oversight responsibilities vested in the Board with regard to the sound corporate governance, including the setup of a package guidelines of the Bank's corporate governance, and oversight over the implementation of the sound corporate governance. The Committee also works on introducing and updating Governance Manual for approval by the Board, and then uploading it on the Bank's

website, with a close supervision on the concerned parties mentioned in the Manual, and reporting the same to the Board. The Committee may seek external Shari'a advice after obtaining the Board's approval and coordinating with the Shari'a Supervisory Board and Board Audit Committee to ensure compliance with Shari'a Audit Manual.

The Committee is composed of the following members:

- | | |
|------------------------------------|---------------|
| 1. Sheikh Mohammed Jarrah Al-Sabah | Chairman |
| 2. Mr. Anwar Jawad Bukhamseen | Vice Chairman |
| 3. Mr. Jassem Hassan Zainal | Member |
| 4. Mr. Saleh Sulaiman Al Trad | Member |

In 2020, the Committee convened 2 meetings and adopted 2 decisions. In addition to 4 decisions by circulation during the year.

Most significant accomplishments by the Committee in 2020

- Approve the updated Corporate Governance Manual and Corporate Governance Charter.
- Discuss quarterly reports concerning compliance with Corporate Governance Manual.
- Discuss the Corporate Governance Unit's quarterly report.
- Review the implementation of the Central Bank of Kuwait's regulations concerning Shari'a Supervision Governance.

Changes in Committee Membership

No change.

Overview of Executive Management & Its Committees

The Vice Chairman and CEO, supported by the Deputy CEO and a group of qualified and experienced General Managers, Deputies and Assistant Managers, implements the policies laid down by the Board.

The Executive Management, under the supervision of the Board, ensures that the Bank's operations conform with work strategy, risk appetite, and the policies approved by the Board. The Board also relies on the Bank's efficient Senior Management to execute the Board decisions without any direct interference by the Board.

It is also responsible before the Board for monitoring and supervising the Bank's business, particularly with respect to compliance, independence of jobs and segregation of duties. The Senior Management shall regularly provide the Board with financial and administrative reports with full transparency and objectivity..

Executive Management Committees

The following are the Executive Management Committees:

- **Executive Management Committee (EMC):** EMC is responsible for following up implementation of all administrative projects and all matters related to HR, IT, purchases, and administrative affairs. As subordinates to this Committee, the following committees were offshoot; Branches committee, Product Development Committee and Technical Projects Committee.

- **Finance & Investment Committee (FIC):** Finance & Investment Committee is responsible for reviewing and approving proposals for financing and investments within the authority delegated to it in line with the approved delegation of authority, recommending new financing or investment proposals to the BSFIC or the BOD, on all proposals that are beyond its delegated authority; reviewing and, if thought fit, recommending any proposal for sale, buyouts, mergers, acquisition or liquidation of existing financial or direct investments to BSFIC; presenting to BSFIC, for its review those investment proposals approved by the Investment Committee, reviewing on a periodic basis the Bank's investment portfolio, including but not limited to, adherence to limits, and recommending suitable corrective actions to the BSFIC, and evaluating investment key performance metrics based on a comparison of actual returns, and with such other benchmarks. FIC is also responsible for reviewing and approving proposals for legal actions and/or any other action plan on problematic financing within its delegated authority and making suitable recommendations to BSFIC.
- **Provisioning & Impairment Committee:** The Committee is entrusted with analyzing and assessing risk exposures to the approved credit facilities and investments with a view to make the required provisions in compliance with Central Bank of Kuwait requirements and IFRS.
- **Assets and Liabilities Committee (ALCO):** The Committee is the decision-making body for all matter pertinent to the optimum balance of assets and liabilities in the short, medium and long term to ensure profitability increase aligned with compliance with regulatory bodies' requirements.
- **Business Continuity Steering Committee:** The Committee's role is to oversee and maintain compliance with Bank's Business Continuity Management (BCM) policy. With full responsibility and accountability for ensuring that the Business Recovery Plans of their business functions and IT Disaster Recovery are up to date and tested periodically as per the BCM schedule. It shall also ensure that business continuity management practices are effectively implemented within the Bank. This Group makes its recommendations to the Board Risk Management Committee.
- **Information Security Steering Committee:** The role of the committee is to review the information security management system and to ensure its continuing suitability, adequacy and effectiveness. The Committee also attends to information security matters and concerns that may potentially impact the business operation or adversely jeopardize the Bank's image and reputation. The Committee raises substantial incidents and recommendations to the Board of Directors, as necessary. This may also include events of critical and immediate threat to the Bank's security that may require Board of Directors' immediate intervention.

Statement of the Board of Directors on the Adequacy of Internal Control Systems

The internal control systems in KIB are regularly checked from efficiency and effectiveness perspectives and that these systems are comprehensive and are being monitored and reviewed on timely manner, within the framework of a transparent and clear organizational structure tailored to identify responsibilities and accountabilities. The implementation of the approved policies and procedures is monitored by the Internal Audit Department, which reviews the internal controls, duties and responsibilities, in addition to the appropriate use of authority. The Bank has adequate and effective internal control systems and risk management operations. The Board also approved organizational structure in line with the Bank's work strategy, activities, and job descriptions detailing the tasks and responsibilities, as well as the policies and procedures of all jobs and banking operations. All the above is being monitored by Internal Audit. All these policies and procedures identify the duties and responsibilities of each job, as well as the authority ladder and managerial lines at different administrative levels in a way that realizes dual control and the segregation of duties principle to avoid conflict of interests.

The Bank performs annual internal control review (ICR) by a certified independent auditor other than the Bank's external auditor to ensure adequacy of internal control systems. The Bank also has controls, which enable the staff to directly contact the Chairman to report any concerns which may implicate violation by any other staff in the Bank (Whistleblowing Policy).

The Bank's Board of Directors confirms that the internal control systems are adequate and satisfactory.

External Auditor's Statement on the Sufficiency of the Bank's Internal Control Systems:

KIB concluded a contract with an external audit firm to ensure soundness of the accounting books and the other records, as well as the internal control systems in the Bank. The external auditor confirmed the soundness of the internal control systems in the Bank for the financial year ending 31 December 2019. Hereunder is the statement of the external auditors on reviewing the internal control systems:



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The Board of Directors
Kuwait International Bank K.S.C.P.
P.O.Box 22822, Safat 13089
State of Kuwait

28 September 2020

Report on Accounting and Other Records and Internal Control Systems

In accordance with our letter of engagement dated 5 May 2020, we have examined the accounting and other records and internal control systems of Kuwait International Bank K.S.C.P (“the Bank” or “KIB”), which were in existence during the year ended 31 December 2019. The areas examined comprised.

- Corporate Governance;
- Treasury;
- Investment Department;
- International Banking and Large Corporate;
- Wholesale Banking;
- Retail Banking;
- Finance Control and Planning;
- Business Services;
- Information Security;
- Human Resources;
- Legal;
- Internal Audit;
- Anti-Money Laundering and Combating the Financing of Terrorism and Tax Compliance;
- Risk Management;
- Internal Shari’a Audit Department;
- Economic Research;
- Strategic Implementation Unit;
- Compliance and Regulatory Relationships Division;
- Customer Complaints Unit;
- Real Estate Department;
- Corporate Communications and Public Relations; and
- Marketing.

Our examination has been carried out with regard to the requirements contained in the Manual of General Directives concerning Internal Control Reviews issued by the Central Bank of Kuwait (“the CBK”) on 15 June 2003, CBK instructions dated 20 June 2012 concerning Pillar IV of corporate governance instructions in respect of risk management and internal controls at Kuwaiti Banks, CBK instructions dated 14 May 2019 concerning Combating Money Laundering Operations and Financing of Terrorism, CBK instruction dated 9 February 2012 on maintaining confidential information on customer information and International Standards on Assurance Engagement 3000.

KPMG Safi Al-Mutawa & Partners, a Kuwaiti Public Accountant and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative («KPMG International») a Swiss entity



As Board of Directors of Kuwait International Bank, you are responsible for establishing and maintaining adequate accounting and other records and internal control systems, taking into consideration the expected benefits and relative costs of establishing such systems. The objective is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that banking risks are properly monitored and evaluated, that transactions are executed in accordance with established authorization procedures and are recorded properly, and to enable you to conduct the business in a prudent manner.

Because of inherent limitations in any accounting and internal control system, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that management information and control procedures may become inadequate because of changes in conditions or that the degree of compliance with those procedures may deteriorate.

In our opinion, having regard to the nature and size of the Bank's operations, during the year ended 31 December 2019, the accounting and other records and internal controls systems, in the areas examined by us, were established and maintained satisfactorily in accordance with the requirements of the Manual of General Directives concerning Internal Control Reviews issued by the Central Bank of Kuwait on 15 June 2003, CBK instructions dated 20 June 2012 concerning Pillar IV of corporate governance instructions in respect of risk management and internal controls at Kuwaiti Banks, CBK instructions dated 14 May 2019 concerning Combating Money Laundering Operations and Financing of Terrorism, CBK instruction dated 9 February 2012 on maintaining confidential information on customer information with the exception of the matters set out in the report.

Furthermore, the Bank has established a process of regular follow-up on reported exceptions to ensure that corrective actions are being taken to rectify the control weaknesses and gaps identified during the course of the Internal Control Review.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Safi A. Al-Mutawa', written over a horizontal line.

Safi A. Al-Mutawa

License No 138 "A" of
KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

Disclosure Requirements

Remunerations Policy Package*

KIB grants a number of remunerations and incentives to its staff based on the appraisal of each employee, which is given in conformity with specific technical and professional standards. The grant of these remunerations is tailored to the staff performance and to encourage them and raise their performance standard. Thus, there has been a framework on which staff performance is appraised and reviewed based on designated and clear-cut standards prior to granting bonuses and rewards in line with the approved remuneration policy.

Board of Directors Remuneration Package

The Chairman and Board of Directors did not receive any remuneration in the form of fees, salaries or bonuses for their services rendered to the Bank for the year ended 31 December 2020.

Remunerations Package Paid to Top Senior Executives

The remunerations package for this group include fixed and variable pay components including basic salaries, allowances, bonus, life insurance and end of services benefits. Total remunerations package paid to five of top senior executives as well as two mandatory positions of senior executives which were not part of top five (seven in total) including Chief Executive Officer, Deputy Chief Executive Officer in addition to the General Managers of Financial Control & Planning Department and Risk Management Department along with the General Internal Auditor, amounted to KD 1,399 thousand for the year ended 31 December 2020 along with subsequent payment of special rewards in February 2021.

Staff Remunerations

KIB grants remunerations and incentives to its staff based on the appraisal of each employee, which is carried out with specific technical and professional standards. The grant of remunerations encourages staff to raise their performance standard. KIB, represented by its Board of Directors has approved the remunerations on the short and long runs and covered all job levels at KIB by defining the role of each staff within KIB team through identifying his/her functions, duties and responsibilities and the required objectives.

Remuneration Weights & Standards for Staff Category

In 2020, KIB has appraised the staff performance by assessing five main objectives according to the nature of work of the staff, as well as their behaviors in line with the standards of KIB. The process of annual performance appraisal of KIB's staff has been completed under the supervision of Human Resources Department and, closely, in collaboration of the Bank's Management.

* This term refers to remunerations package including fixed and variable pay components including basic salaries, allowances, bonus (paid pertinent to performance and incentive plans) life insurance and end of services benefits.

The following discloses the remuneration paid to staff performing regulatory functions and those participating in risk-related activities:

Remunerations for higher management (all the 27 staff from Asst. GM and above) amounted to KD 2,724 thousand, as they were paid KD 2,471 thousand as fixed remuneration, in addition to KD 253 thousand as variable remuneration for the year ended 31 December 2020.

Remunerations for staff participating in risk embedded activities (including Chief Executive Officer and Deputy Chief Executive Officer, General Managers and their Deputies for the core business operations in the Bank), totaling 11 people, amounted KD 1,446 thousand, out of which KD 1,346 thousand as fixed remuneration and KD 100 thousand as variable remuneration for the year ended 31 December 2020.

Remunerations for Financial Control and Risk Control Staff (Heads of Departments and Units at Financial Control & Planning Department, Risk Management Department, Internal Audit Department, Compliance & Regulatory Relations Division, Governance and Anti Money Laundering, CFT & Tax Compliance Division and staff who are responsible to ensure compliance with instructions of regulators), totaling 21 people, amounted to KD 1,040 thousand, out of which KD 961 thousand as fixed remuneration and KD 79 thousand as variable remuneration for the year ended 31 December 2020.

Major Shareholders

Major shareholders of the Bank who hold 5% or more (directly or indirectly) of the Bank's share capital as on 31/12/2020:

Bukhamseen Group Holding, its Subsidiaries, Associates, and Allied Parties	36.07%
Public Institution for Social Security	8.14%

Corporate Social Responsibility (CSR)

In view of our firm belief in the Bank's role in and responsibility towards our society, 2020 has witnessed the Bank's effective contributions in various social initiatives and programs as indicated in the Social Responsibility Report for 2020.