A) Instructions requiring banks to present the letters sent by Central Bank of Kuwait Governor to the respective bank Chairman on the final findings of inspection, to the Board of Directors at its first meeting.

B) Regulation of the transfers of non-profit societies and civil charity organizations:

1- Circular requiring banks to submit to Central Bank of Kuwait a monthly statement on foreign transfers made by non-profit societies and civil charity organizations.

2- Circular on procedures to be followed for complying with the rules of Ministerial Resolutions No.(867) and No. (868) of the year 2001 in this respect.

C) Currencies and Currency Notes:

1- Instructions concerning deposit and withdrawal transactions of national currency notes, conducted by banks with the Central Bank.

2- Circular concerning the currency notes used to load ATM.

3- Circular No.(2/BS, IBS/189/2006) requiring banks to load the ATM machines exclusively with the currency notes sorted out by the Central Bank.

D) Circular prohibiting the opening of any account related to the P.O.W.’s before consulting the National Committee For P.O.W's & Missing Persons.

E) Circular requiring banks to take necessary actions towards entrusting some bank staff with the responsibility of supervising and following-up the implementation of regulatory instructions and controls issued by Central Bank of Kuwait.

F) Circular requiring the use of Civil ID Number in all transactions with customers

G) Circular on the rules and bases for hiring, promoting and terminating staff members.

H) Circular concerning the update of banks performance evaluation system according to “CAMEL” approach.
CHAPTER TWO: The law, supervisory & Regulatory Instructions & Control on Islamic Banks

33- OTHER MISCELLANEOUS INSTRUCTIONS

A) Instructions requiring banks to present the letters sent by Central Bank of Kuwait Governor to the respective bank Chairman on the final findings of inspection, to the Board of Directors at its first meeting.

Ramadhan 15, 1424 H
November 10, 2003

THE CHAIRMAN,

Instructions No.(2/IBS/124/2003)
To All Islamic Banks

We refer to the provisions of Article (78) Paragraph (C) of the Law No. (32) of the year 1968 concerning Currency, the Central Bank of Kuwait and the Organization of the Banking Business, which provides that "the Central Bank of Kuwait shall prepare a comprehensive report on the results of each inspection it conducts on any bank or institution. The report shall include the recommended actions that the Central Bank of Kuwait deems appropriate for rectifying such irregular situations as may have been revealed during the inspection. The Governor of the Central Bank of Kuwait shall send a copy of the report to the chairman of the Board of Directors or manager of the bank or financial institution on which the inspection was carried out…".

The Central Bank of Kuwait would like to emphasize the requirement that the letters addressed by the Governor to your bank’s Chairman concerning the final results of the inspection, must be presented to your Board of Directors at its first meeting following the receipt of such letters.

With my best wishes,

SALEM ABDUL AZIZ AL-SABAH
GOVERNOR

Ramadhan 15, 1424 H
November 10, 2003

THE CHAIRMAN,

Instructions No.(2/IBS/138/2003)
To All Islamic Banks

This has reference to the rules of (Article 1) of the Cabinet’s resolution No. (868) of the year 2001 issued on 14/10/2001, regarding the regulation of transfers made by non-profit societies and civil charity organizations, which reads as follows:

“The Central Bank of Kuwait shall setup the mechanism and procedures needed to monitor and check foreign transfers made by non-profit societies and civil charity organizations through local Banks, Kuwait Finance House, other financial institutions and exchange companies”.

Accordingly, your bank must submit detailed data to Central Bank of Kuwait on foreign remittances made by non-profit societies and civil charity organizations, using the attached form which must be supplied to us, certified by your external auditors, on a monthly basis, not later than one week from the end of subject period.

With my best wishes,

SALEM ABDUL AZIZ AL-SABAH
Central Bank of Kuwait
Supervision Sector

Statement of Foreign Transfers Made by Non-Profit Societies
and Civil Charity Organizations
During the Month of ........................................

<table>
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<tr>
<th>S/N</th>
<th>Name of Transferor</th>
<th>Beneficiary’s Name</th>
<th>Country &amp; Address of Beneficiary</th>
<th>Amount Transferred in KD</th>
<th>Transfer Currency</th>
<th>Equivalent Amount in Transfer Currency</th>
<th>Transfer Date</th>
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External Auditor ........................................  General Manager .................................
We would like to advise you that the council of Ministers has issued its resolution No. (868) of the year 2001 regarding the regulation of transfers made by non-profit societies and civil charity organizations. Article (2) of this resolution reads as follows:

"It is prohibited for all local banks and Kuwait Finance House to open accounts for or to make any foreign transfers for the account of charity societies and committees, unless such societies have a license for raising funds and making foreign remittances".

Article (3) of the same resolution reads as follows:

"The local banks, Kuwait Finance House, investments companies and other financial institutions are required to provide the Committee (established Pursuant to the Cabinet’s resolution No. (867) passed at its meeting No. (36/2001) of 7/10/2001 on the dates specified by the Committee, with all data or information requested by the Committee on the accounts and foreign transfers of non-profit societies and civil charity organizations.

It is noteworthy that the committee set up according to Council of Ministers Resolution No. (867) is the Higher Charity Committee chaired by Minister of Social Affairs & Labor.

Based on the above, your bank is required to strictly comply with the rules of the said resolution, while observing the following:

(1) You must obtain the prior approval from charity committees and societies in relation to implementing the rules of Article (3) of the resolution, when data or information is requested by the Higher Committee.
(2) In case you desire to ascertain the correct implementation of the rules of Article (2) of the subject resolution, you must refer to Ministry of Social Affairs and Labor in this respect.

(3) You must advise us of the actions taken from your part in implementation of the rules of the above resolution.

With my best wishes,

SALEM ABDUL AZIZ AL-SABAH
THE CHAIRMAN,

Instructions No.(2/IBS/127/2003)
To All Islamic Banks

National Currency Notes withdrawal and Deposit

In accordance with stipulation of Article (15) of Item (1) of the Law No. (32) of the year 1968, concerning the Currency, Central Bank of Kuwait and Organization of the Banking Business, the Central Bank of Kuwait’s purposes include the authority to issue the currency to the Government’s account. In this context, the Central Bank of Kuwait issues the required national currency notes and destroys the mutilated ones whenever so required.

As you are aware, the banks daily transactions include the supply of large amounts of national currency notes to the Central Bank of Kuwait for deposit to their respective accounts. The banks also deliver to their customers the local currency notes when withdrawing from their accounts, or receive the notes deposited to the customers accounts. This requires local banks to determine precisely their actual needs of the local currency notes requested from the Central Bank of Kuwait in the light of their actual needs. The banks are also requested to verify the soundness and genuineness of the currency notes received from the customers.

In order to achieve the aforesaid, all the banks are required to adopt appropriate procedures in this regard, which should comprise in particular the following points:

1) Banks are required to ensure the availability of all denominations of national currency notes, which should be in good condition, in such a manner that the customers needs are fulfilled at any time. When requesting currency notes from the Central Bank, banks should identify their real needs of such notes in light of their experience in dealing with the customers.
2) Banks must ensure the genuiness of the currency notes received from the customers, using all the appropriate examination measures in order to avoid accepting forged notes. The examination must include the exposition of such notes to ultraviolet rays, checking the security marks of the head of the falcon (hologram), security thread and water mark.

3) Banks must transfer their customers deposits of currency notes, especially those of small denominations, to the Central Bank of Kuwait so as to be substituted by sorted out notes.

4) Banks should use metal boxes for depositing the currency notes with the Central Bank of Kuwait. The notes must be closely tied-up in bundles of 1000 notes each. These bundles are to be signed by at least two persons, in implementation of the dual control principle, for the purpose of determining the responsibility upon occurrence of any shortage or excess in the amounts delivered by the bank to the Central Bank of Kuwait.

5) Banks should provide the Banking Operations Department at the Central Bank of Kuwait, regularly on the last day of each month, with a statement showing balances and denominations of the local currency notes available in vault of the (head office and branches) of each bank. This statement should be submitted within a maximum of two days from the statement date.

With my best wishes,

SALEM ABDUL AZIZ AL-SABAH
Ramadhan 15, 1424 H
November 10, 2003

THE CHAIRMAN,

Instructions No.(2/IBS/140/2003)
To All Islamic Banks

It has been some times noticed that certain local banks use cash deposits made by their customers in filling their Auto Teller Machines (ATM’s) without properly checking them. This exercise may lead to the leakage of some forged currency notes into such machines which are not designed to detect forged currency notes.

Therefore, your bank is required to fill your ATM’s with the currency notes which are duly sorted out by the Central Bank of Kuwait, or with your customers cash deposits after having them checked by the ultraviolet radiation instruments (U.V), or by the two options together.

With my best wishes,

SALEM ABDUL AZIZ AL-SABAH
Rabi Al-Akhir 18, 1427 H
May 16, 2006

THE CHAIRMAN,

Circular to All Local Banks
No. (2/BS, IBS/189/2006)

This has reference to circular No.(2/BS/57/1998) issued to all local banks on 19/7/1998 concerning the procedures banks have to comply with in relation to their daily transactions in the Kuwaiti currency notes, whether with the Central Bank of Kuwait or with the customers.

It has been noticed that some banks use the currency notes they receive from their customers in loading the ATM machines, without replacing those currency notes with others sorted out by the Central Bank. Therefore, we stress the need for your bank’s compliance with the requirement of loading the ATM machines exclusively with the currency notes sorted out by the Central Bank.

With my best wishes,

SALEM ABDUL AZIZ AL-SABAH


33- OTHER MISCELLANEOUS INSTRUCTIONS
C) Instructions concerning deposit and withdrawal transactions of national currency notes, conducted by banks with the Central Bank.

3- Circular No.(2/BS, IBS/189/2006) requiring banks to load the ATM machines exclusively with the currency notes sorted out by the Central Bank.
CHAPTER TWO: The law, supervisory & Regulatory Instructions & Control on Islamic Banks

GOVERNOR

Ramadhan 15, 1424 H
November 10, 2003

THE CHAIRMAN,

Instructions No.(2/IBS/125/2003)
To All Islamic Banks

With reference to Decree No (133/92) dated 15/8/1992 on the formation of the National Committee for the Affairs of Prisoners of War and Missing Persons, and Whereas Article (4) of the said Decree has specified the powers and objects of the said Committee, including the protection and securing of the human rights of those prisoners of war, looking after their services and facilitating their transactions, and based on the request of the National Committee for the Affairs of Prisoners of War and Missing Persons, your bank should not open any account relating to the case of the Prisoners of War without first referring to the Committee in this regard. If you have any inquiries in this respect, you may contact the Committee.

With my best wishes,

SALEM ABDUL AZIZ AL-SABAH

33- OTHER MISCELLANEOUS INSTRUCTIONS
   D) Circular prohibiting the opening of any account related to the P.O.W.’s before consulting the National Committee For P.O.W’s & Missing Persons.
CHAPTER TWO: The law, supervisory & Regulatory Instructions & Control on Islamic Banks

GOVERNOR

Ramadhan 15, 1424 H
November 10, 2003

THE CHAIRMAN,

Instructions No.(2/IBS/141/2003)
To All Islamic Banks

Given the various activities carried out by the banking units, the Central Bank of Kuwait issues its regulations, rules and the control requirements for the purpose of organizing the banking business and directing it toward safeguarding the integrity and soundness of the financial positions of the banking units, and ensuring that the banking sector would not be exposed to crises that would arise due to their non-compliance with the common banking practices and customs while exercising their business.

It is needless to mention that, for the aim of ensuring the effectiveness of the supervisory instructions and regulations issued by the Central Bank in this regard, the matter requires cooperation from all the parties subject to the Central Bank’s supervision, so that the said requirements are executed and adhered to.

In order to avoid ambiguity in certain cases in understanding the mechanism of applying such instructions, a situation which would in turn affect the degree of adherence to the Central Bank of Kuwait instructions and accordingly the soundness and correctness of the data and statements submitted to the Central Bank of Kuwait in this regard, therefore, we require your bank to take the appropriate actions for assigning qualified staff to supervise and follow up the implementation of the Central Bank’s instructions and regulations, and to coordinate with your bank’s respective departments to enquire on the mechanism of such instructions implementation. Furthermore, the said staff will also monitor the extent to which your bank adheres to the execution of the said instructions and regulations, and will verify the soundness of the periodic statements supplied to the Central Bank of Kuwait, and follow-up the implementation of the relevant ministerial laws and resolutions.

33- OTHER MISCELLANEOUS INSTRUCTIONS
E) Circular requiring banks to take necessary actions towards entrusting some bank staff with the responsibility of supervising and following-up the implementation of regulatory instructions and controls issued by Central Bank of Kuwait.
In the event it is not so possible, this task must be then assigned to the Internal Audit, provided that this function is included within the objects of this department.

With my best wishes,

SALEM ABDUL AZIZ AL-SABAH
CHAPTER TWO: The law, supervisory & Regulatory Instructions & Control on Islamic Banks

GOVERNOR

Ramadhan 15, 1424 H
November 10, 2003

THE CHAIRMAN,

Instructions No. (2/IBS/129/2003)
To All Islamic Banks

This has reference to Council of Ministers Resolution No. (706/2001) concerning the requirement to use the Civil ID Number in all transactions and services rendered by Government ministries and organizations.

Reference is also made to the circular of 27/8/2001 issued by the Secretariat General of the Council of Ministers, which advises that the Ministry of Interior has taken all necessary actions for the use of the Civil ID Number in all documents, licenses and transactions handled by the said Ministry.

Accordingly, your bank must use the Civil ID Number in all transactions with your customers.

With my best wishes,

SALEM ABDUL AZIZ AL-SABAH
We believe that you share with us the opinion that the stability of conditions in the banking system and the existence of a sense of confidence among banks staff that efficiency is the only criterion to attain an employee’s rights, represent prerequisites for upgrading banking business in Kuwait and for proper progress of work.

Therefore, in the light of the guidance of Article (71) of Law No. (32) of the year 1968, we hereby request local banks to observe the following:

First: Appointment of staff and their promotion, particularly middle management staff, must be based on rules and regulations provided for in the by-laws issued by the bank Board of Directors, according to which priority in appointment or promotion is given to staff members of quality and experience that qualify them for performing the functions assigned to them. Such an atmosphere would create a sense of satisfaction and fairness among the bank staff.

Second: The termination of a staff member should be based on investigation and for reasonable justifications. It shouldn’t be an arbitrary and sudden termination which creates among staff a sense of worry and uncertainty as to their future employment with the bank.

With my best wishes,

SALEM ABDUL AZIZ AL-SABAH
CHAPTER TWO: The law, supervisory & Regulatory Instructions & Control on Islamic Banks

33- OTHER MISCELLANEOUS INSTRUCTIONS

H) Circular concerning the update of banks performance evaluation system according to “CAMEL” approach.

GOVERNOR

Ramadhan 13, 1426 H
October 16, 2005

THE CHAIRMAN,

Circular to All Local Banks

Please note that, within context of the Central Bank of Kuwait’s regulatory and supervisory role over the local banks, the Central Bank of Kuwait is implementing a system for evaluating the local banks performance by using the “CAMEL” method, based on outcome of the inspection carried out by the Central Bank of Kuwait’s field inspection team.

Enclosed please find the general features of this system. I would like to mention that, according to the said system, your bank will be notified, after finalization of each inspection round on your bank, of the final evaluation result: The Final Composite Rating of your bank, in addition to the evaluation grade for each component of your bank’s performance as clarified in the attached general features of this system.

I stress in this respect the necessity that your bank should treat the “Final Composing Rating” granted to it in a fairly confidential manner, so that it should not be publicized or circulated beyond the Board of Directors and executive management cycle.

With my best wishes,

SALEM ABDUL AZIZ AL-SABAH
THE GENERAL FEATURES FOR
THE BANKS PERFORMANCE EVALUATION SYSTEM
ACCORDING TO THE CAMEL APPROACH

Preamble:

The ‘CAMEL’ approach is considered as one of the effective methods for evaluating the banks performance and determining the strength of their financial position and management, and accordingly the extent of their ability to handle and adapt to any changes and developments related to their business. The application of this system ensures the identification of the strength and weakness elements in the banks performance. This system may be used, after determining the final ‘composite rating’, for ranking the banks according to the strength and soundness of their financial position and management.

This system relies upon dividing the components of the banks performance, which will be evaluated, into five elements, as follows:

1) Capital Adequacy “C”
2) Asset Quality “A”
3) Management “M”
4) Earnings “E”
5) Liquidity “L”

In light of the evaluation of the aforesaid elements, the final " Composite Rating " is reached, which represents the outcome of the said components evaluation, taking into account the extent to which the areas of weakness and deficiency in the performance impact the bank’s general position and accordingly its final evaluation.

General Bases of the System:

1) The system will be applied to all local banks on unified general bases, taking into account the effects of variance amongst banks in terms of size and type of business, and the extent of the complexity and diversification of the operations performed by the bank.

2) This system will be basically applied by the Central Bank’s on-site supervision team. At the end of each inspection conducted on the bank, the bank’s performance will be evaluated in light of outcome of the inspection. Final result of the evaluation: the final ‘Composite Rating’ and the rating of each component of the performance will be sent to the bank Board of Directors.
3) The evaluation of the components of banks’ performance relies upon two sets of factors which are associated with, and have an effect on, each of the aforesaid components:

- "Quantitative" factors which may be measured quantitatively through a number of financial indicators relying upon the bank’s financial data, after amending them in light of results of the on-site inspection of such data. ‘Benchmarks’ have been established for these factors, whenever applicable.

- "Qualitative" factors which are subject to personal judgment of the concerned inspector, in order to determine their impact and extent of their effect on the evaluation of the component in question, as well as on the final Composite Rating of the bank.

This system - whenever applicable - depends on determining the main standards for computing financial indicators to be used in determining the evaluation of the concerned component according to the established "Benchmarks", in addition to supporting financial indicators and the evaluation factors which are subject to the discretion and judgment of the concerned inspector, and which may lead to the amendment of the evaluation result reached through the application of the main standard.

4) At this stage, this system will be applied to the banks as Kuwaiti shareholding companies inclusive of their domestic and overseas branches. However, the system will be applied on a consolidated basis in the subsequent stage.

5) The evaluation of the said five performance components, is based on seven downward levels, the first representing the best level of performance, whilst the seventh represents the lowest level of performance. These levels are as follows:

- First Level : “Strong”
- Second Level : “Very Good”
- Third Level : “Good”
- Fourth Level : “Satisfactory”
- Fifth Level : “Fair”
- Sixth Level : “Marginal”
- Seventh Level : “Unsatisfactory”

The final "Composite Rating" also consists of seven levels where the first one reflects the best level of performance, whilst the last one reflects the lowest level of performance.

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33- OTHER MISCELLANEOUS INSTRUCTIONS
H) Circular concerning the update of banks performance evaluation system according to “CAMEL” approach.