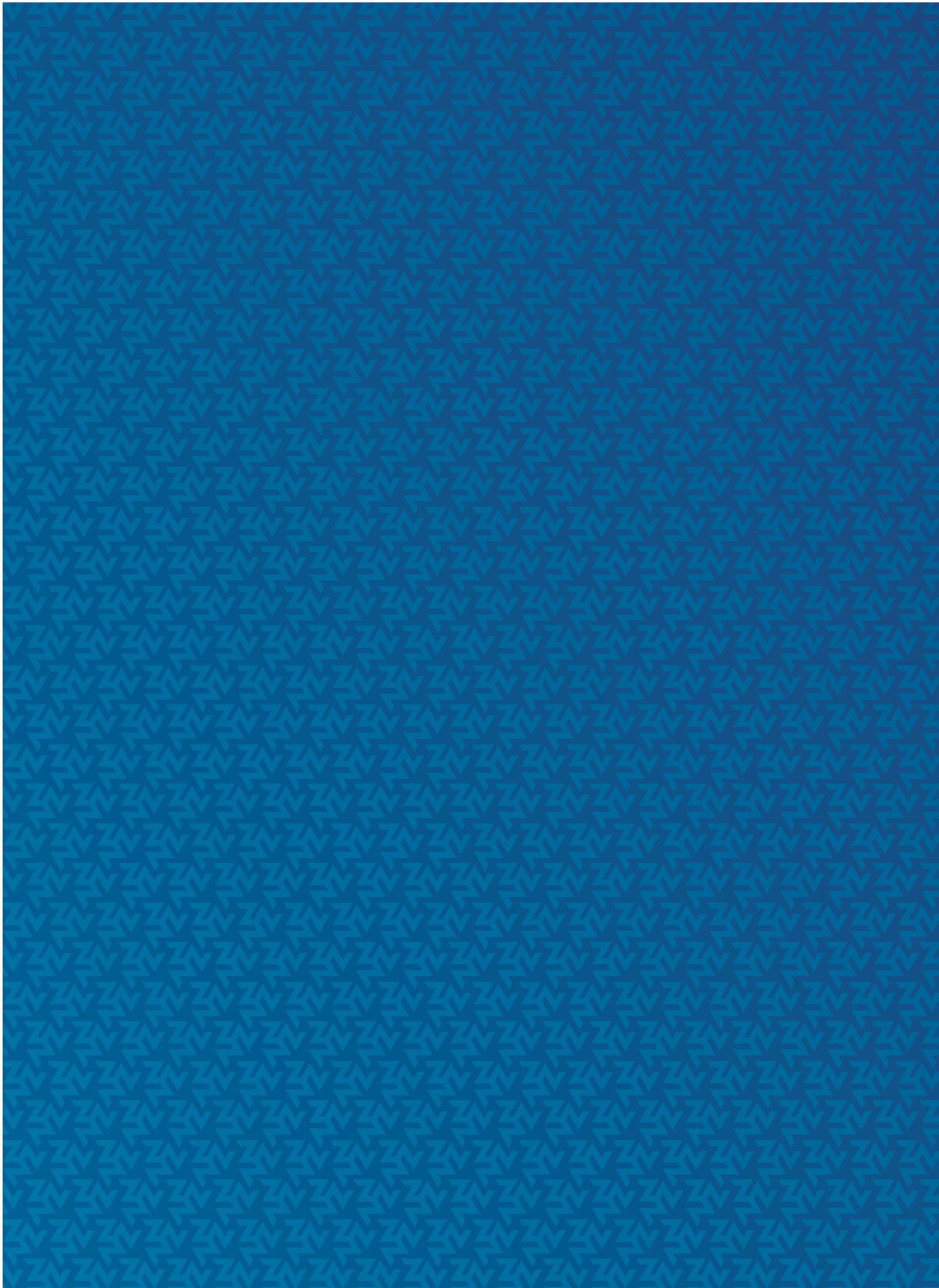


Annual Report for the Year 2018 / 2019





بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ



H. H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah

The Amir of The State of Kuwait





H. H. Sheikh Nawwaf Al-Ahmad Al-Jaber Al-Sabah

The Crown Prince of The State of Kuwait





H. H. Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah
The Prime Minister of The State of Kuwait



BOARD OF DIRECTORS



Dr. Mohammad Y. Al-Hashel

Governor
Chairman



Mr. Yousef J. Alobaid

Deputy Governor
Member

“ The Central Bank of Kuwait is managed by a Board of Directors encompassing the Governor of CBK - chairman, the Deputy Governor of CBK, a representative of the Ministry of Finance and a representative of the Ministry of Commerce and Industry. The Board also comprises of four other members with proven experience in the economic, financial and banking affairs, appointed by an Amiri Decree for a renewable three-year term. ”

The Board of Directors exercises its authority in accordance with Article 26 of Law No. 32 of 1968



Mr. Saleh A. Al-Sarawi
Undersecretary
Ministry of Finance
Member



Mr. Ahmad M. Al-Faris
Assistant Undersecretary
Ministry of Commerce & Industry
Member



Mr. Nasser Abdullah Alroudan
Member



Mr. Mustafa J. Al-Shamali
Member



Mr. Osamah Mohammad Al-Nisf
Member



Mr. Ahmed Y. Al-Sager
Member

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INTRODUCTION



I am pleased to present the 47th Annual Report of the Central Bank of Kuwait (CBK) for the Fiscal Year (FY) 2018/19 that includes the Auditors' Report on CBK financial statements as of 31st March 2019. The first section of the Report is dedicated to providing a brief overview of the most notable monetary and banking developments in the Kuwaiti economy during FY2018/19. The Report further details the main procedures and operations carried out by CBK in various aspects pertaining to monetary and banking conditions, including CBK's efforts to enhance and develop its oversight over local banking and financial system units.

“ CBK's efforts during FY2018/19 focused on strengthening monetary and financial stability in the State of Kuwait ”

The Central Bank of Kuwait's efforts during FY2018/19 focused on strengthening monetary and financial stability in the State of Kuwait through formulating and implementing the monetary policy and supervising the banking and financial sector, to boost sustainable economic growth in the country and enhance the supportive environment to ensure efficient and outstanding performance.

“ CBK maintained its Discount Rate at 3.0% since 22 March 2018 ”

In terms of monetary policy, CBK continued its close follow-up of local economic, monetary, and banking developments and the changes in interest rates of major foreign currencies. The CBK maintained during FY2018/19 its Discount Rate at 3.0% since 22 March 2018. This policy came as a continuation of the Bank's efforts to strengthen the foundations of domestic economic growth while maintaining attractiveness and com-



petitiveness of the Kuwaiti Dinar as a store of domestic savings, encouraging local banking and financial sector units to finance various sectors, thus maintaining a supporting environment for sustainable economic growth.

Regarding the monetary developments, Money Supply in its Broad Definition (M2) increased by 5.0% at the end of FY2018/19 compared with the previous year, within which the utilized cash portion of credit facilities extended by local banks to various domestic economic sectors, increased by 5.2% to reach KD 37,420.8 million at the end of FY2018/19 compared to KD 35,559.1 million at the end of the previous fiscal year. Moreover, residents' deposits with local banks increased by 2.4% to KD 43,169.7 million at the end of FY2018/19 against KD 42,167.3 million at the end of the previous fiscal year. Likewise, the aggregate balance sheet of local banks soared to KD 67,431.4 million at the end of the mentioned fiscal year against KD 63,876.0 million at the end of 2017/18, an increase of KD 3,555.4 million or 5.6%.

The CBK continued its efforts in the area of oversight and supervision on registered local banking and financial system units during FY2018/19, seeking to strengthen their financial position in line with global best practices thus, reinforcing financial stability. In this regard, CBK had issued on 1 August 2018 a circular to all local banks to inform the CBK of any robbery, embezzlement and forgery these banks and banking institutions may be exposed to, in light of the growing volume and scope of electronic financial services provided to customers, which may adversely affect the reputation of the banking sector and weaken the State's financial stability.

“CBK issued new instructions regulating the Electronic Payment of Funds, and amended instructions regarding the Rules and Regulations for Granting Personal Loans and Financing Facilities (Consumer/Housing) in addition to Issuance Of Credit Cards”

Moreover, and in light of Law No. 20 of 2014 for the electronic transactions, the CBK had issued instructions on 23 September 2018 to all service providers regarding the regulation of the Electronic Payment of Funds. Also, the CBK had amended instructions on 10 November 2018 regarding the Rules and Regulations for Granting Personal Loans and Financing Facilities (Consumer/Housing) in addition to Issuance of Credit Cards, whereby a number of major amendments was introduced. The main change included an increase in the maximum value of a consumer loan extended to maximum 25-fold the net monthly salary of the client not exceeding



KD 25,000, in addition to a maximum housing loan of KD 70,000. Towards sustaining financial stability and soundness of the banking sector, through adopting the latest and best international standards and practices, the CBK had issued a circular on 25 December 2018 to local banks concerning the implementation of the International Financial Reporting Standard (IFRS 9). The CBK instructed local banks to prepare their financial statements as of 31 December 2018 in accordance with the requirements of the previously mentioned standard.

**“ The Regulatory Sandbox Framework enhances
CBK’s role in adopting innovation and promoting
FinTech initiatives ”**

In line with the CBK’s efforts to introduce appropriate policies and regulations to promote innovative products, services, and business models in the financial services industry, the CBK had launched on 26 November 2018 the Regulatory Sandbox Framework. Such efforts aim to support and govern FinTech initiatives, which serve the national economy. The main objective of the Regulatory Sandbox Framework is to enhance CBK’s role in adopting and promoting innovation by temporarily exempting participants of certain requirements pertaining to either the implementation of the regulatory instructions or the required licenses, along with providing an appropriate controlled environment for testing the proposed products and services.

Furthermore, CBK continued its efforts during FY2018/19 to improve and upgrade the academic and vocational qualifications of its employees by offering higher-study scholarships to prestigious international universities, and through local/international specialized training programs. This both enhances CBK staff performance and retains highly skilled staff, and ultimately, underpins CBK’s overall performance. In parallel, the CBK continued to collaborate with Kuwaiti banks and the Institute of Banking Studies, to develop the competencies of national cadres in the banking and financial sectors, most notable of which are the Master’s Degree Scholarship Program (MDSP), the Kuwaiti Graduates Development Program (KGDP), and the Executive Leaders Development Program, in cooperation with prominent Gulf, Arab, and international institutions.



“CBK continued to modernize and enhance its IT infrastructure in line with the latest international developments, most prominent of which are the Government Electronic Banking Services System project and the Kuwait National Payment System (KNPS)”

On another front, the CBK had during FY2018/19 continued to modernize and enhance its IT infrastructure in line with the latest international developments in the field. This involved completing several IT development projects, most notable of which are the “Government Electronic Banking Services System”, the “Kuwait National Payment System (KNPS)” project, the “Data and Reports Analysis System”, in addition to “SWIFT” upgrading and developing several programs and automated systems.

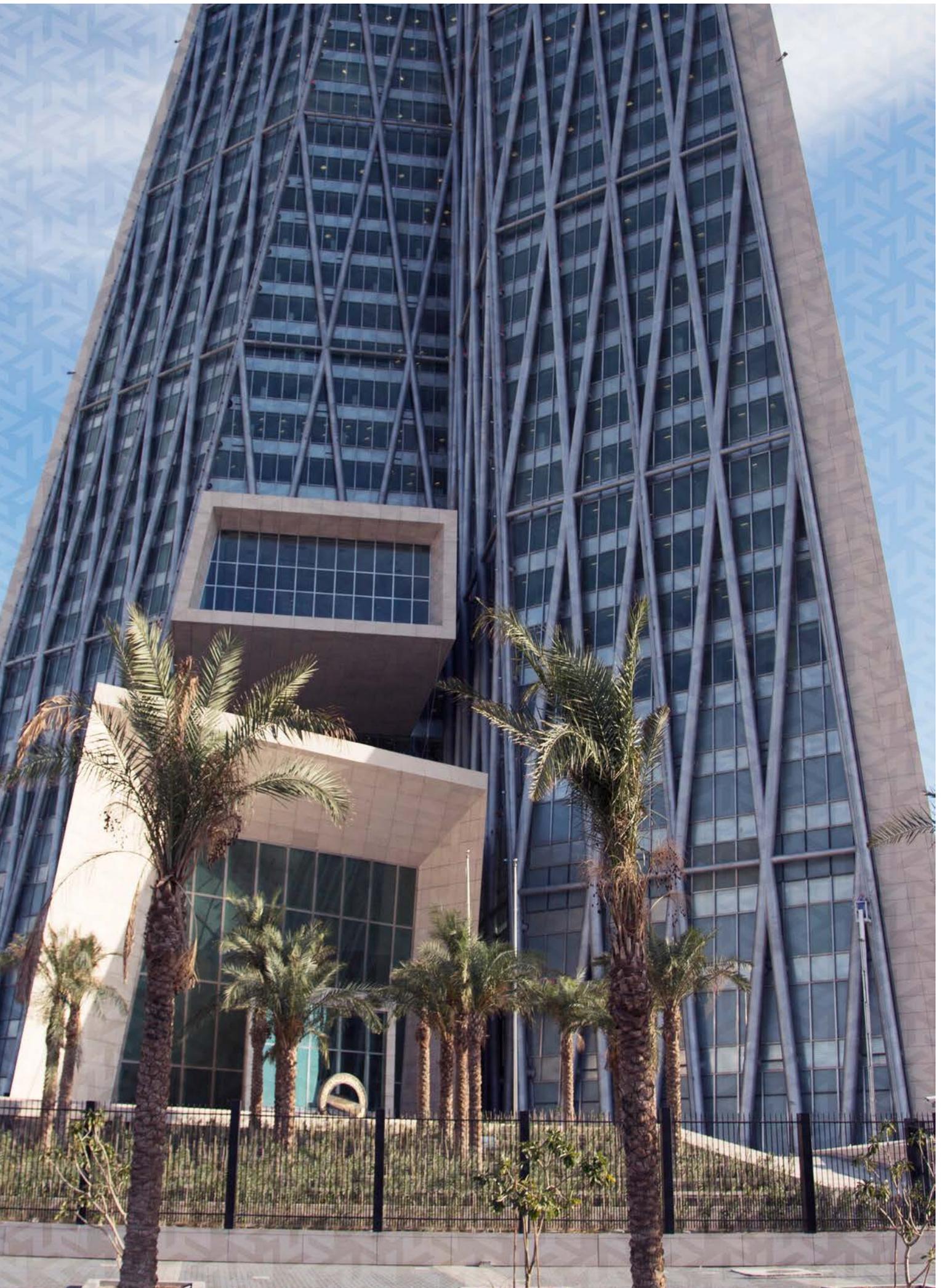
Aiming to maintain continuous communications with the economic and financial community and the society in general, and to adjust to accelerating advancements in the media and communications industry, the CBK had formulated and implemented a communications plan that highlights CBK’s efforts and contributions within its mandate to implement monetary policy and banking regulation and supervision programs that aim to maintain monetary stability and provide an environment supportive of sustainable economic growth and financial stability. In this respect, CBK has continued its efforts during FY2018/19 in releasing its periodical publications, encompassing latest economic, financial, and banking statistics and data, including the Economic Report 2018 and the Financial Stability Report 2018. The bank also continued its efforts to improve its website design and content, regularly updating it objectively and transparently. In terms of expanding the bank’s electronic reach, the FY2018/19 witnessed an increase in the number of followers of CBK social networking accounts as a clear indication of its strong public relation and the continuous flow of information with the public as well as with local and international institutions. CBK was also keen on strengthening interaction among staff through organizing several internal events and marking various occasions.

In conclusion, we pray to Allah the Almighty to reward our efforts and endeavors with success for the welfare of our beloved country, under the patronage and good counsel of His Highness the Amir, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah; His Highness the Crown Prince, Sheikh Nawwaf Al-Ahmed Al Jaber Al-Sabah; and His Highness the Prime Minister, Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah, may Allah bless and guard them.

Dr. Mohammad Y. Al-Hashel
Governor, Central Bank of Kuwait

First: Monetary and Banking Indicators

- Monetary Developments
- Banking Developments

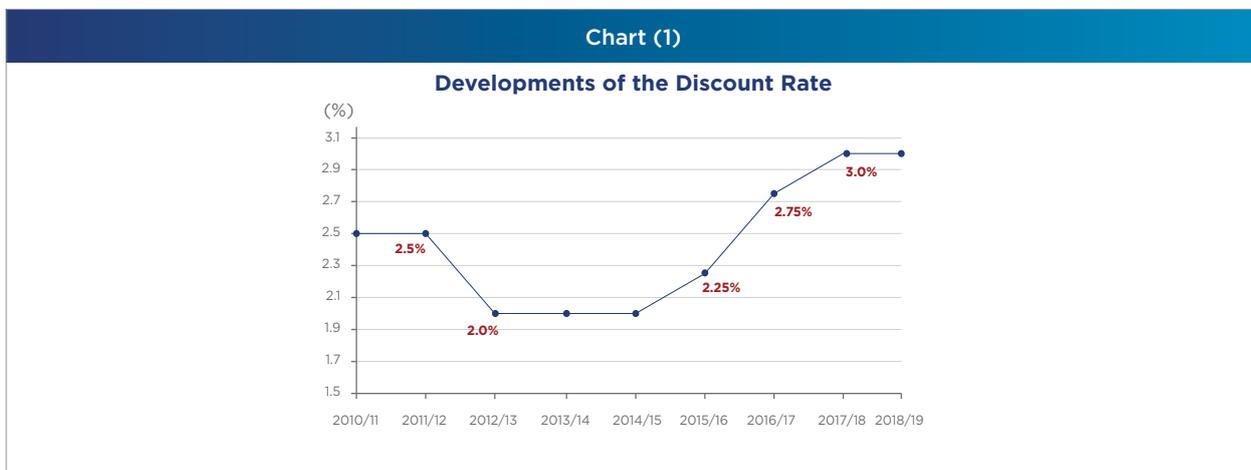


First : Monetary Developments

This part of the Report highlights the key developments relating to Kuwait's major monetary and banking indices during FY2018/19 as reflected in data on interest rates, KD exchange rate against major currencies, money supply, residents' deposits by type, monetary base, bank credit, and issuance of public debt instruments. A significant part of these developments reflects the impact of CBK's efforts related to the formulation and implementation of monetary policy. Data on Kuwait's major monetary indices and aggregates during FY2018/19 indicate the following notable and positive developments:

1. Domestic Interest Rates:

In light of constant CBK follow-up of local economic, monetary, and banking developments and the changes in interest rates of major foreign currencies, and in continuation of the CBK's efforts to strengthen the foundations of domestic economic growth while maintaining the KD's attractiveness and competitiveness as a store of domestic savings, encouraging local banking and financial sector units to finance various sectors, thus maintaining a supporting environment for sustainable economic growth, the CBK had during FY2018/19 maintained its Discount Rate at 3.0% since 22 March 2018.



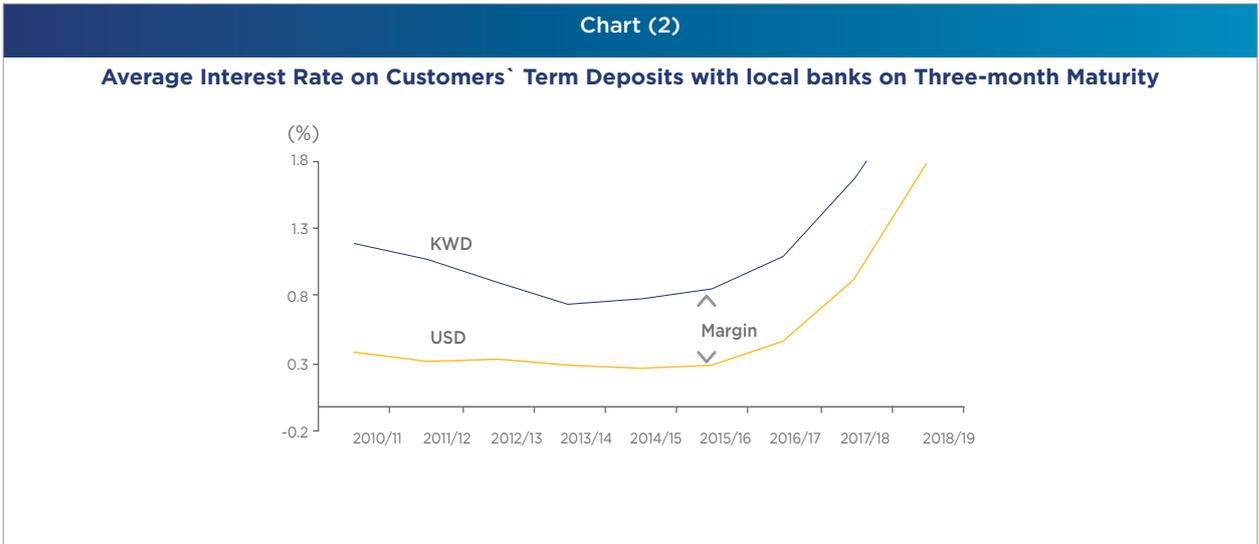
Source: Central Bank of Kuwait

On the other hand, average interest rates on USD time deposits with local banks of one month and three-month maturity increased during FY2018/19 reaching 1.558% and 1.785% respectively, against 0.781% and 0.944% during the previous fiscal year.

“ Margins between the average interest rates on KWD and USD time deposits with local banks continued to expand in favor of the KD ”

Within this context and in terms of interest rates on customers' KD and USD deposits with local banks, average interest rates on customers' KD time deposits witnessed a rise during FY2018/19 compared with the previous fiscal year. Specifically, the average interest rates on KD time deposits of one month and three-month maturity increased to 2.392% and 2.527% respectively against 1.529% and 1.682% during the previous fiscal year.

Consequently, the margin between the average interest rates on KD and USD deposits of one month and three-month maturity during FY2018/19 reached 0.834 percentage point and 0.742 percentage point respectively, in favor of KD deposits, compared to 0.748 and 0.737 percentage point respectively, also in favor of KD deposits, during FY2017/18.



Source: Central Bank of Kuwait

On the other hand, the average interest rate on local interbank KD deposits of all maturities increased during FY2018/19 compared to the previous fiscal year. Specifically, the average interest rate on local interbank KD deposits of one-month maturity increased to 1.789% against 1.419% for the mentioned term during the previous fiscal year.

In addition, the average interest rate on public debt instruments on Kuwaiti Treasury Bonds of one-year maturity reached 3.250% during FY2018/19. The average interest rate on 2-year Treasury Bonds reached 3.375%, while the average interest rates on 3, 5, 7 and 10-year Treasury Bonds reached 3.375%, 3.500%, 3.625% and 3.875% respectively.

2. KD Exchange Rate:

During FY2018/19, CBK continued its efforts towards maintaining relative stability of KD exchange rate against other major currencies in line with KD exchange rate policy adopted since 20 May 2007 pegging the Kuwaiti Dinar to a special weighted basket of major currencies of countries that share significant financial and trade relations with the State of Kuwait.

“ While the exchange rate of the USD against other major currencies fluctuated within broader margins, the difference between the exchange rates of the USD against the KD reached 1.5%. ”

In this regard, the average exchange rate of USD against KD for FY2018/19 was 302.743 fils (per USD) against 302.052 fils during the previous fiscal year, i.e. an increase of 0.691 fils or 0.2%. The average difference between the highest (304.200 fils) and the lowest exchange rate (299.650 fils) of USD against KD was 1.5% during FY2018/19.

Chart (3)

USD/KWD Exchange Rate



Source: Central Bank of Kuwait

On the other hand, the exchange rate of USD witnessed fluctuations against the other major currencies during FY2018/19. The difference between the highest and the lowest rates of USD was 10.3% against Euro, 14.7% against Pound Sterling, 7.9% against Japanese Yen, and 5.9% against Swiss Franc.

Table (1)

USD Exchange Rate against KD and Some Major Currencies

Item	2018/19			
	Highest Price	Lowest Price	End of Period	Average
Kuwaiti Dinar (fils)	304.200	299.650	303.850	302.743
Pound Sterling	0.799	0.697	0.758	0.761
Euro	0.890	0.807	0.888	0.862
Swiss Franc	1.011	0.954	0.996	0.990
Japanese Yen	114.390	105.980	110.600	110.848

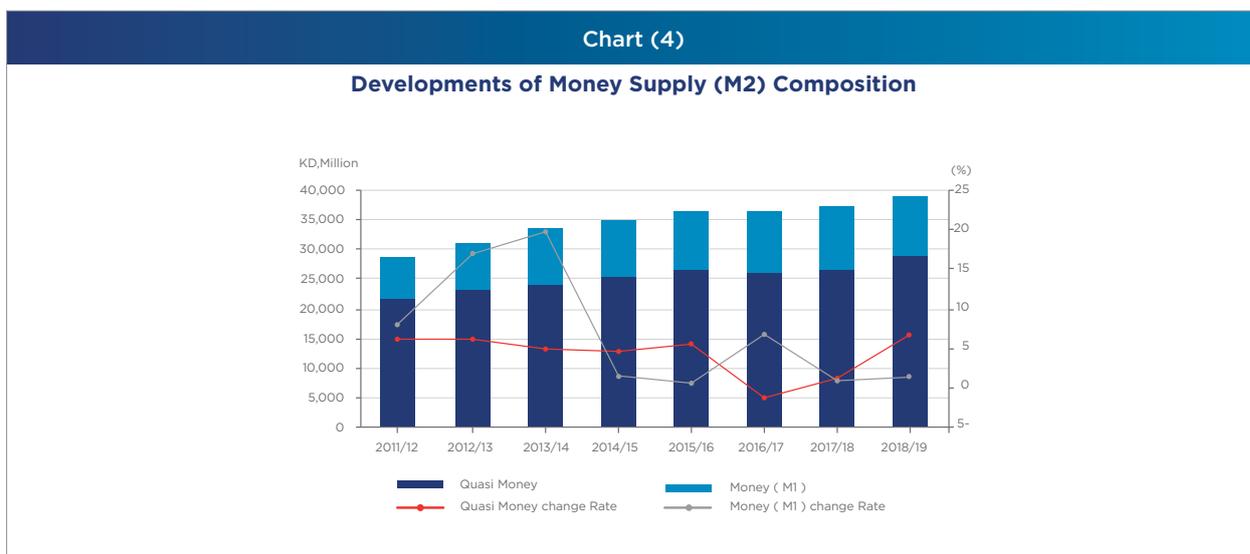
Source: Central Bank of Kuwait

3. Money Supply:

Money Supply in its Broad Definition (M2) increased to KD 38,947.3 million at the end of FY2018/19 against KD 37,079.9 million at the end of FY2017/18, i.e. an increase of KD 1,867.3 million or 5.0% compared with an increase of KD 397.6 million or 1.1% during the previous fiscal year.

“Growth of 5% in Money Supply (M2) following the slowdown witnessed in the previous fiscal year”

The increase in M2 resulted in part from continuous CBK’s effort to manage the levels of domestic liquidity, creating the appropriate atmosphere to boost growth rates of various domestic economic sectors.



Source: Central Bank of Kuwait

Table (2)

**Money Supply Developments (M2)
(KD million)**

End of Period	2017/18	2018/19	Change in (2) over (1)	
	(1)	(2)	Value	(%)
Money Supply (M2)	37,079.9	38,947.3	1,867.3	5.0
Money (M1) of which:	10,388.9	10,492.3	103.4	1.0
Sight Deposits	8,665.1	8,688.9	23.8	0.3
Quasi Money	26,691.0	28,455.0	1,764.0	6.6
KD Deposits (other than sight deposits)	24,102.0	25,698.3	1,596.3	6.6
FC Deposits	2,756.7	2,756.7	167.7	6.5

Source: Central Bank of Kuwait

As for the factors affecting the changes in M2 within the aggregate monetary position of CBK and of local banks at the end of FY2018/19 compared with the end of the previous fiscal year, the mentioned rise of KD 1,867.3 million or 5.0% in M2 resulted from the increase of KD 588.0 million or 4.2% in net domestic assets of these entities and the rise of KD 1,012.4 million or 6.0% in net foreign assets of these entities.

The above-mentioned rise in net domestic assets amounting to KD 855.0 million was due to:

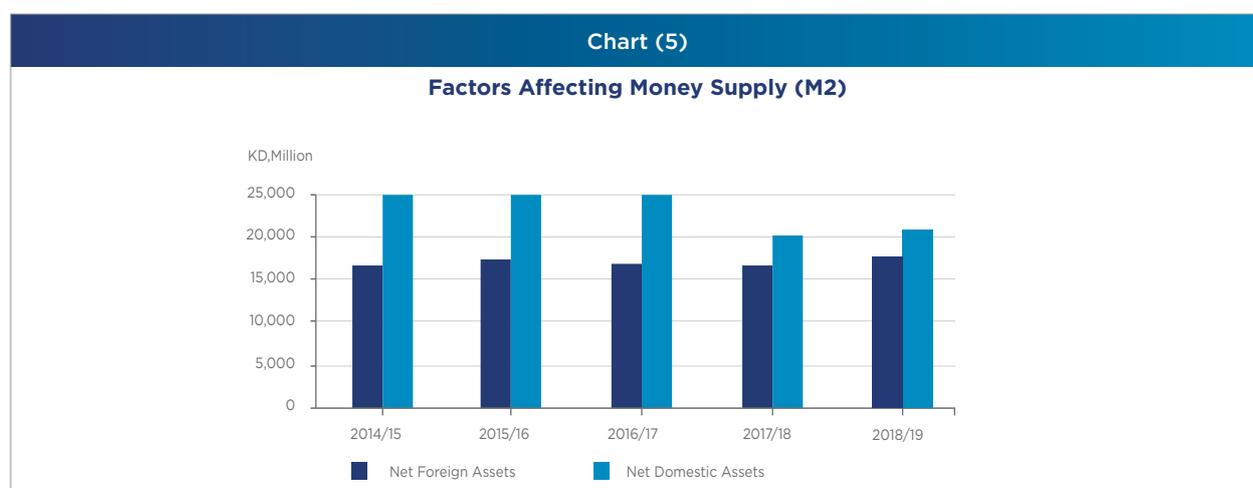
- Increase in local banks' claims on the private sector by KD 1,886.4 million or 5.0%, which was in turn the outcome of the growth of KD 1,861.8 million or 5.2% in credit facilities extended to residents, and the increase of KD 24.6 million or 1.4% in value of other local investments.
- Decline of KD 138.7 million or 3.7% in claims on the government.
- Decrease of KD 974.2 million or 11.4% in government's deposits and accounts.
- Drop of KD 892.8 million or 6.7% in net domestic assets under the item "other".

Meanwhile, the mentioned increase in net foreign assets amounting to KD 1,012.4 million of these entities was the outcome of the following:

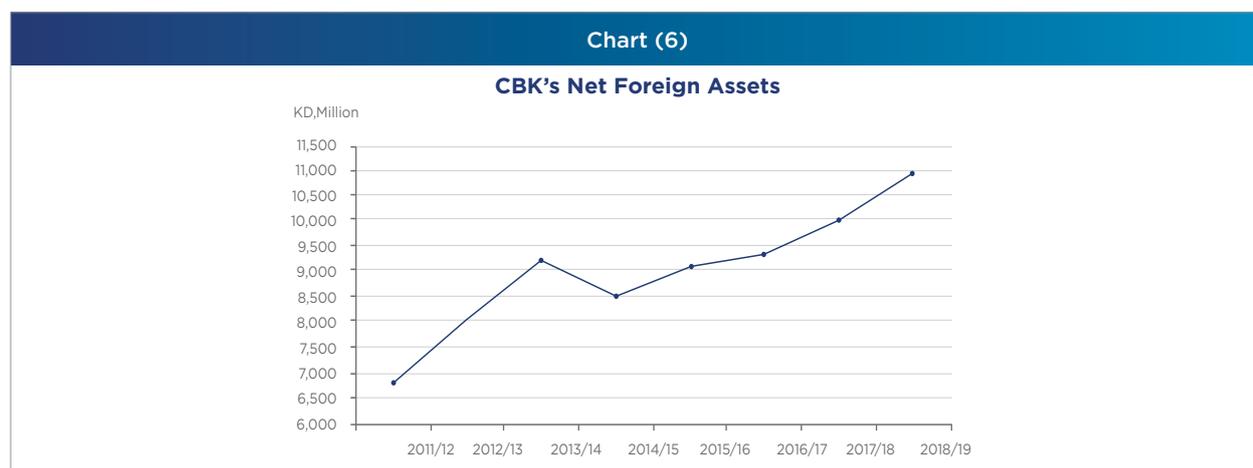
- Rise of KD 853.8 million or 8.7% in net CBK foreign assets.
- Increase of KD 158.5 million or 2.3% in net foreign assets of local banks.

Table (3)				
Factors Affecting Change in Money Supply				
End of Period	2017/18	2018/19	Change in (2) over (1)	
	(1)	(2)	Value	(%)
Net Domestic Assets:	20,291.0	21,145.0	855.0	4.2
- Claims on the Private Sector	37,365.7	39,252.1	1,886.4	5.0
- Claims on the Government	-48,28.0	-3,715.1	-1,112.9	-23.1
- Government's Deposits and Accounts*	-8,577.9	-7,603.7	-974.2	-11.4
- Other (Net)*	-13,324.8	-14,217.6	-892.8	-6.7
Net Foreign Assets:	16,788.9	17,801.3	1,012.4	6.0
- CBK	9,810.8	10,664.6	853.8	8.7
- Local Banks	6,978.2	7,136.7	158.5	2.3

* Negative sign indicates a deflationary effect on Money Supply (M2), while a positive sign indicates an expansionary effect on Money Supply (M2).
Source: Central Bank of Kuwait



Source: Central Bank of Kuwait



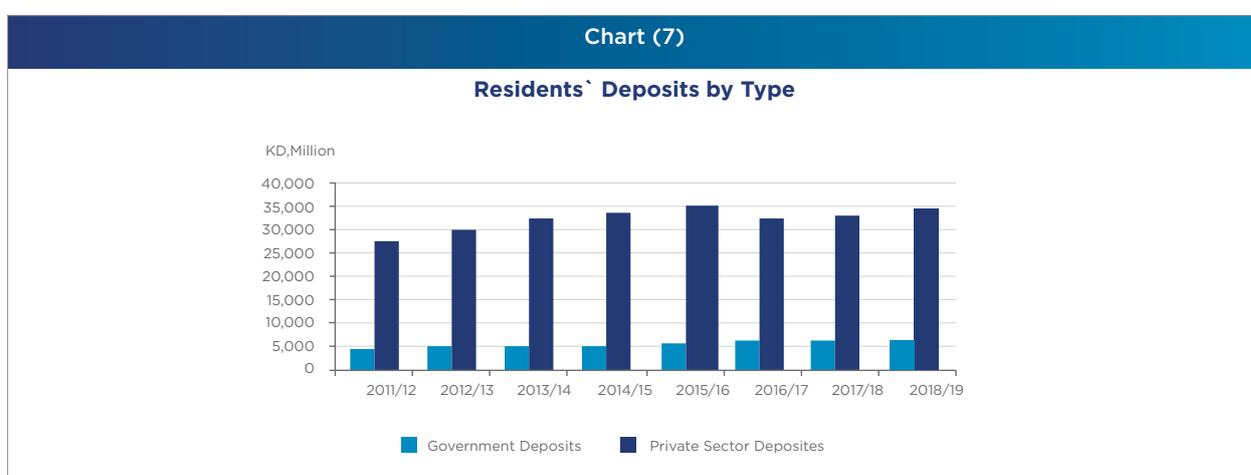
Source: Central Bank of Kuwait

4. Residents' Deposits by Type:

“Government Deposits dropped by 11.5% following increases during recent years”

Total residents' deposits with local banks increased by KD 1,002.4 million or 2.4% to KD 43,169.7 million at the end of FY2018/19 against KD 42,167.3 million at the end of the previous fiscal year. This rise came as a result of an increase of KD 1,787.8 million or 5.1% in private sector deposits and a decrease of KD 785.4 million or 11.5% in government deposits by end of FY2018/19. The rise in the private sector (resident) deposits with local banks is attributed to the following:

- The increase in private sector KD deposits by KD 1,620.1 million or 4.9%.
- The rise in private sector deposits in foreign currency by KD 167.7 million or 6.5%.



Source: Central Bank of Kuwait

5. Monetary Base

CBK pursued managing levels of domestic liquidity during FY2018/19 in accordance with the economic, monetary, and banking conditions in the country.

CBK uses numerous monetary instruments, notably:

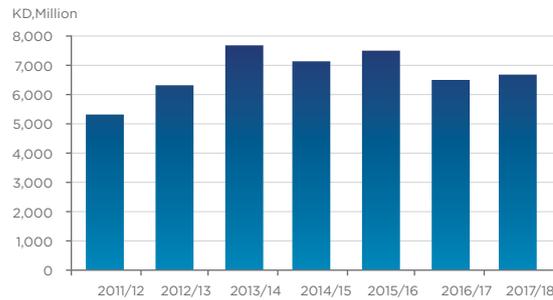
- Accepting time deposits from local banks and financial institutions.
- Issuing CBK bonds.
- Accepting sight deposits from local banks and financial institutions.

“The Main Source of Monetary Base Growth was the Increase in Local Banks' Account Balances, Time Deposits and Related Tawarruq with CBK”

- The balance of currency in circulation increased by KD 79.5 million or 4.6% to KD 1,803.3 million at the end of FY2018/19 compared to KD 1,723.8 million at end of the previous year.
- The balances of sight accounts and deposits also increased by KD 482.3 million or 38.2% to reach KD 1,743.8 million at the end of FY2018/19, compared to KD 1,261.5 million at the end of FY2017/18.

Chart (8)

Monetary Base



Source: Central Bank of Kuwait

- The balances of local banks' time deposits and related Tawarruq with CBK, within the system of accepting time deposits from these local banks, witnessed a rise of KD 545.2 million or 76.8% to reach KD 1,255.2 million at the end of FY2018/19, compared to KD 710.0 million at the end of the previous fiscal year.

Consequently, the balance of the monetary base increased from KD 6,732.5 million at the end of FY2017/18 to KD 7,773.0 million at the end of FY2018/19, i.e. an increase of KD 1,040.5 million or 15.5%.

6. Bank Credit

Balances of the utilized cash portion of credit facilities extended by local banks to various domestic economic sectors during FY2018/19 increased by KD 1,861.1 million or 5.2% to reach KD 37,420.8 million at the end of the mentioned fiscal year compared to KD 35,559.1 million at the end of FY2017/18.

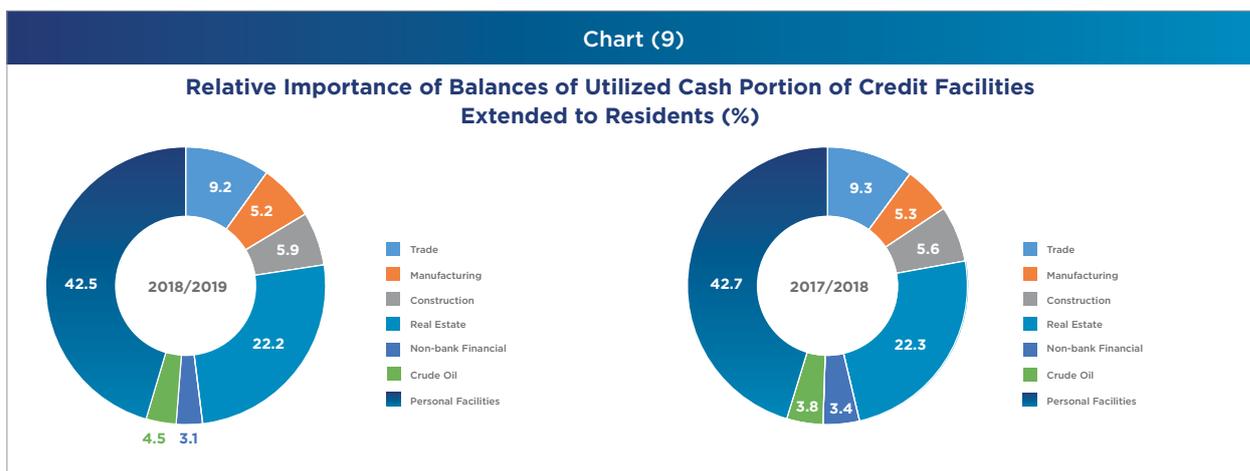
“ Personal facilities and credit extended to the real estate sector led the growth in credit facilities ”

The mentioned rise in the balances of credit facilities resulted, basically, from the increase in following categories of facilities:

- Personal Facilities (by KD 741.6 million or 4.9%)
- Facilities to Companies (by KD 1,120.1 million or 5.5%), which in turn resulted from the rise in credit facilities extended to companies in the following sectors:
 - Real Estate (by KD 387.7 million or 4.9%).
 - Industry (by KD 61.5 million or 3.3%).
 - Trade (by KD 130.2 million or 3.9%).
 - Crude Oil and Gas (by KD 302.8 million or 22.2%).
 - Construction (by KD 115.4 million or 5.8%).

On the other side, cash credit facilities extended by local banks to the following sectors decreased at the end of FY2018/19:

- Non-bank Financial Institutions (by KD 52.9 million or 4.4%).
- Public Services (by KD 0.1 million or 0.1%).



Source: Central Bank of Kuwait

Table (4)

Developments of Balances of Utilized Cash Portion of Credit Facilities Extended to Residents by Local Banks (KD Million)

End of Period	2017/18	2018/19	Change in (2) over (1)	
	(1)	(2)	Value	(%)
Total utilized cash credit facilities, of which:	35,559.1	37,420.8	1,861.8	5.2
Trade	3,316.1	3,446.3	130.2	3.9
Industry	1,888.4	1,949.9	61.5	3.3
Construction	1,981.0	2,046.4	115.4	5.8
Non-bank Financial Institutions	1,197.4	1,144.4	-52.9	-4.4
Personal Facilities	15,167.2	15,908.8	741.6	4.9
Real-Estate	7,926.6	8,314.3	387.7	4.9
Crude Oil and Gas	1,365.4	1,668.2	302.8	22.2

Source: Central Bank of Kuwait.

7. Issuance of Public Debt Instruments and CBK Bonds

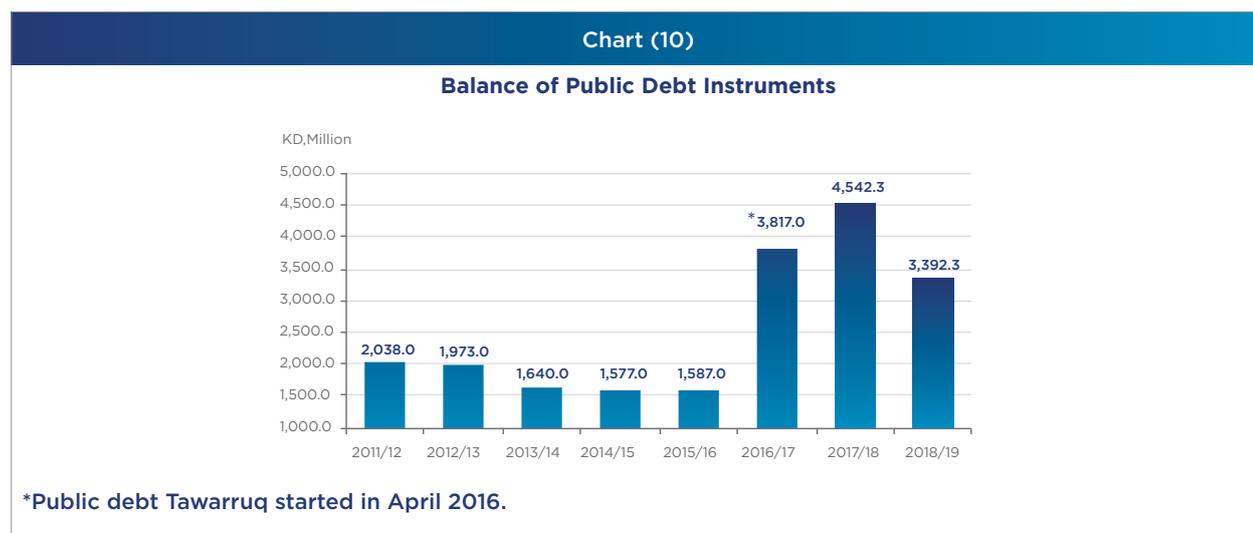
A. Issuance of Public Debt Instruments:

The CBK manages the issuance of public debt instruments (Kuwaiti Treasury Bills, Treasury Bonds and related Tawarruq) on behalf of the Ministry of Finance. These instruments enable the CBK to regulate the levels of domestic liquidity through the primary market for said instruments, or through open market operations in the secondary market for the instruments.

“Balances of Public Debt Instruments witnessed a decrease compared to a significant increase in the previous fiscal year”

Within this context, the CBK did not issue any Treasury Bond, during FY2018/19, while 13 previous issues of such bonds had matured during the year at a total nominal value of KD 1,150.0 million. Accordingly, the total outstanding balance of public debt instruments (Treasury Bills, Treasury Bonds and related Tawarruq) increased to KD 3,392.3 million at the end of FY2018/19.

The balance of public debt instruments held by local banks came to KD 3,392.3 million (100%) at end of FY2018/19.



Source: Central Bank of Kuwait.

B. CBK Bonds and Related Tawarruq :

CBK introduced 40 issues of its Bonds (CBK Bonds and related Tawarruq) during FY2018/19 with a total nominal value of KD 8,740.0 million, and 40 previous such issues matured within the same fiscal year, at a total nominal value of KD 8,740.0 million.

Accordingly, the total outstanding balance of CBK Bonds and related Tawarruq decreased to KD 2,958.0 million at the end of FY2018/19, against KD 3,028.0 million at the end of the previous fiscal year, i.e. a decrease of KD 70.0 million or 2.3%.

Second : Banking Developments

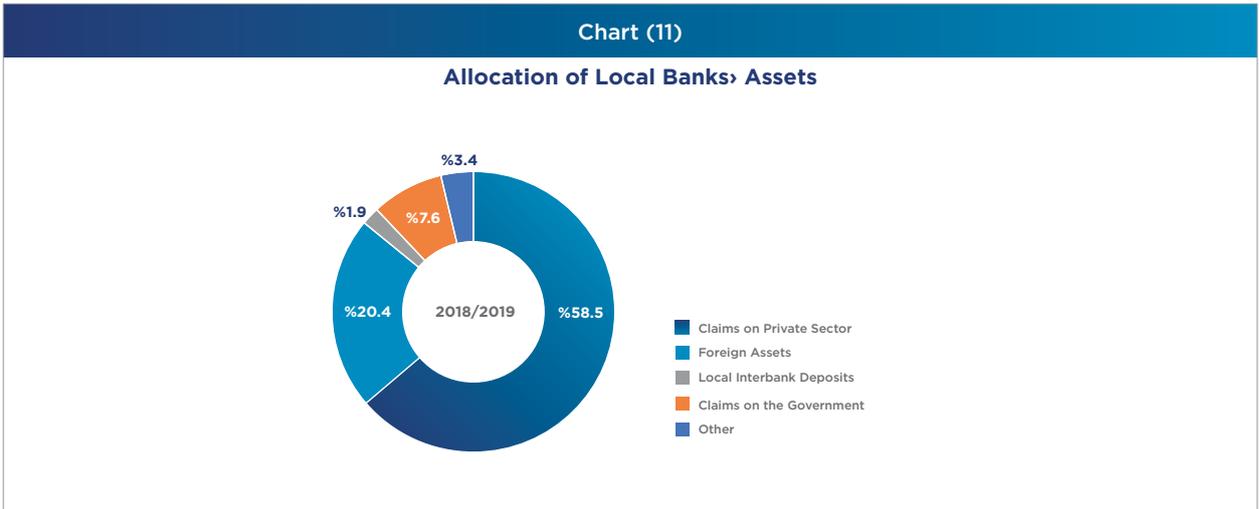
Local Banks' Aggregate Balance Sheet:

Aggregate balance sheet of local banks indicate an increase to KD 67,431.4 million at the end of FY2018/19 against KD 63,876.0 million at the end of FY2017/18, i.e. a rise of KD 3,555.4 million or 5.6%. This rise was caused by various developments in both assets and liabilities components of the balance sheet, the most notable of which are highlighted as follows:

1. On the Assets Side:

- Local banks' claims on the private sector increased by KD 1,886.4 million or 5.0% to KD 39,252.1 million at the end of FY2018/19 against KD 37,365.7 million at the end of FY2017/18. This increase resulted from a rise of KD 1,861.8 million or 5.2% in the balances of utilized cash portion of credit facilities extended by local banks to various domestic economic sectors to reach KD 37,420.8 million at the end of FY2018/19 against KD 35,559.1 million at the end of the previous fiscal year. Another factor was a KD 24.6 million or 1.4% increase in the balances of other local investments to reach KD 1,831.3 million by end of FY2018/19 compared to last fiscal year's final figure of KD 1,806.6 million.
- Local banks' claims on the CBK increased by KD 982.9 million or 18.5% to reach KD 6,290.1 million at the end of FY2018/19 against KD 5,307.1 million at the end of the previous fiscal year.

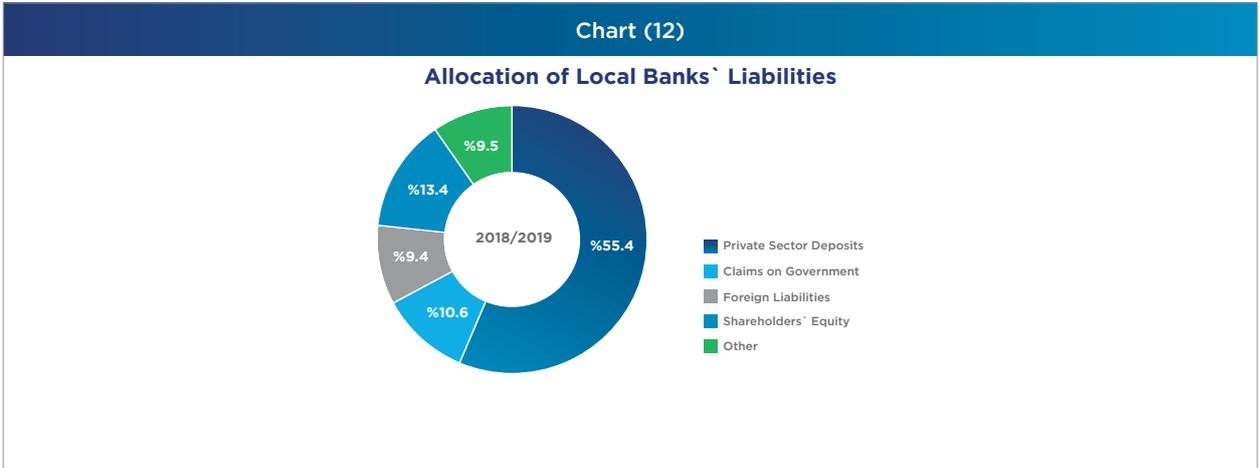
This increase resulted from the rise in the balances of sight deposits with the CBK and related Tawarruq by KD 456.0 million or 36.5% (up from KD 1,249.6 million to KD 1,705.6 million) and a growth in time deposits and related Tawarruq by KD 545.2 million or 76.8% (from KD 710.0 million down to KD 1,255.2 million), coupled with a decrease in local banks' holdings of CBK bonds and related Tawarruq by KD 66.5 million or 2.2% (up from KD 3,037.2 million to KD 2,970.7 million).



Source: Central Bank of Kuwait.

2. On the Liabilities Side:

- Private sector (resident) deposits with local banks increased by KD 1,787.8 million or 5.1% to KD 37,144.0 million at the end of FY2018/19 against KD 35,356.1 million at the end of the previous fiscal year. This rise resulted primarily from a growth of KD 1,620.1 million or 4.9% in the balances of KD deposits to reach KD 34,387.3 million at the end of FY2018/19 against KD 32,767.1 million at the end of the previous fiscal year. Furthermore, private sector (resident) deposits in foreign currency with local banks recorded a growth of KD 167.7 million or 6.5% to reach KD 2,756.7 million at the end of FY2018/19 against KD 2,589.0 million at the end of the previous fiscal year.
- Government deposits with local banks decreased by KD 785.4 million or 11.4% to KD 6,025.7 million at the end of FY2018/19 against KD 6,811.1 million at the end of FY2017/18.
- Shareholders' equity with local banks increased by KD 627.9 million or 7.3% to reach KD 9,212.4 million at the end of FY2018/19 against KD 8,584.5 million at the end of FY2017/18. On the other hand, the balances of contra accounts with local banks reached KD 17,056.3 million at the end of FY2018/19 against KD 16,645.0 million at the end of FY2017/18, i.e. an increase of KD 411.3 million or 2.5%. These balances account for 25.3% of the aggregate balance sheet of local banks at the end of FY2018/19 against 26.1% at the end of FY2017/18.



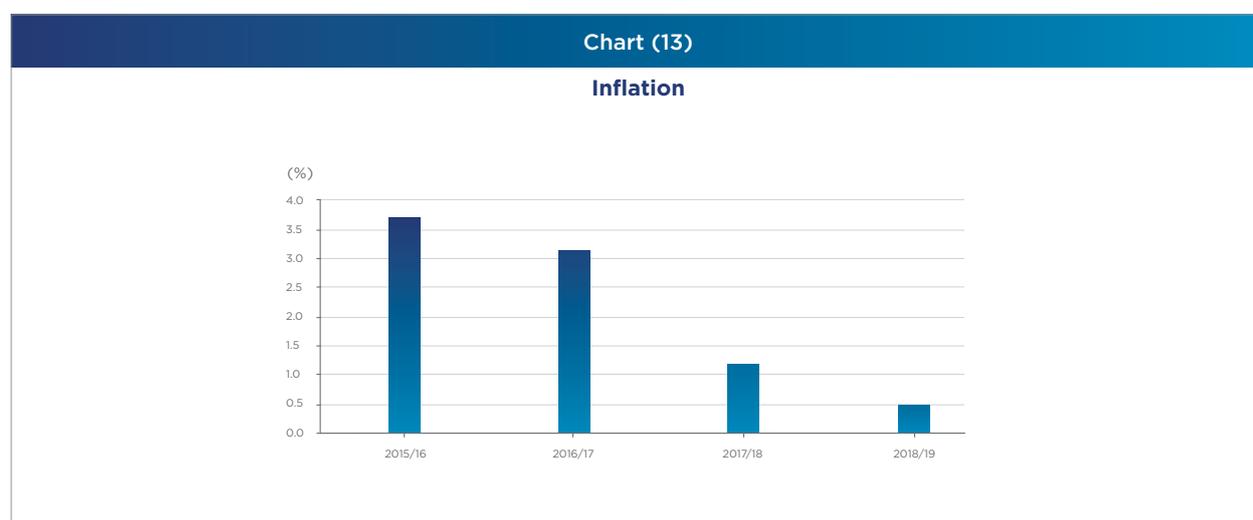
Source: Central Bank of Kuwait.

Table (5)				
Local Banks' Aggregate Balance Sheet (KD million)				
Item	Closing Balance		Change	
	2017/18	2018/19	Value	(%)
Assets:				
Claims on CBK	5,307.1	6,290.1	982.9	18.5
Local Interbank Deposits	1,188.8	1,963.8	775.0	65.2
Claims on Government	4,828.0	3,715.1	-1,112.9	23.1
Claims on Private Sector	37,365.7	39,252.1	1,886.4	5.0
Foreign Assets	13,004.5	13,954.3	949.8	7.3
Other Assets	2,181.9	2,256.0	74.1	3.4
Total Assets= Total Liabilities	63,876.0	67,431.4	3,555.4	5.6
Private Sector (Resident) Deposits	35,356.1	37,144.0	1,787.8	5.1
Government Deposits	6,811.1	6,025.7	-758.4	-11.5
Local Interbank Deposits	1,105.7	1,763.3	657.5	59.5
Shareholders' Equity	8,584.5	9,212.4	627.9	7.3
Foreign Liabilities	6,026.3	6,817.6	791.3	13.1
Other Liabilities	5,992.2	6,468.5	476.3	7.9
Contra Accounts:	16,645.0	17,056.3	411.3	2.5
Number of Banks:	23	23	-	-

Source: Central Bank of Kuwait.

Inflation Rate:

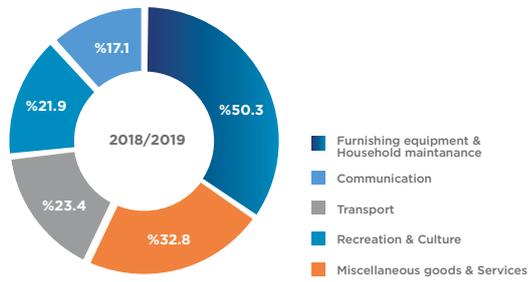
Data issued by the Central Statistical Bureau indicate that the annual inflation rate (measured by the relative change in the General Consumer Price Index (CPI), base year 2013=100) reached 0.5% during FY2018/19 against 1.2% for FY2017/18. The main groups that most contributed to the mentioned rate are: "Furnishing equipment and household maintenance" (relative weight of 11.4%) by 50.3%, "Communications" (relative weight of 4.0%) by 32.8%, and "Transport" (relative weight of 7.5%) by 23.4%, whereas the negative contribution to the inflation rate for FY2018/19 was in "Housing Services" (relative weight of 33.2%) by 80.0%.



Source: Central Bank of Kuwait.

Chart (14)

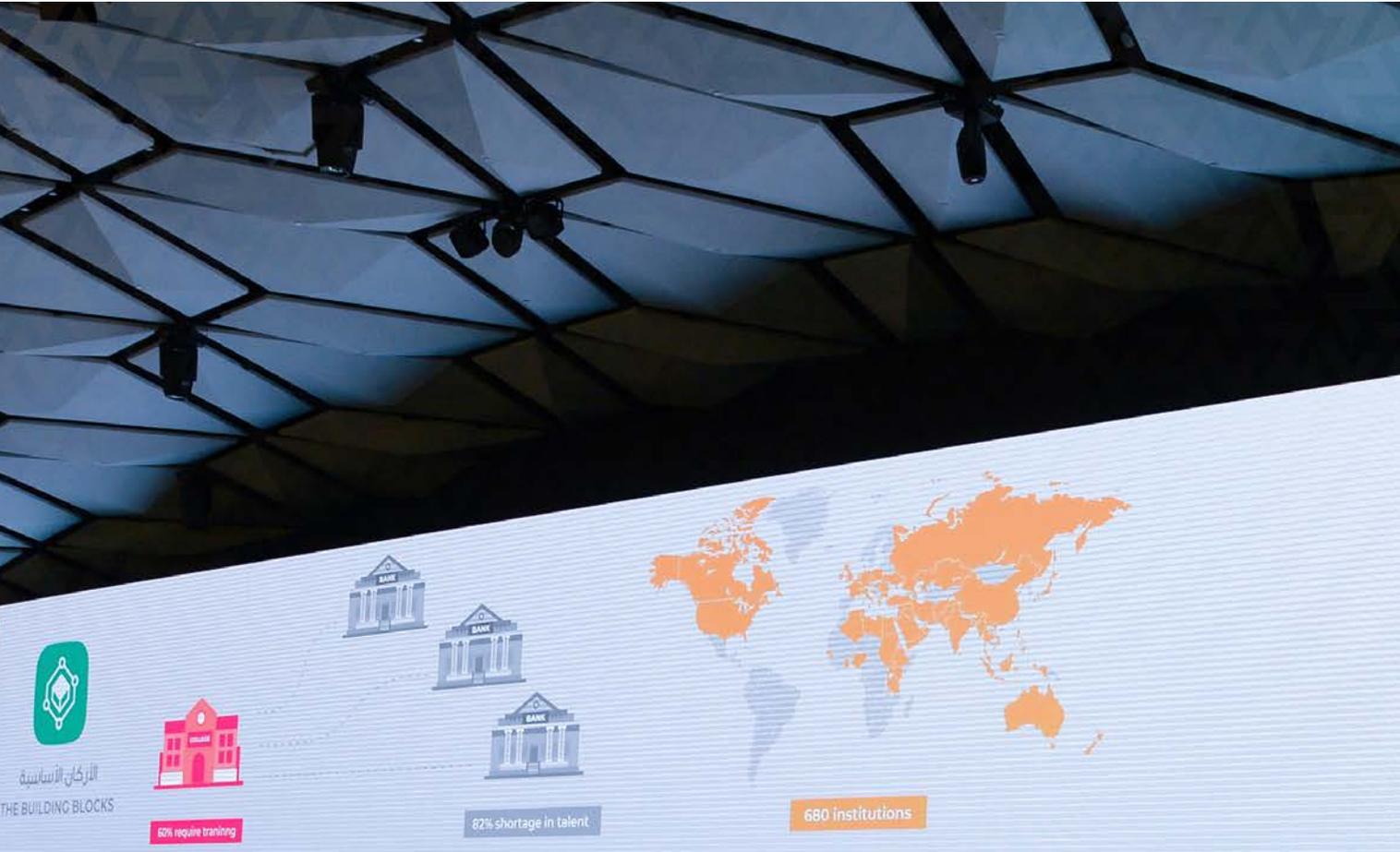
Relative Contributions to Inflation Ratio by the Major Sections 2018/19



Source: Central Statistical Bureau

Second: CBK Supervisory Efforts

- Instructions, Circulars and Controls
- Other Activities



ISLAMIC FINANCIAL SERVICES BOARD

A UNIVERSAL VALUE PROPOSITION

2 May 2018

رؤية استراتيجية
2 مايو 2018



“**CBK supervisory and oversight efforts over the banking and financial sector units under its supervision continued during FY2018/19 within the context of maintaining the integrity of the financial position of these units and solidifying Kuwait’s monetary and financial stability**”

First : CBK key instructions, circulars and controls issued for the banking and financial units under its supervision

- CBK has issued a circular on 1 August 2018 to all local banks regarding notifying CBK of cases of embezzlement, fraud and forgery against banks and banking institutions, particularly with the increasing volume and scope of electronic financial services provided to customers, which may negatively affect the reputation of these institutions and contribute to weaken the financial stability of the state.
- CBK has issued instructions on 15 August 2018 to all Kuwaiti banks and foreign branches operating in the State of Kuwait regarding providing SMS services to all their individual customers. This pertains to all banking transactions carried out in their accounts, which includes various types of bank cards and other electronic transactions carried out by the customer. Customers may instead choose to be contacted in other forms such as e-mail or notifications sent through smartphone apps, as long as the banks comply with providing electronic systems that support such services, applicable starting from 16 September 2018.
- CBK has issued instructions on 23 September 2018 to providers of electronic payment and settlement services and systems concerning organizing the work of electronic payment of funds, in accordance with Law No. (20) of 2014 regarding electronic transactions, which gives CBK the full authority to supervise and control the work of electronic payment of funds, and issue binding instructions in this regard.
- CBK has amended instructions on 10 November 2018 concerning the rules & regulations for granting personal loans and financing facilities (consumer/housing) in addition to the issuance of credit cards, whereby a number of major amendments was introduced. The main change included an increase in the maximum value of a consumer loan extended to maximum 25-fold the net monthly salary of the client not exceeding KD 25,000, in addition to a maximum housing loan of KD 70,000. These instructions confirm the transparency in granting such loans in which the lenders provide the borrower with the necessary information before signing the contract to make the proper credit decision. Most significantly, providing clear statistical tables for the client showing the value and numbers of the loan installments, and interests received at the end of the contract. The instructions also ensure that the lender should study the client’s credit situation and be aware of the purpose of the required loan, as well as the client’s actual need. The lender should also provide financial counsel for clients –upon granting or during funding- and ascertain the state of their obligations and financial burden, and advise them on their needs and commitments and the consequences of increasing them, especially in case of a change of the financial condition upon change of employment status or retirement.
- As part of CBK’s efforts to provide appropriate supervisory policies and instructions to support products, services and advanced business models in the field of modern financial technology (FinTech), CBK has issued on 26 November 2018 the Regulatory Sandbox Framework Document to support and regulate innovative initiatives that serve the Kuwaiti economy in this field. The main objectives of the Regulatory Sandbox Framework are to provide a safe environment to test proposed products and ser-

vices related to electronic payment operations, and to encourage financial innovations by temporarily easing participants from part of the regulatory and supervisory requirements including the need for required permits.

- CBK has issued a circular to all local banks and finance companies on 3 December 2018 concerning modifying the rules and regulations for the required qualifications when appointing a chief executive officer of a bank/finance company, and a deputy or assistant chief executive officer of a bank/finance company. Information technology (IT) has been added to the qualifications and credentials the candidate for these jobs may possess.
- To maintain financial stability and soundness of the banking sector, through adopting the latest and best international standards and practices, the CBK had issued a circular on 25 December 2018 to local banks regarding the implementation of the International Financial Reporting Standard (IFRS 9). The CBK instructed local banks to prepare their financial statements as of 31 December 2018 in accordance with the requirements of the said standard. With regard to credit facilities/financing portfolio, the expected credit losses must be calculated in accordance with the requirements of standard No. 9, with compliance to CBK directives in this regard, or in accordance with the instructions issued by CBK on the rules and regulations of credit facilities' classification and the calculation of their allocation (whichever is bigger).
- As part of CBK's efforts to develop qualified and professional human resources in the area of internal and external supervision and auditing over Islamic banks and institutions' operations, the CBK has launched the "Certified Sharia Auditor" program in collaboration with the Institute of Banking Studies (IBS). CBK was keen to ensure that auditing will also cover other activities of those banks and financial institutions, such as financial investment and insurance activities. New and current auditors have been obliged to obtain the «Certified Sharia Auditor» certificate from the Institute of Banking Studies. This program was launched on 3 March 2019 and is certified by the Central Bank of Kuwait, Capital Markets Authority and Kuwait Center for Islamic Economy.

Second : Other Activities

- Preparing and signing a memorandum of understanding between CBK and the Capital Market Authority (CMA) on 17 January 2018, to coordinate and cooperate among them on defining competencies of regulating and supervising certain aspects of CBK-controlled units' activities, in addition to the financial instruments issued, handled and subject to the supervision of CMA.
- Organizing a global conference on Islamic finance titled: "Islamic Finance: A Universal Value Proposition", on 2/5/2018, in the State of Kuwait, under the patronage of His Highness the Amir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah.
- Organizing a workshop in cooperation with the International Islamic Financial Market in October 2018, regarding Islamic Hedging, Liquidity Management and Sukuk.
- Within the framework of CBK's continuous efforts to train national and Gulf cadres, strengthen banking supervision methods and apply the best regional and international practices in this regard, CBK hosted a high-level panel discussion, during 24-28 March 2019, organized by the International Monetary Fund (IMF) Middle East Center for Economics and Finance (CEF) on banking supervision and oversight, which gathered representatives from central banks and monetary agencies of the countries of the Gulf Cooperation Council (GCC).
- CBK organized the Second Cyber Security Leaders Program (CSLP) to develop national cadres in the banking sector and the national economy. Building technical capabilities in information technology and information security, bolsters the financial and banking sector's defenses against the risks inherent in

the sector's information systems, ensuring that the latest technology is adopted safely.

- Mobilizing the Financial Technologies Team at the supervision sector, on 18 December 2019, to enhance CBK's role in developing electronic payment and settlement services, as well as examining, studying and evaluating proposed applications of FinTech products/services and executing the Regulatory Sandbox approach.
- Organizing a workshop in coordination with the global rating agency Standard & Poor's (S&P), in October 2018, on Sovereign Ratings and Banks' Credit Ratings Methodology.

Third: Key Banking Operations

- Currency in Circulation
- Interbank Clearing and Settlement Operations
- Bank Transfers



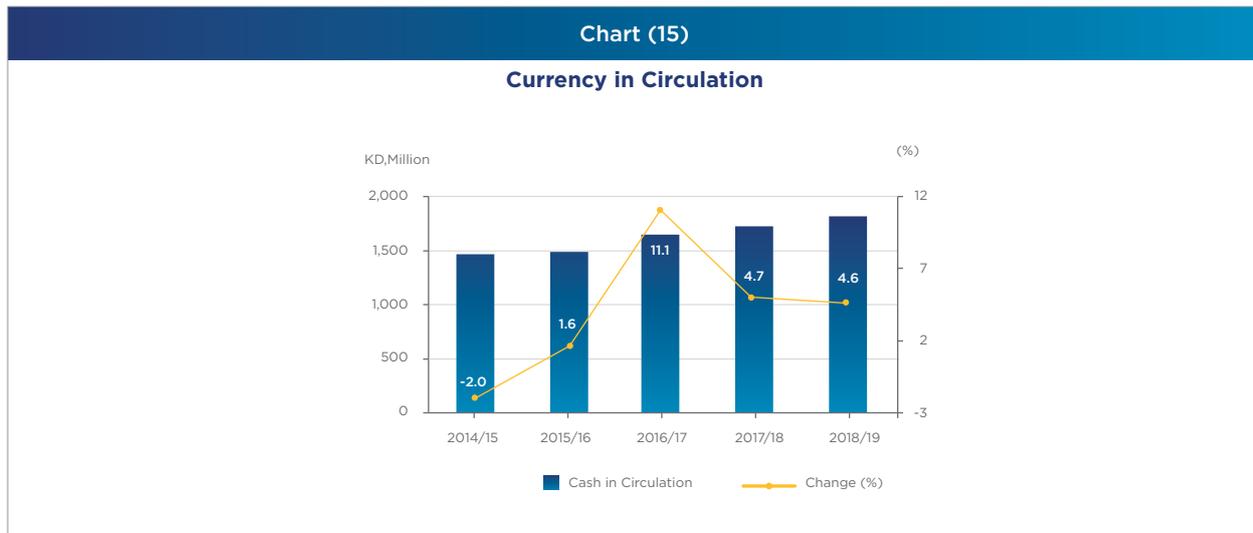
First : Currency in Circulation

• Balance of Currency in Circulation

The balance of currency in circulation reached KD 1,803.3 million by the end of FY2018/19 against KD 1,723.8 million at the end of the previous fiscal year, i.e. an increase of 79.5 million or 4.6%. Balance during FY2018/19 varied between:

- The highest level of KD 1,878.8 million, by end of May 2018, and
- The lowest level of KD 1,665.7 million, by end of September 2018.

“Value of currency in circulation increased by 4.6% at the end of FY2018/19”



Source: Central Bank of Kuwait.

• The Quality of Banknotes in Circulation

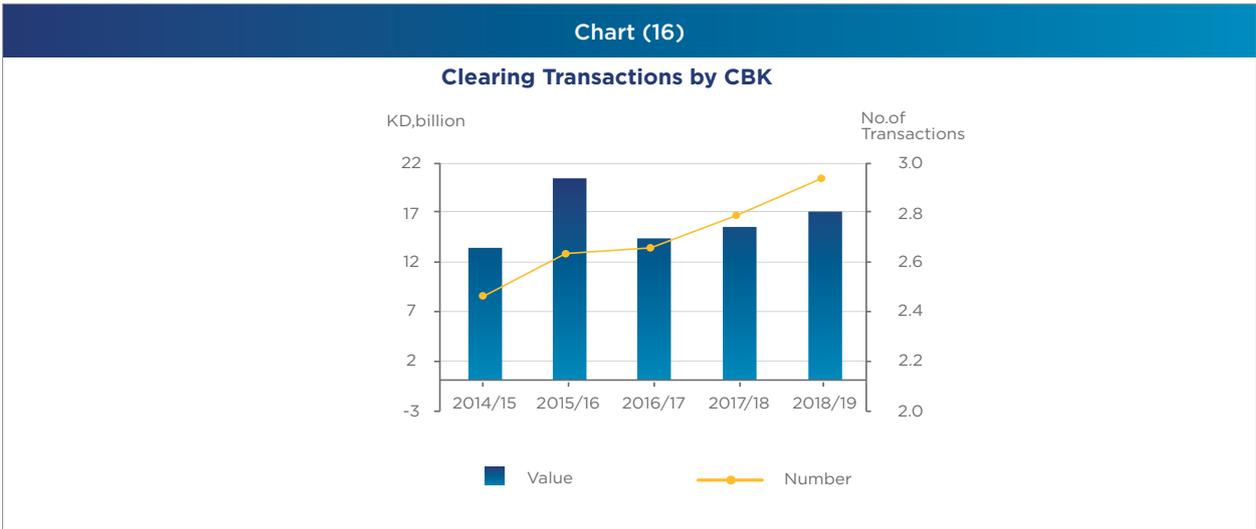
CBK continued its efforts towards ensuring the high quality of banknotes in circulation by withdrawing and destroying banknotes that are no longer fit for circulation in accordance with CBK minimum quality requirements, and fighting counterfeit and forgery of banknotes in collaboration with other government bodies.

Second : Local Interbank Clearing and Settlement Operations

• Transactions processed by CBK Clearing Room

“The total value of clearing room’s transactions increased to reach KD 17.0 billion during FY2018/19”

The total value of transactions made by CBK clearing room during FY2018/19 increased to KD 17.0 billion for 2.93 million transactions (cheques) i.e. an average value of KD 5,796.9 per transaction, against KD 15.5 billion for 2.78 million transactions (cheques) i.e. an average value of KD 5,566.6 per transaction during FY2017/18.

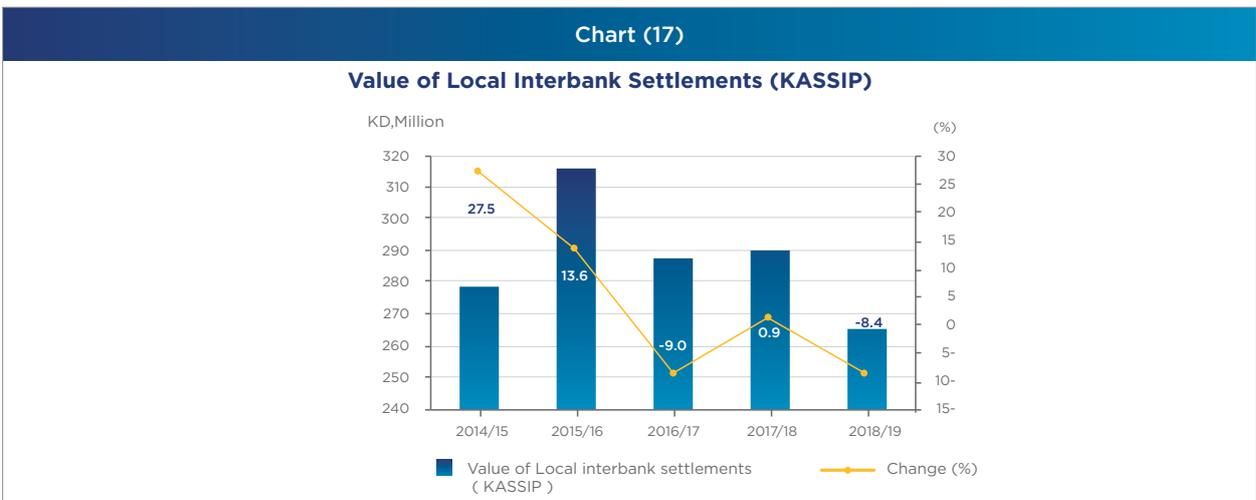


Source: Central Bank of Kuwait.

- **Interbank Settlements**

“The Interbank Settlements decreased by 24.37 billion or 8.4%”

Interbank settlements carried out through CBK using Kuwait Automated Settlement System for Inter-participant Payments (KASSIP) amounted to KD 265.76 billion during FY2018/19 against KD 290.13 billion during the previous fiscal year, i.e. a drop of KD 24.37 billion or 8.4%.



Source: Central Bank of Kuwait.

Third : Bank Transfers and Transactions

- **Local Bank Transfers**

“The value of local bank transfers increased by 0.5% during FY2018/19”

CBK executed 9,084 bank transfers in favor of ministries and different government institutions totaling KD 1,615.2 million during FY2018/19 against 8,895 bank transfers totaling KD 1,606.2 million during FY2017/18.

Chart (18)

Bank Transfers Processed for the State Ministries and Government Institutions



Source: Central Bank of Kuwait.

• External Bank Transactions

Other external bank transactions carried out by CBK in favor of ministries and government entities in the form of documentary credits and payable bills and drafts during FY2018/19 are tabulated below:

Table (6)

External Bank Transactions carried out for State Ministries and Government Entities

Particulars	No.	Value (KD)
A. Documentary Credits:		
1) Opened		
- Local	-	-
- Foreign	14	43,446,478
Total	14	43,446,478
2) Paid		
- Local	11	3,432,271
- Foreign	87	477,196,034
Total	104	480,628,305
3) Amended		
- Local	3	-
- Foreign	46	1,864,066
Total	49	1,864,066

Source: Central Bank of Kuwait.



Fourth: CBK Workforce

- CBK Staff Number
- Official Missions
- Training Courses and Programs
- Professional Certificates and Scholarships



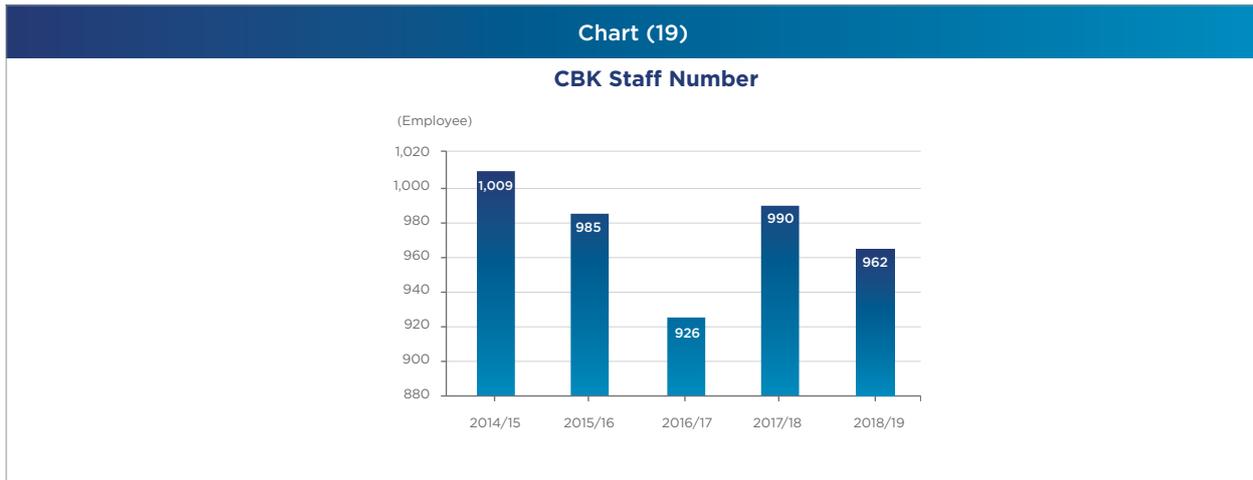


The following shows CBK staff statistics development at the end of FY2018/19:

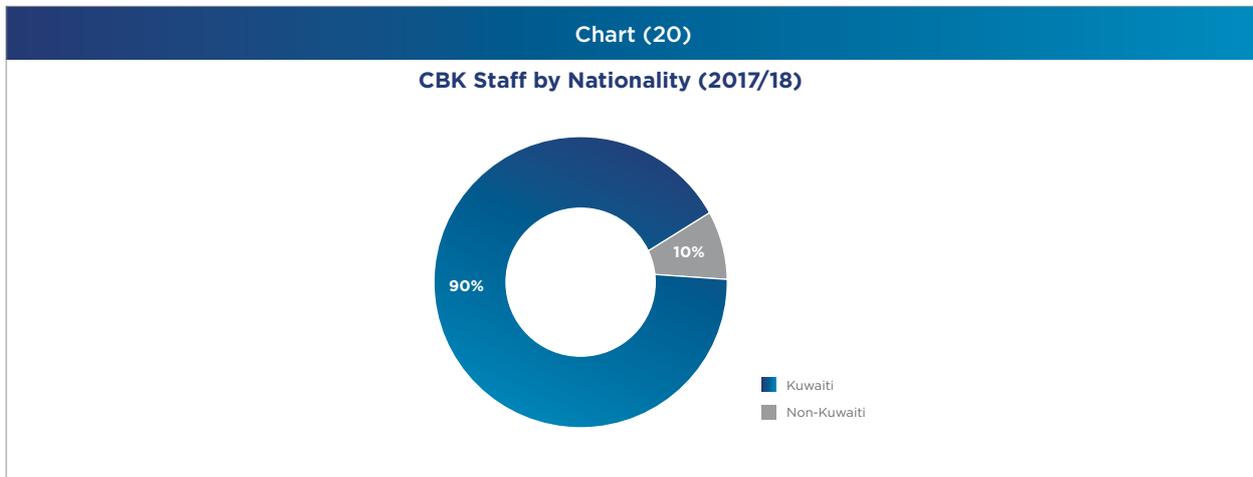
First : CBK Staff Number

- Staff Number in CBK

CBK total staff number reached 962 at the end of FY2018/19 against 990 at the end of FY2017/18, of which Kuwaiti staff reached 866 (90% of the total) at the end of FY2018/19 against 895 (90.4% of the total) at the end of the previous fiscal year.



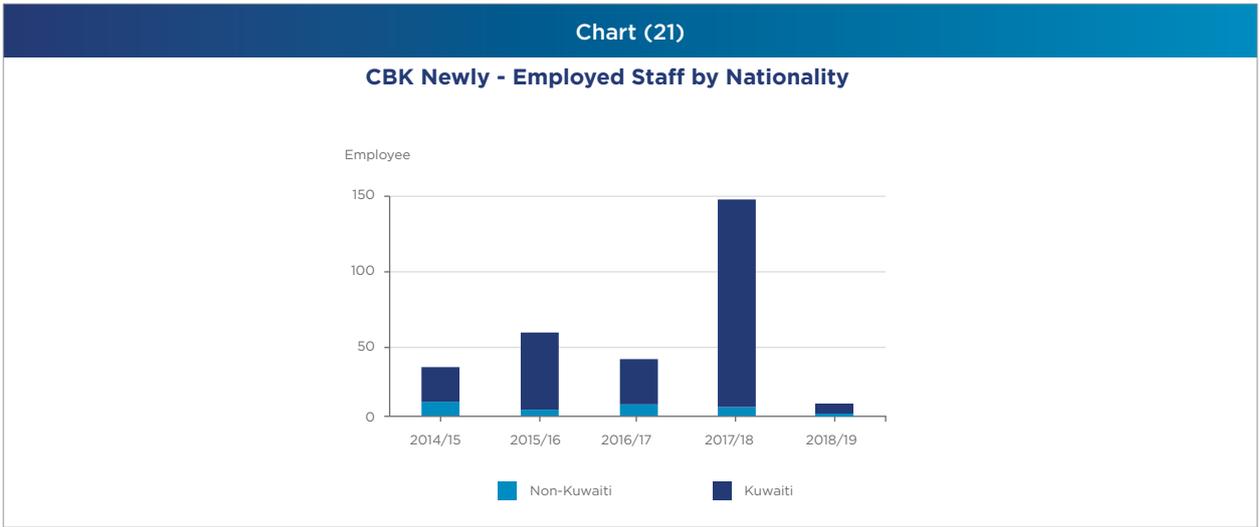
Source: Central Bank of Kuwait.



Source: Central Bank of Kuwait.

- CBK New Staff

CBK appointed 10 new staff during FY2018/19 of whom 7 (70% of total recruits) are Kuwaitis. Taking into account CBK's announcement of job opportunities during the period 27th March to 10th April 2017, a total number of 147 staff have been appointed during FY2017/18 of whom 141 were Kuwaitis (95.9% of total recruits).



Source: Central Bank of Kuwait.

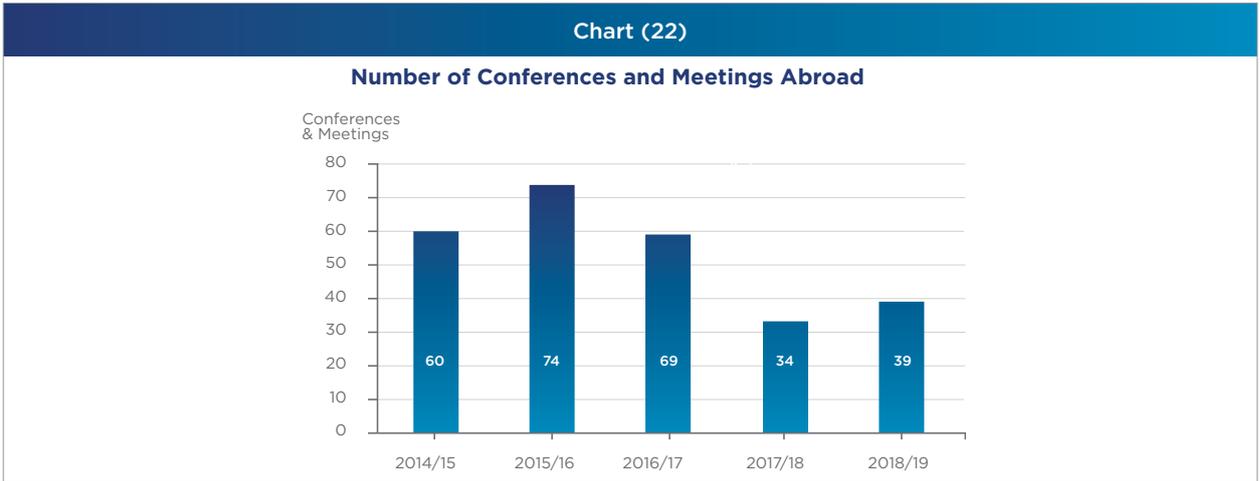
- **Employees' End of Service**

FY2018/19 witnessed end of service of 38 employees for the following reasons: Resignation (16 employees), retirement (12 employees), end of service (one employee), dismissal (6 employees) and death (3 employees).

Second : Official Missions

- **Conferences and Meetings Abroad**

A number of 70 staff were delegated to attend 39 conferences and meetings abroad during FY2018/19 (an increase of 29.6%) against 54 staff who attended 34 conferences and meetings abroad during FY2017/18.



Source: Central Bank of Kuwait.

Third: Training Courses and Programs

• Training Courses

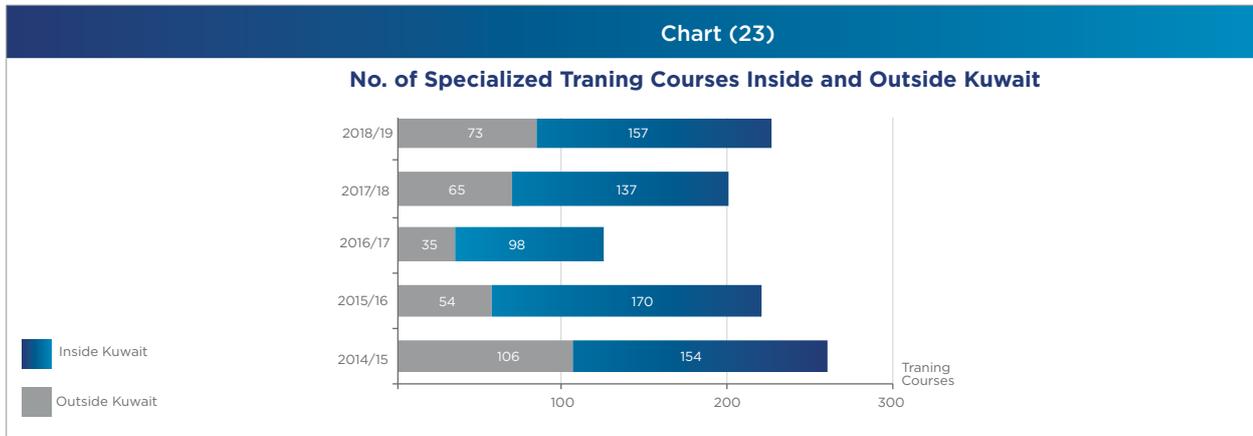
In fulfillment of staff training needs and work requirements, and in coordination with specialized training bodies, CBK had organized different programs or invited competent lecturers from within CBK, and delegated a number of CBK’s staff to attend specialized programs, courses, seminars and workshops on banking, finance, economics, administration and IT, in accordance with the work needs and requirements, as follows:

A. Inside Kuwait

A number of 1248 staff attended 157 programs during FY2018/19, compared to 1204 staff attended 137 training programs in the previous fiscal year (i.e. an increase by 3.6%) in cooperation with local bodies. These include the Institute of Banking Studies, Arab Planning Institute, International Monetary Fund’s Middle East Center for Economics and Finance, Kuwait Institute for Judicial & Legal Studies, State Audit Bureau of Kuwait, Ministry of Finance, General Secretariat of the Supreme Council for Planning and Development, and a number of local banks and financial institutions, specialized private local training bodies, audit bureaus, and Civil Service Commission.

B. Outside Kuwait

During FY2018/19, a number of 105 staff attended 75 regional, Arab and international training programs in coordination with a number of training bodies and institutions specialized in banking, finance and economics. These include the Economic Policy Institute - Arab Monetary Fund, Union of Arab Banks, Arab and foreign central banks, International Monetary Fund, World Bank, and the Federal Reserve System, State Workers’ Insurance Fund (SWIF), and Jirizense Center. On the other hand, 102 staff attended 65 training programs outside the State of Kuwait during the previous fiscal year.



Source: Central Bank of Kuwait.

• Qualifying Kuwaiti Fresh Graduates

CBK has continued its training programs for 65 fresh graduate interns whom the Bank has concluded training contracts with during FY2017/2018.

• Training University and Institute Students

During FY2018/19, CBK has trained university and institute students (Kuwait University, the Public Authority for Applied Education and Training, and the American College of the Middle East) in a number of its administrations and offices. The number of trained students reached 22 during FY2018/19, compared with 8 during FY2017/18.

- **Participating in the Recruiting and Training Program for Fresh Kuwaiti Graduates within the Banking Sector**

In collaboration with other local banks, CBK participated for the eighth consecutive year, in “The Recruiting and Training Program for Fresh Kuwaiti Graduates within the Banking Sector”. This one-year program is organized by the Institute of Banking Studies under the supervision of CBK. The eighth batch for this program is currently being prepared by training fresh Kuwaiti graduates to participate in the program as of March 2018. Under this program, 3 university graduate interns were selected for CBK to participate in this training.

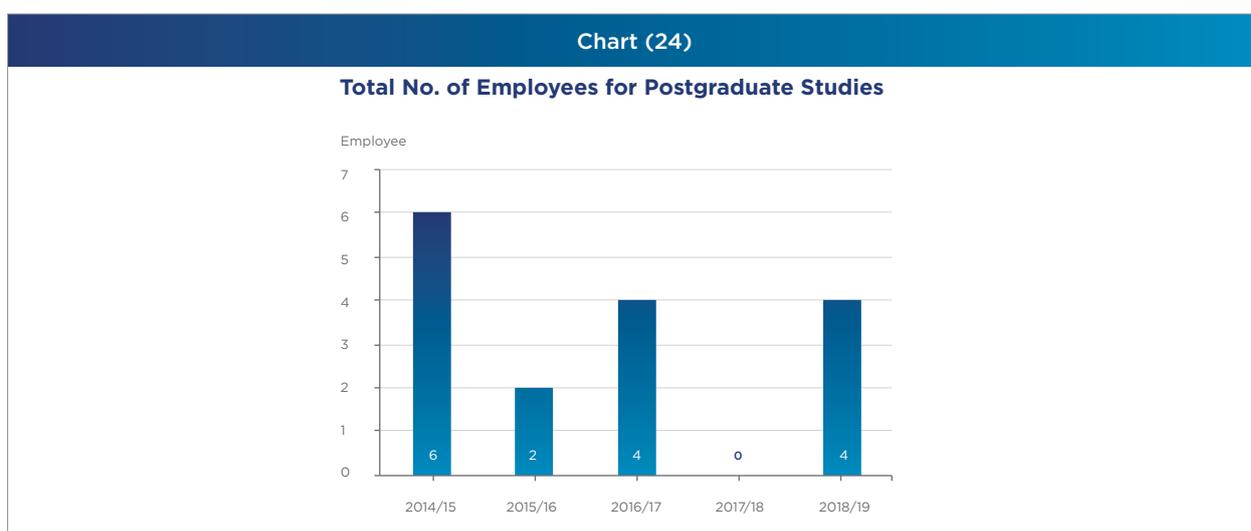
Fourth : Professional Certificates and Scholarships

- **Professional Certificate Program**

During FY2018/19, 10 employees attended 4 professional certificate programs, compared with 7 during FY2017/18.

- **Graduate Studies**

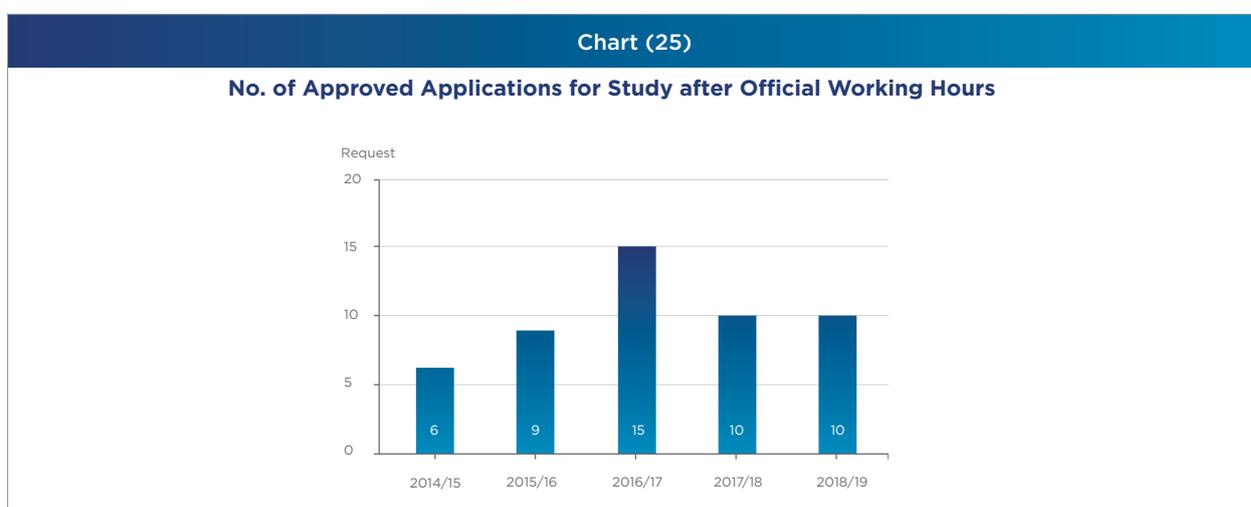
During FY2018/19, 4 employees meeting the requirements were granted scholarships for postgraduate studies abroad, noting that no employee has been provided with postgraduate studies abroad during FY2017/18.



Source: Central Bank of Kuwait.

- **Study after the CBK Official Working Hours**

CBK has approved 10 study completion requests during FY2018/19 compared with 10 requests for study completion after the official working hours during FY2017/18. The Human Resources Department made the necessary procedures and organized the process of study completion after the official working hours in accordance with CBK’s terms and controls thereon.



Source: Central Bank of Kuwait.

Fifth: Other Activities

- CBK's Efforts Towards Developing and Upgrading the Information Technology Infrastructure
- CBK's Efforts Towards Enhancing its Communications with the Economic and Financial Society



First : CBK's Efforts Towards Developing and Upgrading the Information Technology Infrastructure

“ CBK continued its efforts during FY2018/19 towards developing and upgrading the information technology infrastructure in line with latest IT breakthroughs. Main efforts include the following:”

• The “Government Electronic Banking Services System” Project

CBK started operating the Government Electronic Banking Services System which facilitates and accelerates the completion of government banking activities. This system provides government bodies with integrated banking services including financial transfers, payment orders, and enables them to view their transactions and bank accounts' details.

The system enhances the operational efficiency of government bodies according to the best international practices, and reduces effort and time in a manner that ensures accuracy and efficiency of these bodies daily work.

• The “Kuwait National Payments Systems (KNPS)” Project

In cooperation with Kuwaiti banks, this project aims at enhancing the efficiency of payment and settlement systems in accordance with best international practices, in addition to developing internal transactions and systems of banks, providing advanced electronic services to their customers and heading towards digital technology. The first package of banking services is expected to be launched during FY2019/20. The KNPS includes 8 modern and advanced systems, as follows:

- Automated Clearing House.
- Wages Protection System.
- Mobile Payments system.
- Dispute Management System.
- Real-time Gross Settlement System.
- Central Bank Digital Currency System.
- Payments system dashboard & reporting.
- Bill Presentment and Payment system.

• The “Centralized Analytics System” Project

The system aims to facilitate the automated presentation and analysis of reports and data thus saving time and effort. Moreover, it offers accurate and timely information that contributes to the development and enhancement of the efficiency of the Bank's performance.

• SWIFT System Upgrade

The Swift system upgrade procedures have been completed in accordance with the requirements of SWIFT International. This upgrade provides safe and efficient services to SWIFT customers.

• Development of the Attendance System

The employees' attendance system has been developed to ensure data accuracy and efficiency.

• Development of Several Programs and Automated Systems Including:

- Islamic Finance Companies System.
- Conventional Finance Companies System.

- Kuwait Credit Bank System.
- Islamic Investment Companies System.
- Conventional Investment Companies System.

Moreover, the statistical database has also been developed for supervision purposes, i.e. bulletin, financial analysis, financial position review, data control, and statistics issuance. The bodies directly upload the data to the system, the system then automatically verifies the validity of the data before approving it by the relevant employee.

• **Automatic Online Linking with the Public Authority for Civil Information**

Automatic online linking procedures have been completed with the Public Authority for Civil Information databases, which enables fast automated data validation and verification, thus saving time and effort, and enhancing operational efficiency of the Bank's operations.

Second : CBK's Efforts Towards Enhancing its Communications with the Economic and Financial Society

During FY2018/19, CBK has undertaken several activities to enhance its communications with the economic and financial society. Responding to the rapid changes taking place in the media and its technologies, CBK has adopted a balanced media policy that highlights its achievements and familiarizes the community and those interested with its efforts and accomplishments. These efforts are addressed as follows:

• **Communications, publishing and promotion**

In an attempt to promote the Bank's image and keep up with the progressive developments witnessed by media industry, CBK has adopted a communications plan aimed at highlighting CBK's achievements and vision. CBK's mandate to maintain the financial and monetary stability, as well as to supervise monetary policies and the banking system of the State of Kuwait is publicized through the following:

- Publishing 34 press material including press statements, press releases and news on local newspapers, Kuwait News Agency (KUNA) and other news agencies, to keep up with the developments witnessed in CBK business.
- Posting 401 posts on CBK social media accounts and channels, such as Twitter, Instagram, Facebook, LinkedIn and YouTube.
- Continuously developing CBK's accounts on social media platforms, in order to reach a broader base of followers.
- Monitoring and reviewing announcements posted in newspapers and social media by the bodies subject to CBK's supervision to ascertain the extent of their compliance with issued instructions.
- Preparing and disseminating 66 infographics in English and Arabic, to inform the community, and those interested, of developments in a comprehensive yet simplified manner.

• **Growth and development of institutional relations**

During FY2018/19, CBK has strengthened its institutional relations through cooperation with several relevant entities such as:

• **The Institute of Banking Studies (IBS)**

CBK continued its collaboration with the IBS in developing the media strategy of the programs initiated by CBK through the IBS. These programs deal with the social responsibility of the banking sector in areas related to qualifying national cadres and competencies to support the sustainable development of the sector in the State of Kuwait, as follows:

- The Kuwaiti Economic Researcher Award and the Kuwaiti Economic Student Award.
- The Kuwaiti Graduates Development Program.
- The Cyber Security Leaders Program.
- The Master's Degree Scholarship Program.

• Kuwait Banking Association (KBA)

CBK continued its collaboration with KBA in various projects related to awareness and media, including the Awareness Campaign that is targeted to increase financial literacy of customers of the banking sector in the State of Kuwait.

• Kuwaiti Banks and Finance Companies

During FY2018/19, CBK has collaborated with Kuwaiti banks in enhancing the efforts to raise awareness of their customers. The cooperation came as follows:

- Organizing and following up on a joint campaign with the banks on the mechanism for submitting complaints to entities subject to the supervision of CBK through the dissemination of informative videographs via publications, social media, and the bank's website.
- Announcing of commemorative coins issued by CBK.
- Introducing the Regulatory Sandbox Framework for FinTech through posting announcements related to the project.
- Announcing of programs launched by CBK in cooperation with Kuwaiti banks and managed by the IBS.
- Announcing of maintaining the confidentiality of banking information (bankcard pass in automated systems).
- Publishing CBK's instructions to banks and financing companies regarding the rules and regulations for granting personal loans and financing facilities (consumer/housing) in addition to the issuance of credit cards.
- Publishing the announcement of job vacancies at the International Monetary Fund (IMF).
- The awareness campaign on the instructions concerning the regulation of electronic payment of funds.
- Announcing the availability of new banknotes, by CBK, Kuwaiti banks, and K-Net, at automated teller machines in commercial malls on the occasion of Eid.

• Ministry of Information

CBK continued its collaboration with the Ministry of Information through providing CBK's news to be broadcasted through various media channels and platforms, as well as preparing informative reports for citizens, in addition to covering CBK's events and activities.

• Kuwait News Agency (KUNA), Local Newspapers and Visual Media

CBK's cooperation with these entities continues, to cover and publish the Bank's events, conferences and activities.

• Participation in National, Gulf, and International Occasions

CBK has participated, and adorned its building with external lightings, on several occasions, such as Kuwait National Day, Kuwait's hosting of the Gulf Football Championship, Kuwait's resuming the international participation of its national team, the 4th anniversary of His Highness being named "The Humanitarian Leader", as well as the national holidays of the GCC countries.

• Media Coverage of Conferences and Events

- CBK-IFSB Conference on Islamic Finance: A Universal Value Proposition and meetings of the Supreme Council for Islamic Financial Services.
- The awareness campaign on the instructions concerning the regulation of electronic payment of funds.
- Instructions concerning the rules and regulations for granting personal loans and financing facilities (consumer/housing) in addition to the issuance of credit cards.
- The Global Informatics Forum - held at the Gulf University for Science and Technology.

- Meetings (69-70-71) of the GCC Committee of Governors of Monetary Institutions and Central Banks.
- Meetings of the Board of Directors of the Gulf Monetary Council and a number of workshops and seminars in cooperation with a number of local and regional bodies.

• Consolidation of Public and Social Relations

CBK was keen to organize events and make use of events to consolidate relationships and maintain a positive level of professional and personal relations and believes in the importance of such communications to improve the Bank's image and the performance of its employees. For this purpose, CBK organized the following events and workshops with local and international institutions:

A. CBK organized meetings, forums, conferences and workshops such as: (6) workshops in different subjects, (2) press conferences, (4) campaigns in various fields, in addition to hosting the GCC banking system, and the 71st meeting of the GCC Committee of Governors of Monetary Institutions and Central Banks. In addition to participating in the Global Informatics Forum, and organizing the CBK-IFSB Conference on Islamic Finance: A Universal Value Proposition.

B. Organizing social responsibility programs and services such as providing "Eidiyah" at ATMs in commercial malls.

C. Organizing (2) field visits to its Headquarters for several academic and official institutions to introduce the objectives and functions of CBK.

D. Organizing receptions in celebration of national holidays, and honoring of distinguished employees for 2017.

E. Organizing (4) awareness lectures for the Bank's employees on various life aspects such as balanced diet, self-development, dealing with accidents and fire.

F. Organizing social programs and services directed to the Bank's employees to encourage contributions and help those in need inside and outside the State of Kuwait.

• Documentation and Museum Display

To share its accumulated culture, experience and history, and aiming to document landmarks in monetary, financial and economic policy, as well as documenting the contributions of successive leaders who held the helm in the past, the CBK worked towards the following:

- Following up the implementation procedures of CBK's museum project.
- Reviewing the contents of historical documents and collectibles at CBK's departments in order to preserve them.
- Launching a project for repairing damaged historical documents at CBK.
- Organizing field visits to "The Royal Mint" and "De La Rue" in the UK, and a visit to the Central Bank of Bahrain Museum to view their holdings, and discuss ways of cooperation to provide CBK's holdings.

• Technical Production and Publications

In order to present CBK printed material in the best possible form, to establish a new unified identity for the Bank to be used in its publications and reports, control expenses and rationalize spending, and to implement the periodic work of the Printing Press Section, CBK has executed the following:

- Printing of all reports and publications for the Economic Research Department and the Financial Stability Office (Monthly Bulletin - Quarterly Bulletin - Annual Report - Economic Report - Financial Stability Report).
- Printing the annual calendar for 2019 (pyramidal and office calendars), and producing the VIP gift boxes.
- Executing 370 orders for CBK's various departments.



التعليمات الخاصة بقواعد وأسس
منح البنوك وشركات الاستثمار وشركات التمويل
للقرض وعمليات التمويل الشخصية
للأغراض الاستهلاكية والإسكانية
وإصدار البطاقات الائتمانية





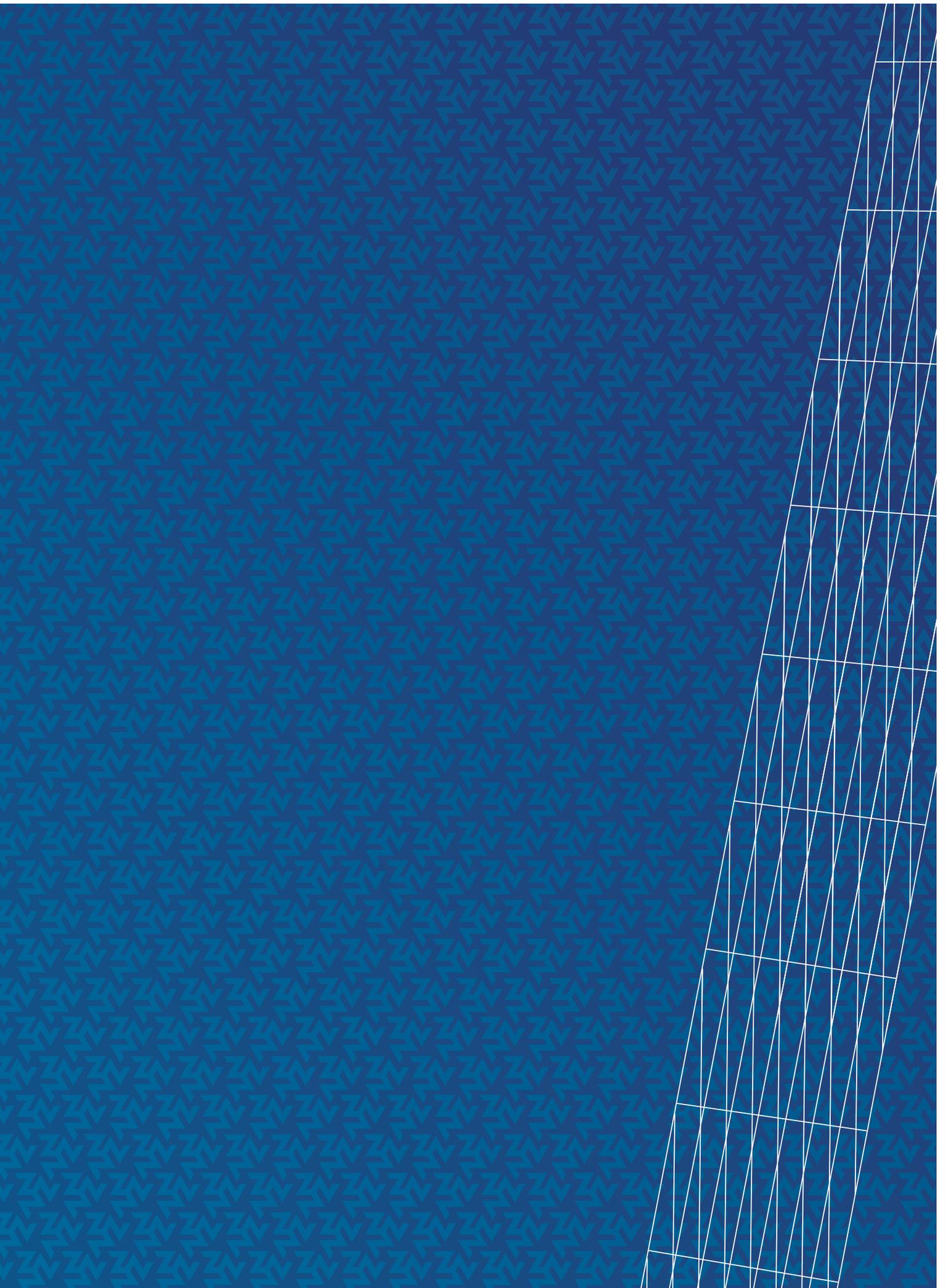


حفل تكريم الفائزين
بجائزة
الباحث الاقتصادي الكويتي
وجائزة



Sixth: CBK Financial Statements for the Fiscal Year ended 31 March 2019

- Auditors' Report.
- Balance Sheet as at 31 March 2019.
- Profit & Loss Account For FY ended 31 March 2019.
- Notes to the Financial Statements (31 March 2019).



AUDITORS' REPORT

We have audited the financial statements of the Central Bank of Kuwait ("The Bank"), which comprise the Balance Sheet as at 31 March 2019, and the Profit & Loss Account for the year then ended, and a summary of significant accounting policies and the other explanatory notes.

In our opinion, the financial statements present fairly the financial position of the Bank as at 31 March 2019 and the results of its financial performance for the year then ended, in compliance with the Accounting Policies and the Law No. 32 of 1968 and amendments thereto.

WALEED A. AL-OSAIMI

LICENCE NO. 68 A

AL AIBAN, AL OSAIMI & PARTNERS

ERNST & YOUNG

SAFI AL-MUTAWA

LICENCE NO. 138A

KPMG Safi Al-Mutawa & Partners

MEMBER FIRM OF KPMG INTERNATIONAL

14 May 2019

State of Kuwait

Balance Sheet as at 31 March 2019
(All amounts in KD)

Assets	Notes	31 March 2019	31 March 2018
Gold	2	31,742,157	31,740,444
Cash, current and call accounts in foreign currency with banks and other financial institutions		213,046,263	738,888,433
Deposits and investments in foreign currency	3	<u>10,574,392,981</u>	<u>9,218,746,414</u>
Other assets	4	<u>75,304,088</u>	<u>31,240,175</u>
Total Assets		<u>10,894,485,489</u>	<u>10,020,615,466</u>
Accounts managed by CBK on behalf of the Kuwaiti government and contra accounts	10	<u>6,978,299,446</u>	<u>8,030,567,617</u>

The attached notes from 1 to 13 form part of these financial statements.

Balance Sheet as at 31 March 2019
(All amounts in KD)

Equity and Liabilities	Notes	31 March 2019	31 March 2018
Capital - fully paid up		5,000,000	5,000,000
General Reserve Fund	5	548,238,642	435,433,807
Special account	6	-	41,100,393
Profit for the year		212,129,995	112,804,835
Currency in circulation	7	1,803,310,982	1,723,792,790
Bonds issued by CBK	8	1,850,000,000	1,850,000,000
Government accounts		1,578,015,522	1,766,795,310
Local banks' current accounts and deposits with CBK	9	4,118,716,212	3,157,756,356
International institutions		154,563,258	178,605,508
Guarantees on documentary credits	10	445,299,162	536,441,354
Other liabilities	11	179,211,716	212,885,113
Total Equity and Liabilities		10,894,485,489	10,020,615,466
Accounts managed by CBK on behalf of the Kuwaiti government and contra accounts	10	6,978,299,446	8,030,567,617

The attached notes from 1 to 13 form part of these financial statements.

Profit & Loss Account For the FY ended 31 March 2019
(All amounts in KD)

Items	Notes	March 2019 31	March 2018 31
Interest and income from investments		257,158,210	156,072,310
Interest and commissions expenses		(109,956)	(111,955)
		<u>257,048,254</u>	<u>155,960,355</u>
Other income		<u>1,012,453</u>	<u>550,184</u>
Operating income		258,060,707	156,510,539
Operating expenses	12	(45,930,712)	(43,705,704)
Net profit for the year		<u><u>212,129,995</u></u>	<u><u>112,804,835</u></u>
Appropriated in accordance with Article 17 of Law 32 of 1968 and amendments thereto, as follows:			
to the General Reserve Fund's Account	5	<u><u>212,129,995</u></u>	<u><u>112,804,835</u></u>

The attached notes from 1 to 13 form part of these financial statements.

Notes to the Financial Statements (31 March 2019)

1. THE BANK'S ACTIVITIES

The Central Bank of Kuwait (the "Bank") is a public institution with an independent juristic personality, incorporated in Kuwait by Law No. 32 of 1968, and amendments thereto. The Bank is responsible for the issue of the Kuwaiti currency on behalf of the State of Kuwait, its stability and its free convertibility into other currencies, directing the monetary and credit policies, supervision over the banking and financial systems and serving as the banker and the financial advisor to the Government of Kuwait.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Law No. 32 of 1968 and amendments thereto. The significant accounting policies adopted by the Bank are as follows:

a. Gold

In accordance with the Amiri Decree issued on 4 July 1978, gold is valued at KD 12.500 per fine ounce.

b. Local Bonds and Public Debt Instruments

Public Debt Instruments are recorded at their purchase cost.

c. Cost of Money Market Transactions

The cost of intervention in the money market (bonds issued by the Bank, local banks' deposits and Tawarruq deals) is charged to the Ministry of Finance's Account - Transaction Cost of Intervention in the money market, in accordance with the agreement between the Bank and the Ministry of Finance (Note 11).

d. Revenue Recognition

Interest income is recognized on a time proportion basis, taking into account the principal outstanding and the interest rate applicable.

e. Capital Expenditure

Capital expenditure is charged to operating expenses in the profit and loss account in the year of authorization.

f. Foreign Currencies

In accordance with Article 48 of Law 32 of 1968, and amendments thereto and the Amiri Decree issued on 4 July 1978, monetary assets and liabilities denominated in foreign currencies are revaluated at the exchange rate prevailing at the balance sheet date. Resultant gains or losses are taken to the Special Account in the balance sheet (Note 6).

3. DEPOSITS AND INVESTMENTS IN FOREIGN CURRENCIES (KD)

Items	31 March 2019	31 March 2018
Deposits with banks and foreign institutions	10,569,830,731	9,214,250,914
CBK Facilities to International Bank for Reconstruction and Development	4,562,250	4,495,500
	10,574,392,981	9,218,746,414

4. OTHER ASSETS (KD)

Items	31 March 2019	31 March 2018
Accrued interest on deposits and other assets	32,879,785	22,957,021
Investments denominated in Kuwaiti Dinars	2,791,210	2,791,210
Prepaid expenses	839,777	2,133,881
Other receivables	3,732,301	3,358,063
Ministry of Finance's - Transaction cost of Intervention in the money market (Note 2)*	16,656,569	-
Debit balances transferred from the Special Account on revaluation of monetary assets and liabilities denominated in foreign currencies (Note 6)**	18,404,446	-
	75,304,088	31,240,175

5. GENERAL RESERVE FUND

In accordance with Article 17 (3) (a) and (b) of Law 32 of 1968, and amendments thereto, the net profit of the Bank is to be paid into the General Reserve Fund (the "Fund") until the balance of the Fund amounts to KD 25 million unless the Board of Directors recommends and the Minister of Finance approves further increase in the Fund. In 1985, the Board's recommendation to increase the Fund to KD 179 million was approved by the Minister of Finance and Economy. Based on the Board's resolution dated 5 May 2003 and the approval of the Minister of Finance dated 7 May 2003, the balance of the Fund was increased by KD 116 million to KD 295 million by annually transferring 50% of the Bank's net profit to the Fund's balance in 2007.

Based on the resolution of the Board of Directors dated 21 October 2014 and the approval of the Minister of Finance dated 29 October 2014, it was agreed to increase the Fund's balance of the Bank by KD 705 million to reach an aggregate balance of KD 1,000 million. To reach the balance, the Bank will transfer all the net profit of each year to the Fund.

Net profit for the year will be transferred to the Fund after the financial statements are approved by all the concerned authorities.

6. SPECIAL ACCOUNT (KD)

Items	31 March 2019	31 March 2018
Balance at the beginning of the year	41,100,393	37,084,210
Net foreign currency translation difference from revaluation of monetary assets and liabilities denominated in foreign currencies	(59,504,839)	4,016,183
Debit balance transferred from the Special Account on revaluation of monetary assets and liabilities denominated in foreign currencies (Note 4)*	18,404,446	-
Balance at the end of the year	-	41,100,393

The special account represents the net foreign currency translation difference resulting from the revaluation of monetary assets and liabilities denominated in foreign currencies and the gain on withdrawal of currency notes

from circulation based on Article 48 of Law No. 32 of 1968 and amendments thereof, and the Amiri Decree issued on 4 July 1978.

7. CURRENCY IN CIRCULATION (KD)

Items	31 March 2019	31 March 2018
Net currency issued	2,542,881,590	2,572,164,776
Less: Currency in the CBK vaults	(739,570,608)	(848,371,986)
	1,803,310,982	1,723,792,790

- Net currency produced represents the total of currency printed, reduced by currency destroyed.
- Currency in CBK vaults is comprised of strategic inventory of notes, cash ready for use in the daily transactions (deposit and withdraw) and unfit notes ready for destruction.
- On 19 April 2015, CBK has issued the resolution No. (37/405/2015) to withdraw all denominations of the old banknotes from circulation against its nominal amount value within a period not exceeding 1 October 2015.
- The fifth issuance banknotes can be exchanged at CBK from 1 October 2015 till 18 April 2025.

8. BONDS ISSUED BY THE CENTRAL BANK OF KUWAIT

CBK bonds are tradable. Their purchase is limited to local banks and local investment companies that are subject to CBK regulation. CBK uses these bonds to manage local liquidity.

9. LOCAL BANKS' CURRENT ACCOUNTS AND DEPOSITS WITH CBK (KD)

Items	31 March 2019	31 March 2018
Current accounts	1,742,806,798	1,260,560,897
Deposits	925,000,000	630,000,000
Tawarruq - (Takings)	1,450,909,414	1,267,195,459
	4,118,716,212	3,157,756,356

10. ACCOUNTS MANAGED BY CBK ON BEHALF OF THE GOVERNMENT OF THE STATE OF KUWAIT, AND CONTRA ACCOUNTS (KD)

Items	31 March 2019	31 March 2018
(a) Accounts managed by CBK on behalf of the Kuwaiti government	4,189,430,960	5,325,432,438
(b) Contra accounts:		
Letter of Credit	2,785,988,799	2,702,200,983
Memorial Coins	2,879,687	2,934,196
	2,788,868,486	2,705,135,179
Collections According to Law No. 41 of 1993	6,978,299,446	8,030,567,617

On 31 March 2019, CBK held guarantees of KD 445,299,162 (2018: KD 536,441,354) against the letters of credit referred to above.

11. OTHER LIABILITIES (KD)

Items	31 March 2019	31 March 2018
Payable expenses	10,534,156	11,014,557
Other payables	168,677,560	192,513,851
Ministry of Finance's - Cost of Intervention in the money market (Note 2)	-	9,356,705
	179,211,716	212,885,113

Other payables include provisions for employees' leave pay, termination benefits and credit accounts of banking and non-banking institutions.

The Balance of Ministry of Finance's - Transaction Cost of Intervention in the money market transactions represents the available balance out of the amounts transferred from the Ministry of Finance after charging the cost to support the intervention in the money market according to what has been agreed upon between CBK and the Ministry of Finance.

12. OPERATING EXPENSES (KD)

Items	31 March 2019	31 March 2018
Employee costs	33,128,101	29,335,473
Administrative and computer costs	6,901,673	7,170,351
Purchase of furniture and equipment	342,586	395,539
Production and shipment of currency	1,275,201	2,029,629
Sundry expenses	4,011,558	2,723,033
Construction costs	271,593	2,051,679
	45,930,712	43,705,704

13. PROMISSORY NOTES HELD

On 31 March 2019, the amount of promissory notes held by CBK in safe custody on behalf of international institutions was KD 609,642,596 (2018: KD 619,397,366).





تم بحمد الله

