

Press Statement

His Excellency, Dr. Mohammad Y. Al-Hashel, the Governor of the Central Bank of Kuwait (CBK), announced the release of the CBK's Annual Report for FY2016/17, which is the 45th issue of Annual Reports series prepared and published by CBK. The Governor clarified that the report contains CBK Balance Sheet and Profit & Loss Account for the FY ended 31st March 2017 and the Auditors' Report on the financial statements. In addition, the report outlines the key developments in the main monetary and banking indicators and aggregates in the areas of the KD exchange rate, domestic interest rates, money supply, deposits, bank credit, domestic liquidity, public debt instruments, aggregate balance sheet of local banks, and domestic inflation rate in addition to CBK's regulatory and supervisory efforts as well as the major banking operations and key tasks performed by CBK to improve its manpower capabilities and modernize its IT infrastructure.

The Governor noted that during FY 2016/17 preparations of CBK's new building were completed, and, on April 10, 2017, the new building of CBK was officially opened under the gracious patronage and presence of His Highness the Amir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah and His Highness the Crown Prince, Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah and the attendees and honorable guests and Their Highnesses and Excellencies Sheikhs, Ministers and VIPs from leading officials from inside and outside Kuwait in a ceremony that highlighted CBK's endeavors and development of the monetary and banking system in the State of Kuwait. Also to be noted is that CBK's new headquarters has received top honors for project excellence and won the "2016 MEED Quality Awards for Projects".

The Governor underlined the key contents of CBK's Annual Report for FY2016/17, indicating that, in light of CBK's continuous follow-up on developments in the domestic economic, monetary, and banking conditions on the one hand, and the trends of interest rates on major currencies on the other hand, CBK increased its discount rate twice during FY2016/17 (in December 2016 and March 2017) by 0.25 percentage point each time to 2.75%. In parallel, the average exchange rate of the USD against KD for FY2016/17 reached 303.09 fils/USD against 302.18 fils in FY2015/2016, i.e. a marginal rise in the average exchange rate of the USD against KD by 0.3% over the two fiscal years.

In terms of monetary and banking developments, Money Supply in its broad definition (M2) increased by 0.7% during FY2016/17. Currency in circulation reached KD 1,645.9 million at the end of FY2016/17, i.e. a rise of KD 164.2 million or 11.1%, compared to KD 1,481.7 million at the end of the previous fiscal year. Moreover, the utilized cash portion of credit facilities extended by local banks to various domestic economic sectors, increased by 3.6% to reach KD 34,887.6 million at the end of FY2016/17, compared to KD 33,689.4 million at the end of the previous fiscal year. In addition, residents' deposits with local banks increased by 2.4% to KD 41,944.2 million at the end of FY2016/17 against KD 40,941.6 million at the end of the previous fiscal year.

Also, and in line with CBK's efforts to better manage domestic liquidity through the utilization of available monetary policy instruments, the outstanding balance of public debt instruments (Treasury Bills/ Bonds and related Tawarruq) increased by 140.5% to KD 3,817.3 million at the end of FY2016/17 against KD 1,587.4 million at the end of the previous fiscal year. Meanwhile, the outstanding balance of CBK bonds and the related Tawarruq contracted by 8.4% to KD 2,675 million during FY2016/17, against KD 2,920 million at the end of the previous fiscal year. The aggregate balance sheet of local banks reached KD 61,957.9 million at the end of FY2016/17, against KD 59,790.7 million at the end of the previous fiscal year, i.e. an increase of KD 2,167.1 million or 3.6%.

With reference to the supervisory developments, CBK continued its efforts of oversight over local banking and financial units with the aim to maintain their sound financial positions in line with the best international supervisory standards to maintain financial stability. Moreover, CBK continued striving to promote the Islamic banking through the development of Sharia Supervisory guidelines in Islamic Banks. To this end, in December 2016, CBK issued instructions concerning Sharia supervisory governance in the Kuwaiti Islamic banks. Furthermore, during FY2016/17, CBK maintained its keen efforts to ensure compliance by local banking and financial units with the rules and bases for granting consumer/installment loans/finance and amendments thereto. Throughout that fiscal year, CBK spared no effort to enhance financial stability, identify any potential source of shocks that might affect local banks' and financial units' resilience, and lay down the appropriate regulations to address and mitigate such risks. For this purpose, during

FY2016/17, CBK hosted a seminar on “Risk and Recovery and Resolution Planning (RRP) for Domestic Systemically Important Banks (D-SIBs)”.

The Governor added that the Annual Report for FY2016/17 depicts CBK’s efforts to enhance the capabilities of its manpower and improve their educational and professional levels. CBK’s efforts also extends to modernizing and developing its IT infrastructure in line with the latest international developments. During FY2016/17, CBK completed several IT development projects, most prominent of which include Core Banking Operation Systems, Cash Management System, Kuwait National IT Governance Framework (KNIGF) Project in partnership with The Central Agency for Information Technology, and Audit the Quality Management System (ISO9001:2015).

Dr. Al-Hashel added that CBK has also undertaken several other activities to enhance its communication with the economic/ financial community and the public inside and outside Kuwait, and the accelerating advancements in the media industry. For this purpose, CBK applies an unbiased media policy that highlight its roles and efforts in implementation of the monetary policy and development of the banking regulation and supervision programs that aim to maintain the monetary stability and provide the supporting environment for sustainable economic growth and financial stability. CBK has also continued its efforts to update the contents of its website and periodical publications to boost the transparency policy it pursues.

Dr. Mohammad Y. Al-Hashel, the Governor of the Central Bank of Kuwait, concluded by indicating that the Annual Report for FY2016/17 is now available on the CBK official website (www.cbk.gov.kw).

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