

بنك الكويت المركزي

CENTRAL BANK OF KUWAIT



Annual Report

for the Fiscal Year
2019 / 2020



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 Sabah Khalid 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 18 of Law No. 32 of 1968



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



Mr. Abdullah M. Al-Afasi
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



CONTENTS

Introduction	1
First: Monetary and Banking Indicators	6
Second: CBK Supervisory Efforts	20
Third: Key Banking Operations	26
Fourth: CBK Workforce	32
Fifth: Other Activities	36
Sixth: CBK Financial Statements for the Fiscal Year ended 31 March 2020	44
- Auditors' Report	45
- Balance Sheet as at 31 March 2020	46
- Profit & Loss Account for the FY ended 31 March 2020	48
- Notes to the Financial Statements (31 March 2020)	49

INTRODUCTION



I am pleased to present the 48th Annual Report of the Central Bank of Kuwait (CBK) for the Fiscal Year (FY) 2019/20 that includes the Auditors' Report on CBK financial statements as at 31st March 2020. As customary, the report starts by providing a brief overview of the most notable monetary and banking developments in the Kuwaiti economy during FY2019/20. 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.

The Central Bank of Kuwait's efforts during 2019/20 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. Its objectives were to boost sustainable economic growth in the country and enhance the supportive environment to ensure efficient and outstanding performance of the banking and financial institutions under its supervision.

“ The Discount Rate was reduced three times during FY 2019/2020, reaching a historical low of 1.5% ”

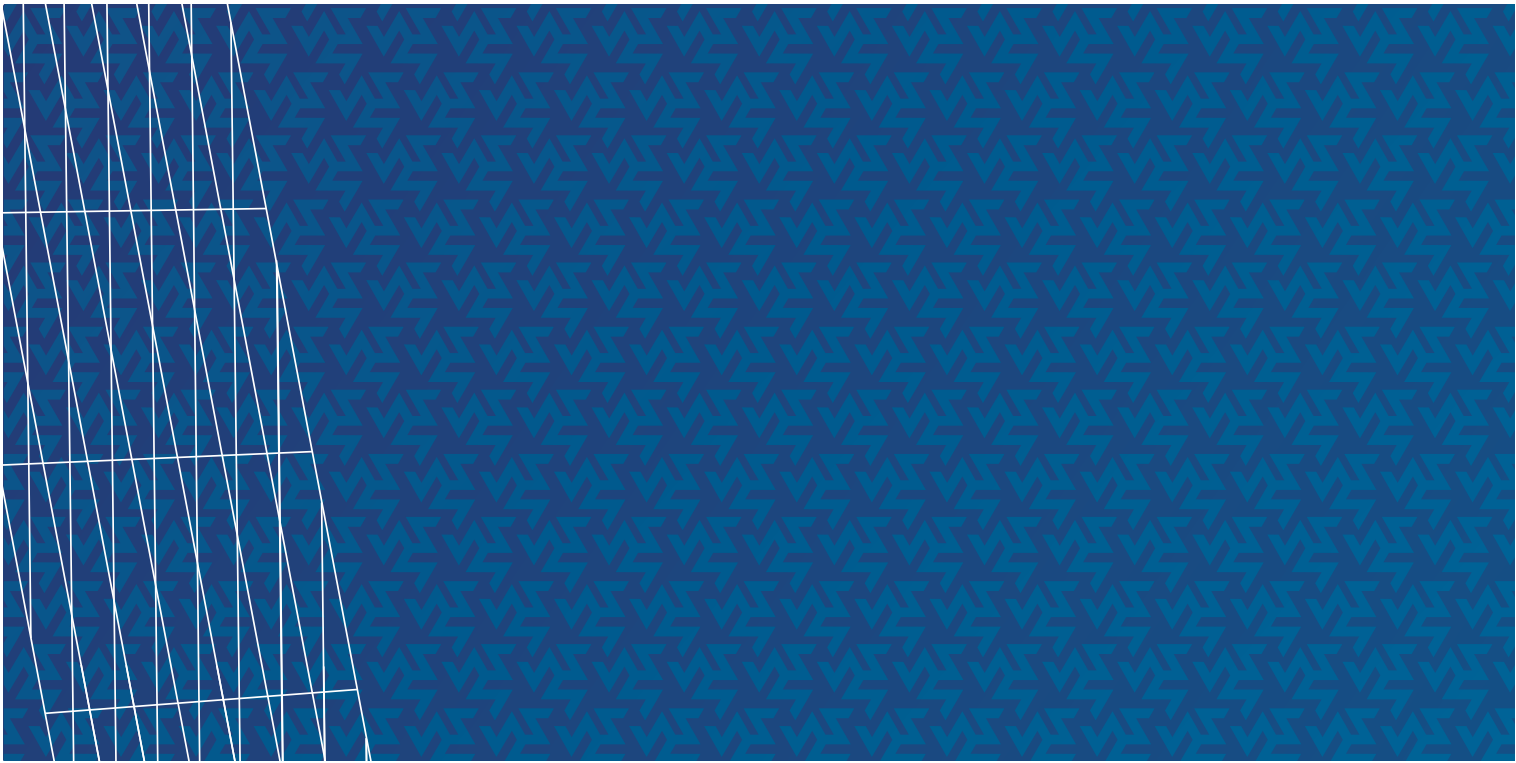
In terms of monetary policy, CBK continued its close follow-up of local economic, monetary, and banking developments and changes in interest rates of major foreign currencies. During 2019/20, CBK had reduced the Discount Rate three times, first by a quarter of a percentage point on 30th October 2019 bringing it from 3% to 2.75%. In response to the repercussions of the spread of COVID-19 and the negative impact on the economic conditions in Kuwait and the apparent need for an accommodative credit policy, the CBK brought down the Discount Rate by another quarter percentage point on 4th March 2020, and again by a full percentage point on 16th March 2020, bringing the discount rate to 1.5%, which is the lowest level historically.



These steps came as a continuation of the Bank's efforts to strengthen the foundations of domestic economic growth while maintaining the attractiveness and competitiveness 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) dropped by 2.4% at the end of FY2019/20 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 4.4% to reach KD 39,079.6 million at the end of the year compared to KD 37,420.8 million at the end of the previous fiscal year. Moreover, residents' deposits with local banks increased by 0.7% to KD 43,457.4 million at the end of FY2019/20 compared to KD 43,169.7 at the end of the previous fiscal year. Meanwhile, the aggregate balance sheet of local banks at domestic level (activities of local banks and their branches within the State of Kuwait) went up to KD 72,774.0 million at the end of FY2019/20 compared to KD 67,431.4 million at the end of the previous fiscal year registering a gain of KD 5,342.6 million, i.e. an increase by 7.9%.

The CBK continued its efforts in the area of oversight and supervision on registered local banking and financial system units during FY2019/20, seeking to strengthen their financial position in line with global best practices, thus reinforcing financial stability. In this respect, CBK issued a circular to all local banks on 14/5/2019 updating its instructions regarding anti-money laundering (AML) and combating the financing of terrorism (CFT) previously issued on 23/7/2013. The updated instructions reinforce and elaborate on some requirements relative to AML/CFT, assuring the compliance of regulated banking and financial institutions. CBK issued a circular dated 28/8/2019 to all local banks, financing companies, and exchange companies concerning the executive by-laws for implementation of UN Security Council resolutions issued by virtue of Chapter VII of the UN Charter related to countering terrorism and financing of the proliferation of Weapons of Mass Destruction (WMD). Further, CBK Board of Directors had at its 10/9/2019 session approved the incorporation of amendments to Kuwaiti banks governance controls and regulations instructions, mainly adding independent members among banks' boards and board committees. The amendments also stressed the importance of risk management governance and the role and responsibilities of the board, and added an item on the compliance framework within banks' macro risk management.



“ The CBK took extraordinary measures to counter the repercussions of Covid-19. ”

As part of the precautions and measures aiming to counter the repercussions of the COVID-19 pandemic, CBK had on 12/3/2020 instructed local banks, through the Kuwait Banking Association, to provide uninterrupted essential financial services to the public, and to provide all necessary means to guarantee that transactions are carried out with the customary speed, efficiency and security. Additionally, banks were instructed to maintain ATMs and replenish them with sufficient cash supply to accommodate the public's needs. The public support measures included, inter alia, uninterrupted online banking services and Points of Sale, ceasing charges and commissions on PoS, ATM, and online banking transactions for six months, support of the adversely affected businesses, compensating the staff working from banks' premises and branches during the lockdown, six months of moratorium on loan installments, and uninterrupted access to banking services for the companies importing essential goods related to food security and basic society needs.

“ The CBK continued to strengthen the capacity of the national cadres working at the Central Bank and the local Banking Sector. ”

Furthermore, CBK continued its efforts during FY2019/20 to improve and upgrade the academic and vocational qualifications of its employees by offering higher education 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 and launched the comprehensive “Kafa'a” initiative. Notable among such collaborations are the Master's Degree Scholarship Program (MDSP), the Kuwaiti Graduates Development Program (KGDP), and the Executive Leaders Development Program, offered in cooperation with prominent Gulf, Arab, and international institutions.



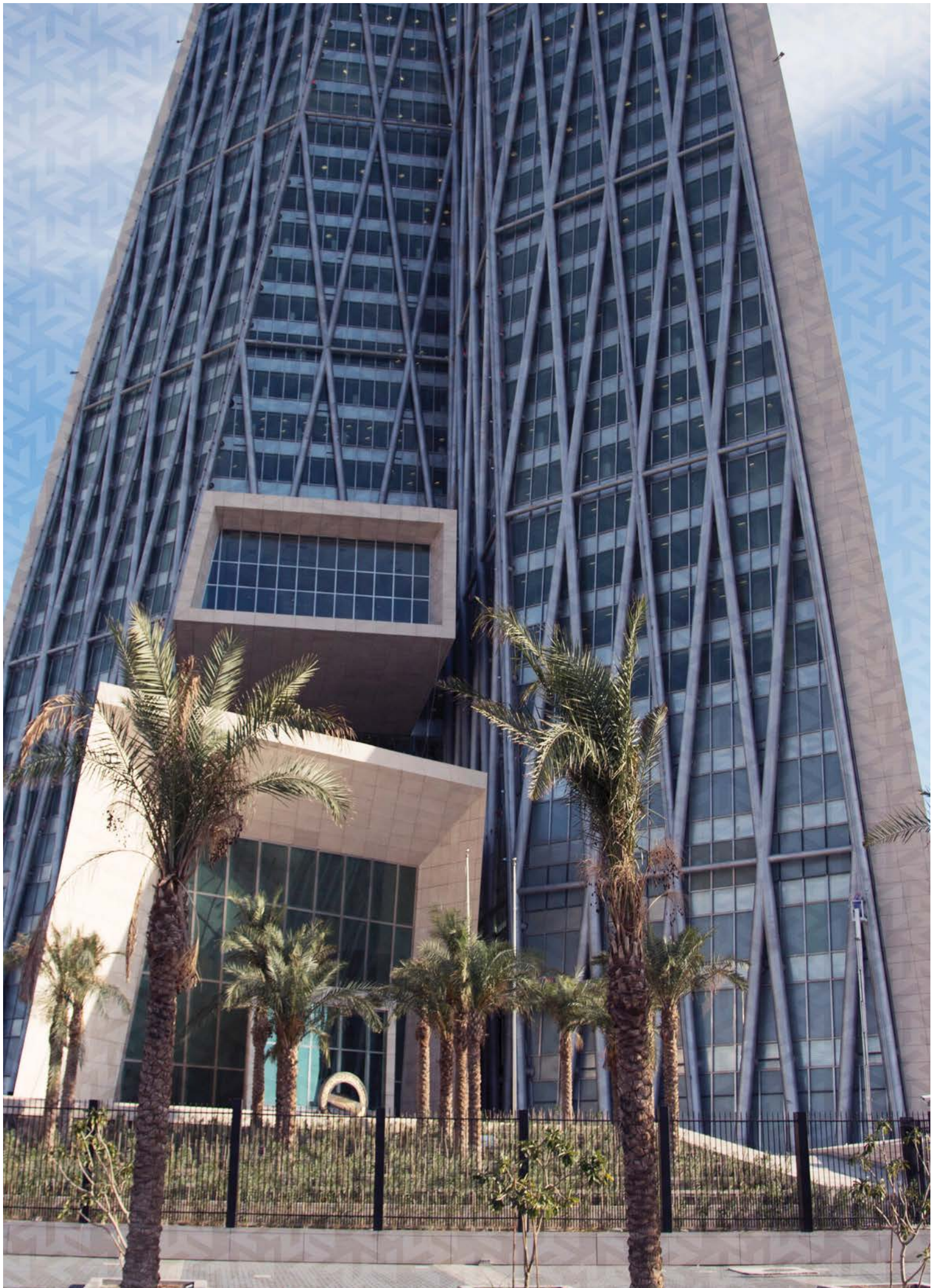
“ The CBK had during FY2019/20 continued to modernize and enhance its IT infrastructure in line with the latest international developments in the field. ”

On another front, the CBK had during FY2019/20 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, and the “Data and Reports Analysis System”, in addition to updating “SWIFT” and upgrading and developing several programs and automated systems.

To strengthen relations with the economic and financial community and the general public, and to stay ahead of advancements in the media and communications industry, the CBK implemented a communications plan that highlights its 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 FY2019/20 in releasing its periodic publications, encompassing the latest economic, financial, and banking statistics and data. The bank also continues its efforts to improve its website design and content, regularly updating it objectively and transparently. In terms of expanding the bank’s electronic reach, FY2019/20 witnessed an increase in the number of followers of CBK social networking accounts and the continuous flow of information with the public, as well as with local and international institutions, in a clear indication of strong public relations. 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 prosperity 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 Ahmad Al-Jaber Al-Sabah; and His Highness the Prime Minister, Sheikh Sabah Khalid Al-Hamad Al-Sabah, may Allah bless and guard them.

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



First: Monetary and Banking Indicators

- Monetary Developments
- Banking Developments

I : Monetary Developments

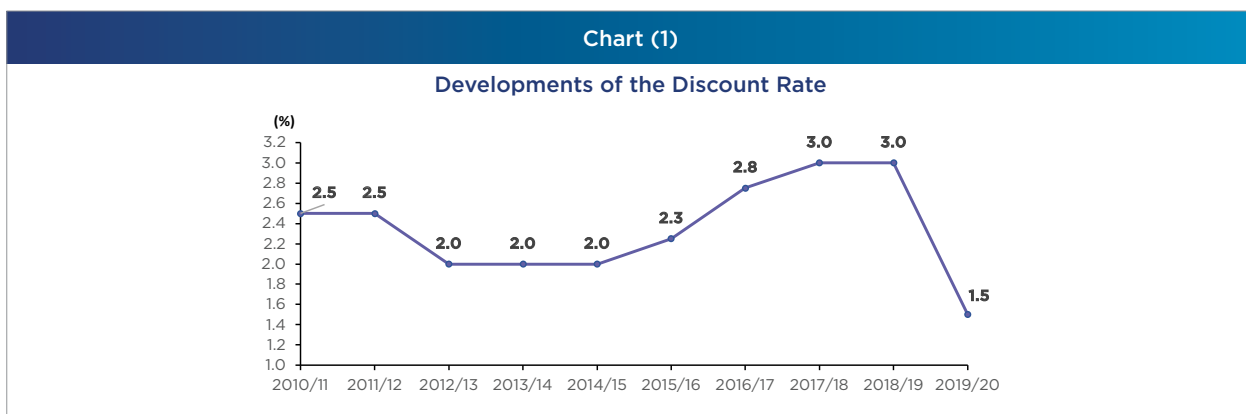
This part of the Report highlights the key developments relating to Kuwait's major monetary and banking indices during FY2019/20 as reflected in data on interest rates, KD exchange rate against major currencies, money supply, residents' deposits by type, monetary base, bank credit, and issuance of public 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 FY2019/20 indicate the following notable and positive developments:

1. Domestic Interest Rates:

In light of the Central Bank of Kuwait's (CBK) mandate to maintain monetary and financial stability, and based on a thorough analysis of economic, financial and banking developments, in addition to the interest rate trajectories of major currencies, the CBK had during FY2019/20 reduced its discount rate three times, the first cut was on 30 October 2019 by a quarter percentage point from 3.0% to 2.75%. This decision fulfils the dual objectives of promoting non-inflationary economic growth conditions in non-oil sectors, and ensuring the continued attractiveness and the competitiveness of the national currency as a reliable store of domestic savings, both of which are mainstays of monetary policy.

In view of current economic developments resulting from the negative impact of the COVID-19 outbreak, the CBK has decided on 4 March 2020 to adopt an easing monetary policy by cutting down its discount rates quarter percentage point, followed on the 16 March 2020 by a full percentage point reducing it to a historical low level of 1.5%. This policy aims to reduce the cost of borrowing across economic sectors for both individuals and corporations, to foster an atmosphere conducive to sustainable economic growth, and maintain monetary and financial stability, and ensure the attractiveness of the Kuwaiti Dinar as a reliable store for domestic savings.

The CBK also decided to cut the repo rate and the intervention in the money market rate. This aims to increase liquidity between the banking and non-banking sectors of the economy, promote borrowing and prevent an economic downturn.



Source: Central Bank of Kuwait

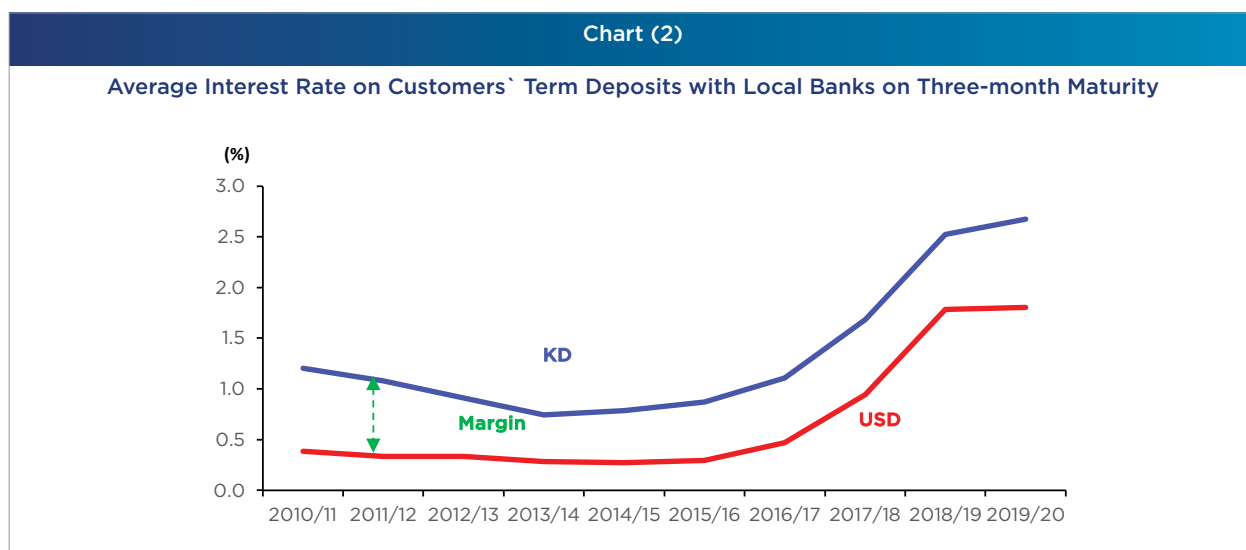
“ Margins between the average interest rates on KWD and USD time deposits with local banks continued to expand in favor of the KD ”

Within this context and in terms of interest rates on customers' deposits with local banks denominated in KD and USD, the average interest rates on customers' KD time deposits increased during FY2019/20 compared with the previous fiscal year. Specifically, the average interest rates on KD time deposits of one month and

three-month maturity increased to 2.544% and 2.676%, respectively, against 2.392% and 2.527% during the previous fiscal year.

On the other hand, average interest rates on USD time deposits with local banks of one month and three-month maturity increased during FY2019/20 reaching 1.624% and 1.805% respectively, against 1.558% and 1.785% 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 FY2019/20 reached 0.920 percentage point and 0.871 percentage point, respectively, in favor of KD deposits, compared to 0.834 and 0.742 percentage point, respectively, also in favor of KD deposits, during FY2018/19.



Source: Central Bank of Kuwait

On the other hand, the average interest rate on local interbank KD deposits of all maturities increased during FY2019/20 compared to the previous fiscal year. Specifically, the average interest rate on local interbank KD deposits of one-month maturity increased to 2.362% against 1.789% for the mentioned term during the previous fiscal year.

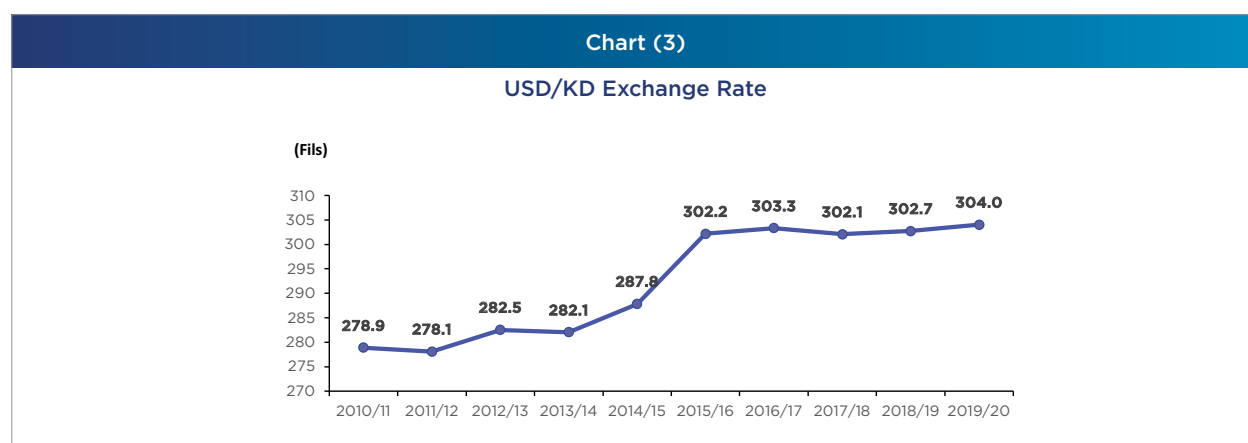
In addition, the average interest rates (previous issuances with variable interest rates) on public debt instruments on Kuwaiti Treasury Bonds of one-year maturity reached 1.500% during FY2019/20. The average interest rate on 2-year Treasury Bonds reached 1.625%, while the average interest rates on 3, 5, 7 and 10-year Treasury Bonds reached 1.750%, 1.875%, 2.0% and 2.125%, respectively.

2. KD Exchange Rate:

During FY2019/20, CBK continued its efforts towards maintaining the relative stability of the KD exchange rate against other major currencies. In line with the KD exchange rate policy adopted since 20 May 2007, the Kuwaiti Dinar continues to be pegged 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 2.3%. ”

The average exchange rate of USD against KD for FY2019/20 was 304.034 fils (per USD) against 302.743 fils during the previous fiscal year, i.e. an increase of 1.290 fils or 0.43%. The average difference between the highest (309.900 fils) and the lowest exchange rate (302.900 fils) of USD against KD was 2.3% during FY2019/20.



Source: Central Bank of Kuwait

On the other hand, the exchange rate of USD witnessed fluctuations against the other major currencies during FY2019/20. The difference between the highest and the lowest rates of USD was 16.5% against the Pound Sterling, 10.3% against the Euro, 9.1% against the Japanese Yen, and 6.3% against the Swiss Franc.

Table (1)

USD Exchange Rate against KD and Some Major Currencies

Item	2019/20			
	Highest Price	Lowest Price	End of Period	Average
Kuwaiti Dinar (fils)	309.900	302.900	308.150	304.034
Pound Sterling	0.870	0.747	0.803	0.786
Euro	1.021	0.925	0.898	0.899
Swiss Franc	0.932	0.877	0.951	0.987
Japanese Yen	112.030	102.715	107.905	108.730

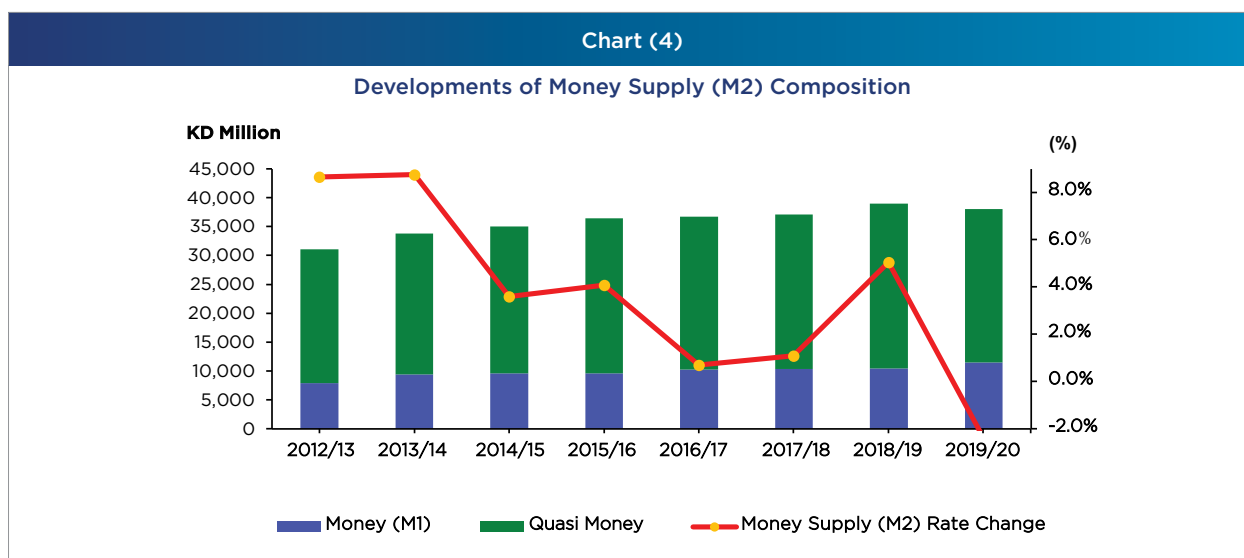
Source: Central Bank of Kuwait

3. Money Supply:

Money Supply in its Broad Definition (M2) decreased to KD 38,022.6 million at the end of FY2019/20 against KD 38,947.3 million at the end of FY2018/19, i.e. KD 924.7 million or 2.4% compared with an increase of KD 1,867.3 million or 5.0% during the previous fiscal year.

“ Money Supply (M2) decreased by 2.4% compared with an increase in the previous fiscal year ”

The decrease in M2 resulted from a decline in Quasi Money in light of the drop in KD deposits (other than sight deposits). As for monetary policy, the CBK manages 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	2018/19	2019/20	Change	
			Value	(%)
Money Supply (M2)	38,947.3	38,022.6	-924.7	-2.4
Money (M1) of which:	10,492.3	11,476.5	984.2	9.4
Sight Deposits	8,688.9	9,351.0	662.1	7.6
Quasi Money	28,455.0	26,546.1	-1,908.9	-6.7
KD Deposits (other than sight deposits)	25,698.3	24,160.8	-1,537.5	-6.0
FC Deposits	2,756.7	2,385.2	-371.5	-13.5

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 FY2019/20 compared with the end of the previous fiscal year, the mentioned drop of KD 924.7 million or 2.4% in M2 resulted from the decrease of KD 1,815.5 million or 8.6% in net domestic assets of these entities and the rise of KD 890.8 million or 5.0% in net foreign assets of these items.

The above-mentioned decline by KD 1,815.5 in **net domestic assets** million resulted from the following:

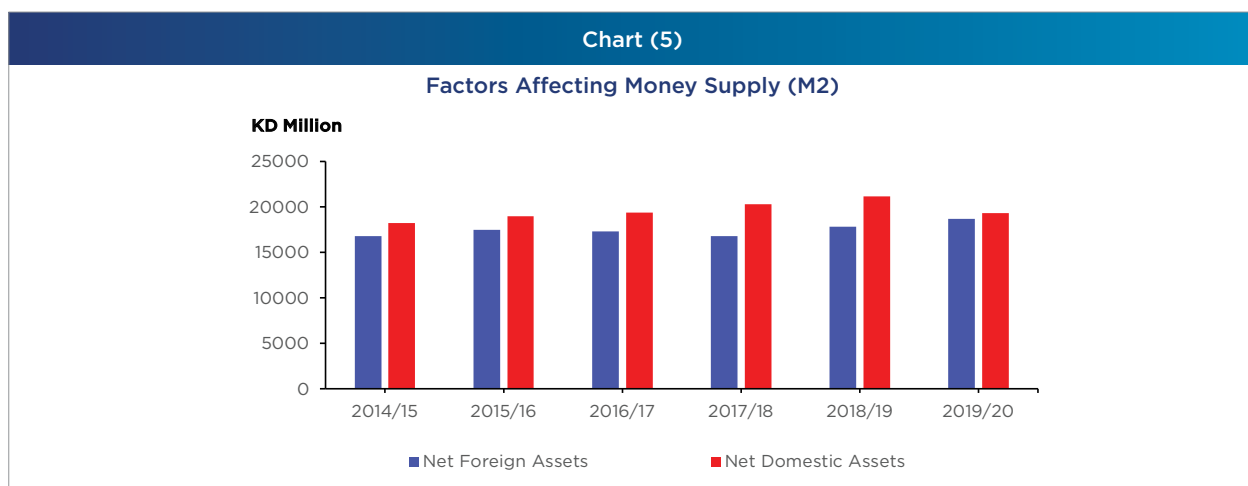
- Increase in local banks' claims on the private sector by KD 1,707.5 million or 4.4%, as a result of the growth of KD 1,658.8 million or 4.4% in credit facilities extended to residents, and the increase of KD 48.7 million or 2.7% in value of other local investments.
- Decline by KD 1, 712.7 million or 46.1% in claims on the government.
- Decrease by KD 1,731.5 million or 22.8% in government's deposits and accounts.
- Drop by KD 78.9 million or 0.6% in net domestic assets under the item "other".

Meanwhile, the mentioned increase by KD 890.8 million in **net foreign assets** of these items resulted from:

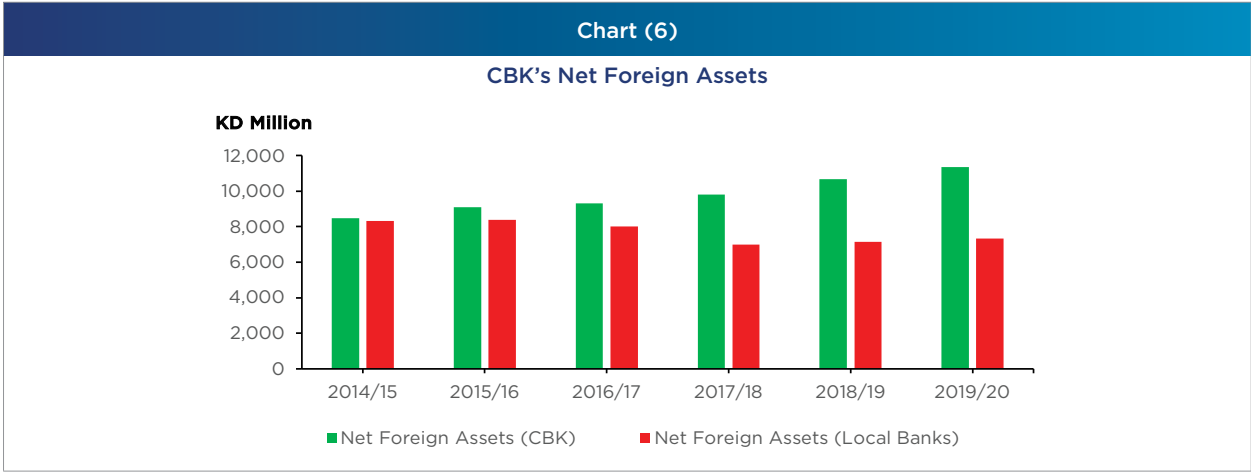
- Increase by of KD 692.4 million or 6.5% in net CBK foreign assets.
- Increase of KD 198.4 million or 2.8% in net foreign assets of local banks.

Table (3)				
Factors Affecting Change in Money Supply				
End of Period	2018/19 (1)	2019/20 (2)	Change in (2) over (1)	
	(1)	(2)	Value	(%)
Net Domestic Assets:	21,146.0	19,330.4	-1,815.6	-8.6
- Claims on the Private Sector	39,252.1	40,959.6	1,707.5	4.4
- Claims on the Government	3,715.1	2,002.5	-1,712.7	-46.1
- Government's Deposits and Accounts*	-7,603.7	9,-335.2	-1,731.5	22.8
- Other (Net)*	-14,217.5	14,-296.5	-78.9	-0.6
Net Foreign Assets:	17,801.3	18,692.2	890.9	5.0
- CBK	10,664.6	1,1357	692.4	6.5
- Local Banks	7,136.7	7,335.2	198.5	2.8
Money Supply (M2)	38,947.3	38,022.6	-924.7	-2.4

* 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

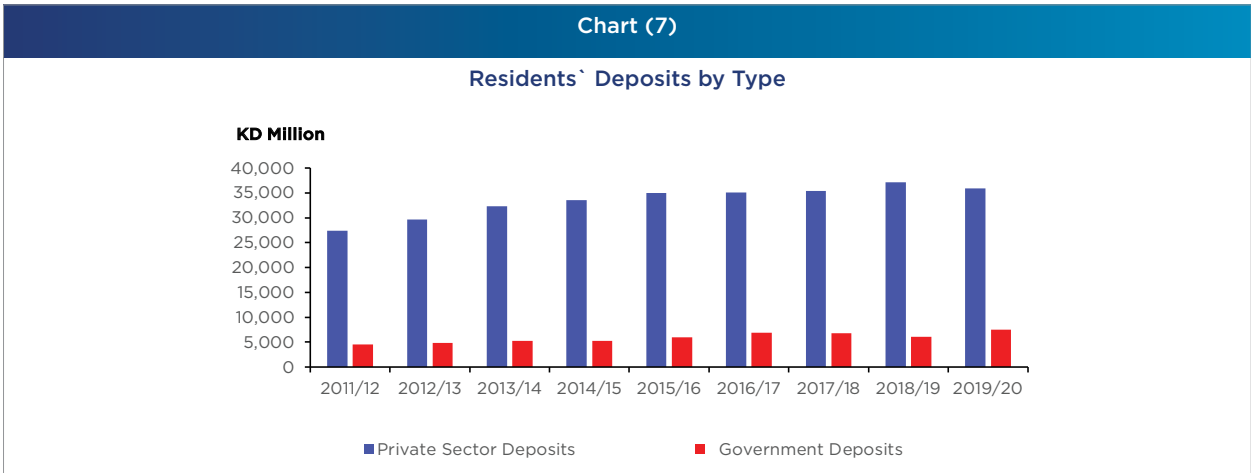
4. Residents' Deposits by Type:

“ Private sector deposits decreased by 3.4% while government deposits grew by 25.5% ”

Total residents' deposits with local banks increased by KD 287.7 million or 0.7% to KD 43,457.4 million at the end of FY2019/20 against KD 43,169.7 million at the end of the previous fiscal year. This rise came as a result of an increase of KD 1,534.6 million or 25.5% in government sector deposits and a decrease of KD 1,246.9 million or 3.4% in private deposits by end of FY2019/20.

The drop in the private sector (resident) deposits with local banks is attributed to the following:

- The decline in private sector KD deposits by KD 875.4 million or 2.5%.
- The decline in private sector deposits in foreign currency by KD 371.5 million or 13.5%.



Source: Central Bank of Kuwait

5. Monetary Base

CBK managed the levels of domestic liquidity during FY2019/20 in accordance with the economic, monetary, and banking conditions in the country.

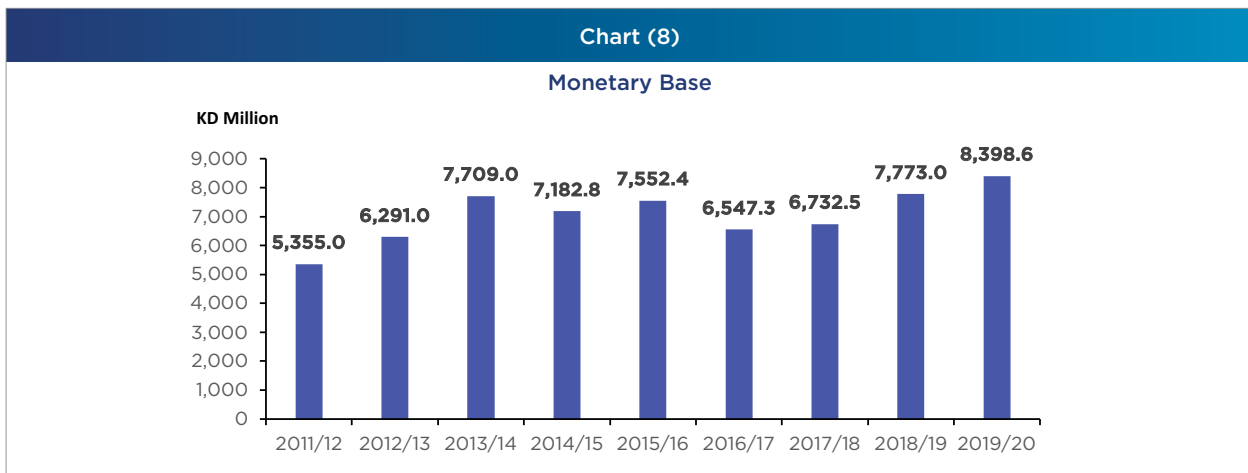
CBK uses numerous monetary instruments, notably:

- 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 322.2 million or 17.9% to reach KD 2,125.5 million at the end of FY2019/20 compared to KD 1,803.3 million at the end of the previous year.

The balances of sight accounts and deposits also increased by KD 54.8 million or 3.1% to reach KD 1,798.6 million at the end of FY2019/20, compared to KD 1,743.8 million at the end of FY2018/19.



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, increased by KD 249.9 million or 19.9% to reach KD 1,505.1 million at the end of FY2019/20, compared to KD 1,255.2 million at the end of the previous fiscal year.

Consequently, the balance of the monetary base increased from KD 7,773.0 million at the end of FY2018/19 to KD 8,398.6 million at the end of FY2019/20, i.e. an increase of KD 625.6 million or 8.0%.

6. Bank Credit

Balances of the utilized cash portion of credit facilities extended by local banks to various domestic sectors during FY2019/20 increased by KD 1,658.8 million or 4.4% to reach KD 39,079.6 million at the end of the mentioned fiscal year compared to KD 37,420.8 million at the end of FY2018/19.

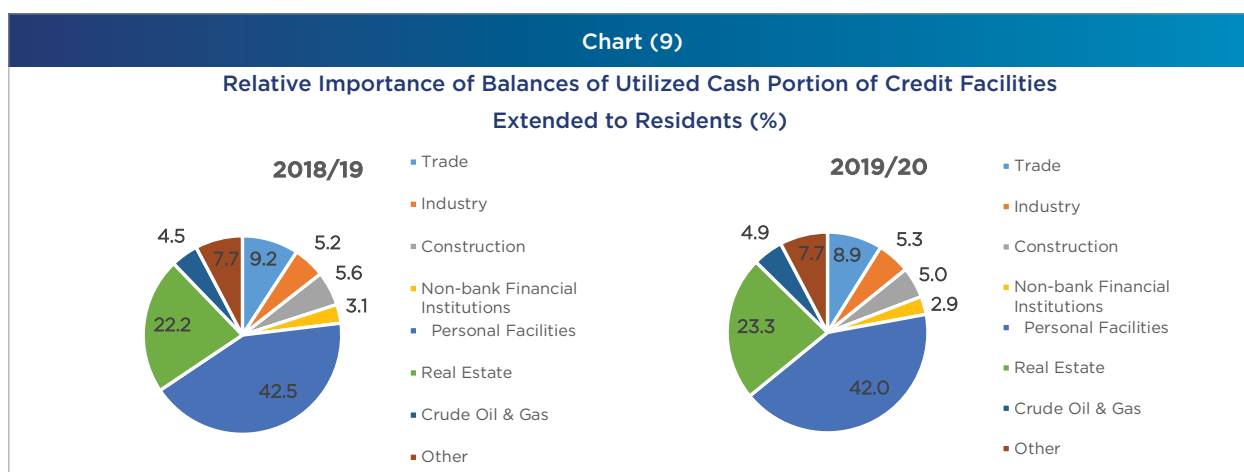
“Personal facilities and credit to the real estate sector drove growth in credit facilities”

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

- Personal Facilities (by KD 504.7 million or 3.2%)
- Real Estate (by KD 786.7 million or 9.5%).
- Crude Oil and Gas (by KD 242.8 million or 14.6%).
- Industry (by KD 125.5 million or 6.4%).
- Trade (by KD 25.9 million or 0.8%).
- Public Services (by KD 17.0 million or 14.8%).

On the other hand, cash credit facilities extended by local banks to the following sectors decreased at the end of FY2019/20 resulted from:

- Construction (by KD 146.7 million or 7.0%).
- Non-bank Financial Institutions (by KD 3.6 million or 0.3%).



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	2018/19	2019/20	Change	
			Value	(%)
Total utilized cash credit facilities, of which:	37,420.8	39,079.6	1,658.8	4.4
Trade	3,446.3	3,472.2	25.9	0.8
Industry	1,949.9	2,075.4	125.5	6.4
Construction	2,096.4	1,949.7	-146.7	-7.0
Non-bank Financial Institutions	1,144.4	1,140.8	-3.6	-0.3
Personal Facilities	15,908.9	16,413.6	504.7	3.2
Real-Estate	8,314.3	9,101.0	786.7	9.5
Crude Oil and Gas	1,668.2	1,911.0	242.8	14.6

Source: Central Bank of Kuwait.

7. Issuance of Public Debt Instruments and CBK Bonds

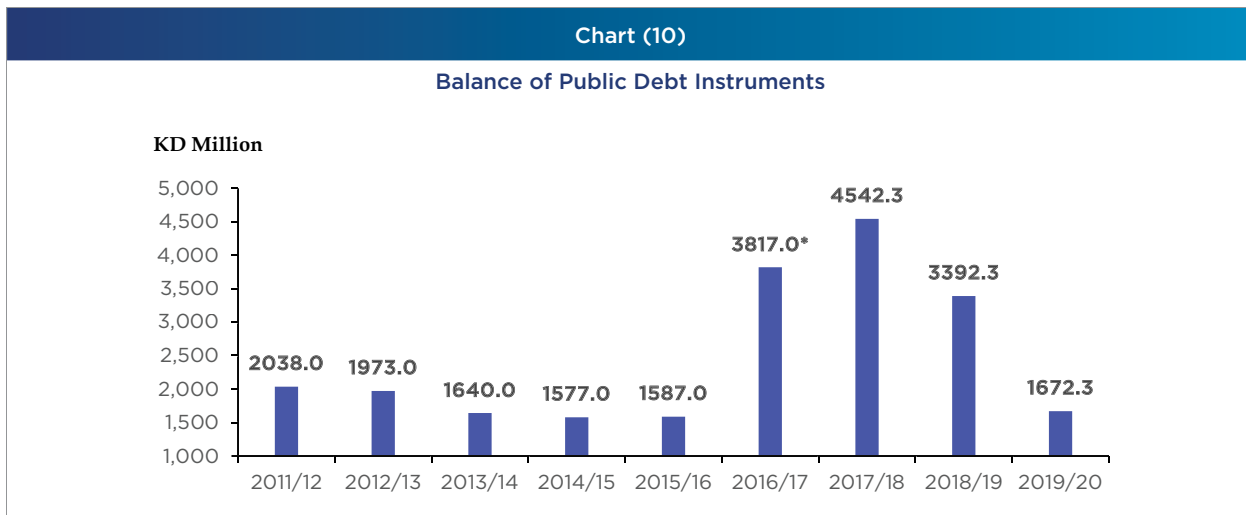
A. Issuance of Public Debt Instruments:

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 Bonds, during FY2019/20, while 18 previous issues of such bonds had matured during the year at a total nominal value of KD 1,720.0 million. Accordingly, the total outstanding balance of public debt instruments (Treasury Bills, Treasury Bonds and related Tawarruq) decreased to KD 1,672.3 million at the end of FY2019/20.

The balance of public debt instruments held by local banks reached KD 1,672.3 million (100%) at end of FY2019/20.



*Public debt Tawarruq started in April 2016.
Source: Central Bank of Kuwait.

B. CBK Bonds and Related Tawarruq :

During FY2019/20, CBK announced the issue of 41 of its Bonds and related Tawarruq with a total nominal value of KD 8,940.0 million. During the same year, 41 of its previous issues were matured at a total nominal value of KD 8,940.0 million.

Accordingly, the total outstanding balance of CBK Bonds and related Tawarruq, at the end of FY2019/20 amounted to KD 2,958.0 million, which is the same as the previous fiscal year.

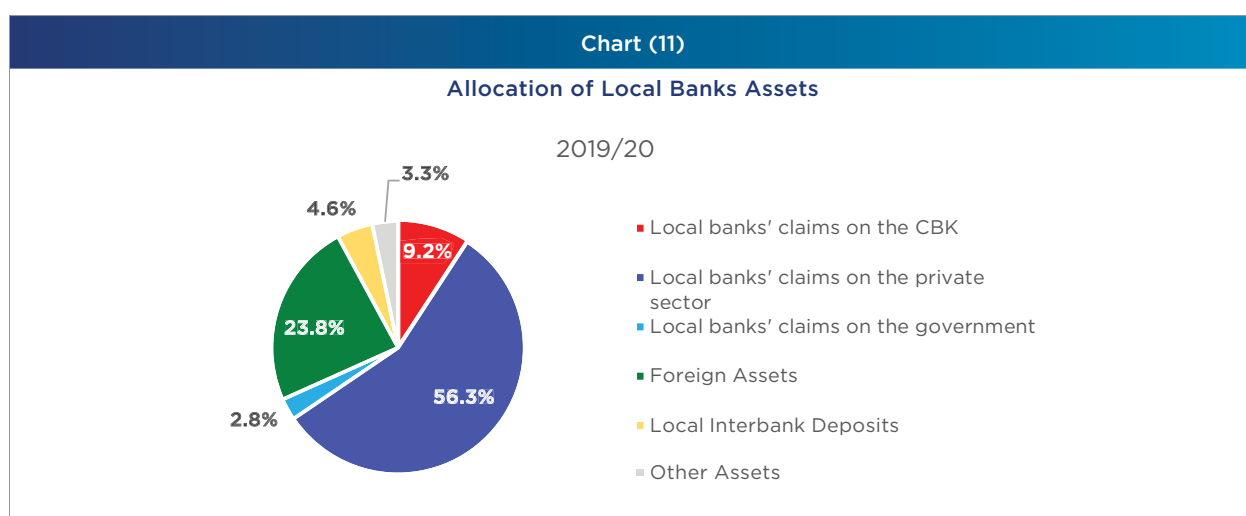
II : Banking Developments

Local Banks' Aggregate Balance Sheet on the Domestic level (Local banks' activities inside Kuwait):

The available data revealed an increase by KD 5,342.6 million or 7.9% in the aggregate balance sheet of local banks (on domestic basis) to reach KD 72,774.0 million at the end of FY2019/20 against KD 67,431.4 million at the end of FY2018/19, as a result of changes to both assets and liabilities, as follows:

A. Aggregate Assets of Local Banks:

- **Local banks' claims on the private sector** increased by KD 1,707.5 million or 4.4% to KD 40,959.6 million at the end of FY2019/20 against KD 39,252.1 million at the end of FY2018/19. This increase resulted from a growth of KD 1,658.8 million or 4.4% in the balances of utilized cash portion of credit facilities extended by local banks to various domestic economic sectors to reach KD 39,079.6 million at the end of FY2019/20 against KD 37,420.8 million at the end of the previous fiscal year. Another factor was a KD 48.8 million or 2.7% increase in the balances of other local investments to reach KD 1,880.1 million by end of FY2019/20 compared to last fiscal year's final figure of KD 1,831.3 million.
- **Local banks' claims on the CBK** increased by KD 427.1 million or 6.8% to reach KD 6,717.2 million at the end of FY2019/20 against KD 6,290.1 million at the end of the previous fiscal year. This increase resulted from the growth in the balances and in time deposits and related Tawarruq by KD 249.9 million or 19.9% (from KD 1,255.2 million up to KD 1,505.1 million), cash balances by KD 101.1 million or 28.2% (from KD 358.6 million up to KD 459.7 million), and the balances of sight deposits with the CBK by KD 77.5 million or 4.5% (up from KD 1,705.6 million to KD 1,783.0 million), coupled with a decrease in local banks' holdings of CBK bonds and related Tawarruq by KD 1.4 million (from KD 2,970.7 million down to KD 2,969.3 million).
- **Foreign Assets** increased by KD 3,336.0 million or 23.9% to reach KD 17,290.3 million at the end of FY2019/20 against KD 13,954.3 million at the end of the previous fiscal year.
- **Local Interbank Deposits** increased by KD 1,386.9 million or 70.6% to reach KD 3,350.7 million at the end of FY2019/20 against KD 1,963.8 million at the end of the previous fiscal year.
- **Local banks' claims on Government** decreased by KD 1,712.7 million or 46.1% to reach KD 2,002.5 million at the end of FY2019/20 against KD 3,715.1 million at the end of the previous fiscal year.

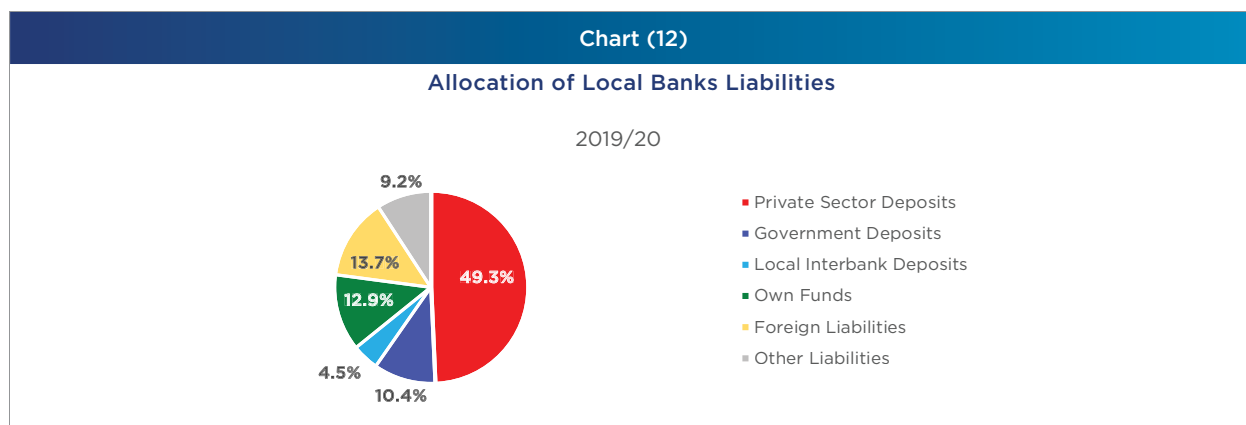


Source: Central Bank of Kuwait.

B. Aggregate Liabilities of Local Banks:

- **Private sector** (resident) deposits with local banks decreased by KD 1,246.9 million or 3.4% to KD 35,897.1 million at the end of FY2019/20 against KD 37,144.0 million at the end of the previous fiscal year. This decline resulted from a drop of KD 875.4 million or 2.5% in the balances of KD deposits to reach KD 33,511.8 million at the end of FY2019/20 against KD 34,387.3 million at the end of the previous fiscal year. Furthermore, private sector (resident) deposits in foreign currency with local banks recorded a decline of KD 371.5 million or 13.5% to reach KD 2,385.2 million at the end of FY2019/20 against KD 2,756.7 million at the end of the previous fiscal year.
- **Government deposits with local banks** increased by KD 1,534.6 million or 25.5% to KD 7,560.3 million at the end of FY2019/20 against KD 6,025.7 million at the end of FY2018/19.

- Local Interbank Deposits rose by KD 1,485.5 million or 84.2% to reach KD 3,248.8 million at the end of FY2019/20 against KD 1,763.3 million at the end of the previous fiscal year.
- Shareholders' equity with local banks increased by KD 140.0 million or 1.5% to reach KD 9,352.4 million at the end of FY2019/20 against KD 9,212.4 million at the end of FY2018/19.
- Foreign liabilities increased by KD 3,137.5 million or 46.0% to reach KD 9,955.1 million at the end of FY2019/20 against KD 6,817.6 million at the end of the previous fiscal year.
- On the other hand, the balances of contra accounts with local banks reached KD 17,377.0 million at the end of FY2019/20 against KD 17,295.9 million at the end of FY2018/19, i.e. an increase of KD 81.2 million or 0.5%. These balances account for 23.9% of the aggregate balance sheet of local banks on domestic basis at the end of FY2019/20 against 25.6% at the end of FY2018/19.



Source: Central Bank of Kuwait.

Table (5)

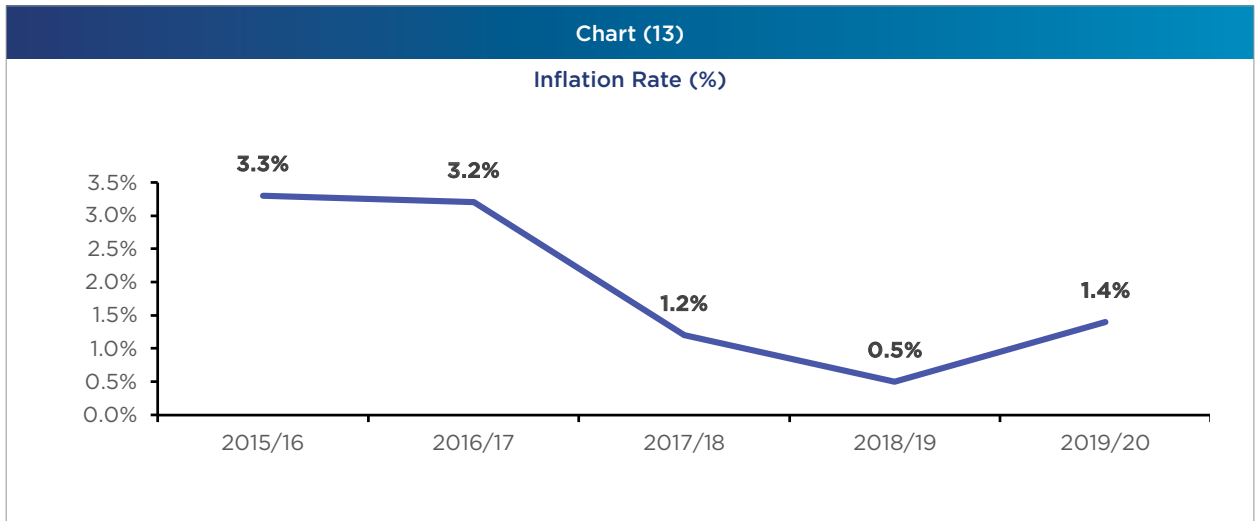
Local Banks' Aggregate Balance Sheet
(KD million)

Item	Closing Balance		Change	
	2018/19	2019/20	Value	(%)
Assets:				
Claims on CBK	6,290.1	6,717.2	427.1	6.8
Local Interbank Deposits	1,963.8	3,350.7	1,386.9	70.6
Claims on Government	3,715.1	2,002.5	-1,712.7	-46.1
Claims on Private Sector	39,252.1	40,959.6	1,707.5	4.4
Foreign Assets	13,954.3	17,290.3	3,336.0	23.9
Other Assets	2,256.0	2,453.7	197.7	8.8
Total Assets= Total Liabilities	67,431.4	72,774.0	5,342.6	7.9
Private Sector (Resident) Deposits	37,144.0	35,897.1	-1,246.9	-3.4
Government Deposits	6,025.7	7,560.3	1,534.6	25.5
Local Interbank Deposits	1,763.3	3,248.8	1,485.5	84.2
Shareholders' Equity	9,212.4	9,352.4	140.0	1.5
Foreign Liabilities	6,817.6	9,955.1	3,137.5	46.0
Other Liabilities	6,468.5	6,760.4	291.9	4.5
Contra Accounts:	17,295.9	17,377.0	81.2	0.5
Number of Banks:	23	23	-	-

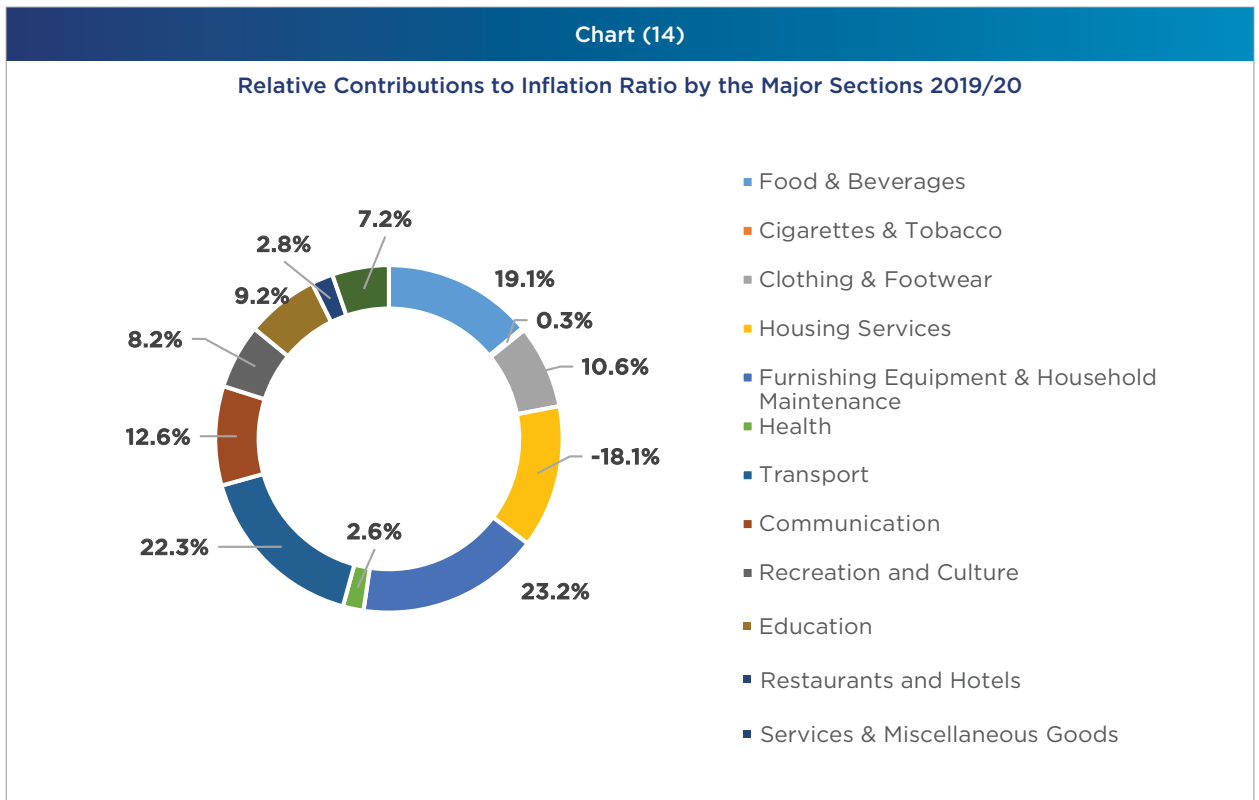
Source: Central Bank of Kuwait.

Annual 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 1.4% during FY2019/20 against 0.5% for FY2018/19. The main groups that mostly contributed to the mentioned rate are: “Furnishing equipment and household maintenance” (relative weight of 11.4%) by 23.2%, “Transport” (relative weight of 7.5%) by 22.3%, and “Communications” (relative weight of 4.0%) by 12.6%, whereas the negative contribution to the inflation rate for FY2019/20 was in “Housing Services” (relative weight of 33.2%) by 18.1%.



Source: Central Bank of Kuwait.



Source: Central Statistical Bureau



Second: CBK Supervisory Efforts

- Instructions, Circulars and Controls
- Other Activities

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

1. CBK issued a circular on 14/5/2019 to all local banks updating the instructions previously issued on 23/7/2013 regarding Anti-money Laundering (AML) and Combating the Financing of Terrorism (CFT), to enhance and further clarify some requirements, as revealed by CBK's follow-up on the banking and financial institutions subject to its supervision to ensure that they are fully compliant with AML/CFT requirements. Subsequently, a circular was issued on 28/8/2019 forming a committee with every bank to be responsible, inter alia, for making decisions of whether or not to report any suspicious incident to the Financial Investigation Unit. Membership of the said committee comprises AML/CFT Officers. Reviews of suspicious incidents should be included and presented to the committee and include the opinion of each member thereon along with the final decision of the committee, while maintaining documentation thereof to be submitted if requested.
2. CBK issued a circular on 28/8/2019 to all local banks, finance companies and exchange companies regarding the Executive Bylaw of the Implementation Committee of the UN Security Council Resolutions issued pursuant to Chapter VII of the UN Charter on Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction. The said circular came into effect from the date thereof to supersede the Resolution No. 5 issued on 8/4/2014 regarding Executive Bylaw of the Implementation Committee of the UN Security Council Resolutions issued pursuant to Chapter VII of the UN Charter on Terrorism and Financing of Terrorism, previously circulated by CBK on 31/08/2014. Subsequently, CBK issued a circular on 28/10/2019 to all local banks, finance companies and exchange companies regarding the Executive Bylaw of the Implementation Committee of the UN Security Council Resolutions issued pursuant to Chapter VII of the UN Charter on Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction. It includes a mechanism for following up the decisions passed by the sanctions committees under Chapter VII of the United Nations Charter, whether affiliated to the Security Council by virtue of with resolutions 1267/1999, 1988/2011, 2253/2015 and related resolutions, or the decisions passed by the Implementation Committee of the UN Security Council Resolutions issued pursuant to Chapter VII of the UN Charter on Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction, formed in the Ministry of Foreign Affairs.
3. In its meeting held on 10/9/2019, CBK's Board of Directors approved amendments to the instructions of the rules and regulations of corporate governance in Kuwaiti banks by adding independent members to banks' boards of directors and board committees. The amendments shed the light on the importance of risk management governance and the roles assigned to the board of directors, and included compliance governance and cyber security risks within the bank's overall risk management framework.
4. In the same meeting mentioned above, CBK's Board of Directors approved amendments to the rules and regulations related to the experience required under Article (68) of the Law No. (32) of 1968, as amended, whereby a new decision was passed to include the conditions that must be met by the independent and nonindependent candidates for membership of the bank's Board of Directors. The decision provided for, six conditions applicable to the independent candidates under Article (1) thereof, a new condition for the experience of the non--independent candidates, in addition to amendments to the conditions of the technical experience to be fulfilled by the nominees for Deputy or Assistant Chief Executive Officer.

5. CBK is aware of the unprecedented challenges facing the banking industry and believes that Kuwaiti banks must take stock of the external challenges including a difficult economic environment, the impact of evolving technologies and the shift in customer expectations. Therefore, as per the circular dated on 6 October 2019, CBK instructed all Kuwaiti banks to adopt future-proof strategies in order to operate efficiently and resiliently and to embrace innovative products and services. The strategy is to be well-defined and should cover prerequisite requirements over the medium term (3-5 years). It should also address the above challenges and technical developments while focusing on winning customers' loyalty and providing them with value.

10. CBK issued a circular on 31/3/2020 to all local banks instructing them to delay submission of the interim financial statements for the period ending 31/3/2020 to CBK, provided that banks shall provide CBK, on the dates previously scheduled, with all the statistical data and reports required for CBK's supervisory mandate. In addition, CBK's circular issued on 9/4/2020 allows banks, investment companies and finance companies to postpone submission of the review report of loans/personal financing for consumer and housing purposes to CBK for the quarter ending on 31/3/2020, provided that CBK shall be provided with the said report for the second quarter ending on 30/6/2020. Likewise, all banks and finance companies may postpone submission of internal control system review reports for the year 2019 to CBK till 30/9/2020 instead of 30/6/2020 by virtue of the circular issued on 9/4/2020.



Second : Other Activities

1. Memorandum of Understanding (MOU) with the Ministry of Commerce and Industry (MOCI): CBK signed a MOU with the Ministry of Commerce and Industry on 2/7/2019 to define a framework of co-ordination between CMA and MOCI with respect to the allocation of the regulatory and supervisory responsibilities over certain activities undertaken by the CBK-regulated units. This MOU is an update of the previous version signed by the two parties on 17/9/2000, and takes into account new regulatory developments since then, in particular the amendments to certain provisions of the Law of Companies and its executive regulations, and the resulting areas that need mutual coordination. Moreover, this MOU covers the implementation of Anti-Money Laundering and Combat of Financing Terrorism Law, the Electronic Transactions Law, and the Law on Regulating Credit Information Exchange. It also addresses a number of principles defining the terms of reference with the aim to prevent any oversight duplication or overlap within the basic tasks of CBK and MOCI as well as simplifying work procedures.
2. "International Banking Conference: Shaping the Future". CBK Organized the International Banking Conference "Shaping the Future" on 9/23/2019 under the patronage of His Highness the Amir of the State of Kuwait Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah. The event included a number of key policymakers and specialists in the banking and financial industry from all over the world, and a FinTech Exhibition with more than 45 participants from Kuwait, Gulf Cooperation Council (GCC) countries, local banks, and leading telecommunications companies at a regional level.
3. A Liquidity Forecast, Analysis and Management Workshop in Kuwait City, 6-7/10/2019 2019, in collaboration with the Gulf Monetary Council.
4. Confirming its continued support of the economy and developing national cadres, CBK launched on 21/10/2019 a new training program in risk management under the Kafa'a Initiative launched by CBK in cooperation with Kuwaiti banks and the Institute of Banking Studies.
5. With apparent efforts to reinforce Shari'ah governance and Shari'ah audit in Islamic banks in Kuwait, CBK launched on 3/11/2019 the second session of the Certified Shari'ah Auditor Program under the Kafa'a initiative launched by CBK in cooperation with Kuwaiti banks and the Institute of Banking Studies.
6. In line with CBK's strategic vision to develop national cadres, cope with the technical advancements, and meet the needs of the banking sector in terms of the highly qualified national labor, CBK held on 16/12/2019 an academic meeting with banking and academic executives. CBK led in-depth discussions on future work requirements of the banking sector and the ways to develop university education to prepare graduates to be able to bridge the gap and, thus, increase the job opportunities for the national competencies in a variety of specialties.
7. In continuation of its efforts to train national and GCC cadres, strengthen banking supervision methods and implement the best regional and international practices, CBK hosted a high-level panel discussion, during 10-13/2/2020, organized by IMF's Middle East Center for Economics and Finance (CEF) on regulating and supervising FinTech. The event gathered representatives from central banks and monetary agencies of the countries of the Gulf Cooperation Council (GCC).
8. CBK prepared the Law No. (3) of 2020 amending certain provisions of the Law No. (32) of 1968 concerning Currency, the Central Bank of Kuwait, and the Organization of Banking Business, whereby Article (93) was amended to establish the Higher Committee of Shari'ah Supervision in CBK. CBK's Board of Directors is empowered, under the said revised Article, to lay down the rules that govern the composition of the committee, the method of appointment, organization of its business, terms of reference and members' remuneration. The said committee shall express its opinion on Shari'ah related matters referred to it by the courts or arbitration centers with respect to the issues of Islamic finance and banking business. In addition, the said amendment stated that should a difference of opinion arises among the members of the Shari'ah Supervisory Board in an Islamic bank concerning a Shari'ah ruling, the Higher Committee of Shari'ah Supervision in the Central Bank of Kuwait shall serve as the final authority of the matter in place of the Fatwa Committee at the Ministry of Awqaf and Islamic Affairs. The law was issued on 10/3/2020.





Third: Key Banking Operations

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

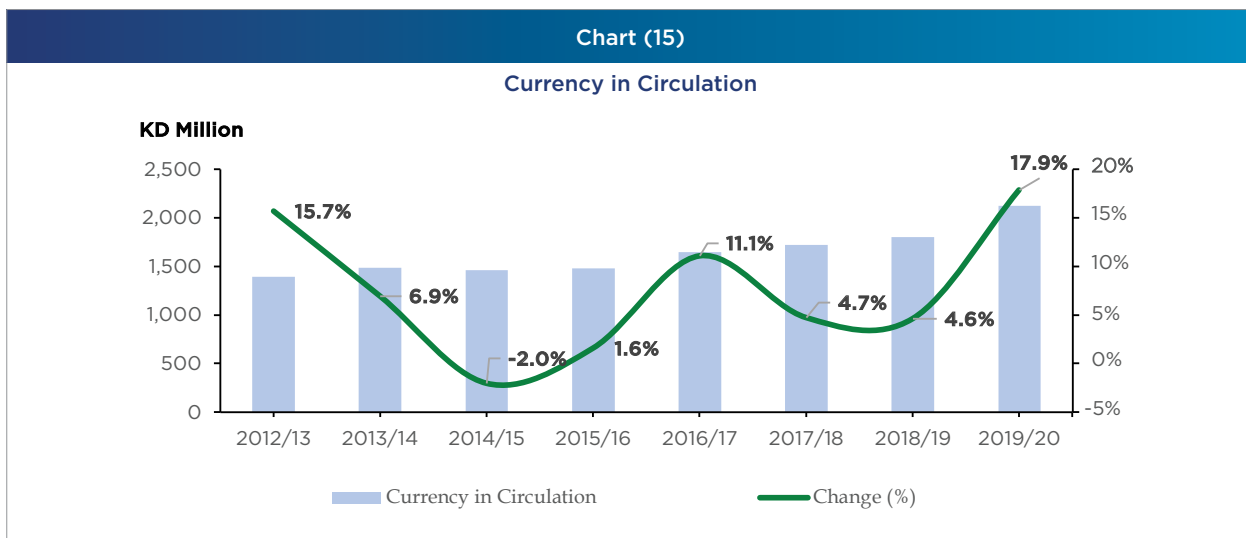
I : Currency in Circulation

A. Balance of Currency in Circulation

“ Currency in circulation increased by 17.9% at the end of FY2019/20 ”

The balance of currency in circulation reached KD 2,125.5 million by the end of FY2019/20 against KD 1,803.3 million at the end of the previous fiscal year, i.e. an increase of 322.2 million or 17.9%. The balance during FY2019/20 varied between:

- The highest level of KD 2,125.5 million, by end of March 2020, and
- The lowest level of KD 1,788.4 million, by end of August 2019.



Source: Central Bank of Kuwait.

B. The Quality of Banknotes in Circulation

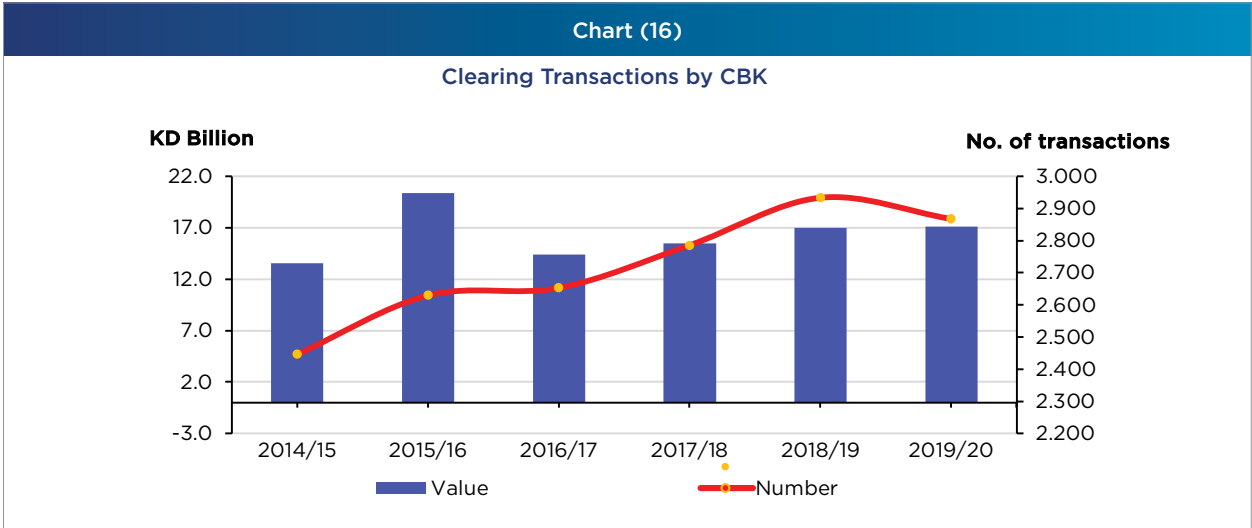
CBK continued its efforts towards ensuring the high quality of banknotes in circulation by withdrawing and destroying banknotes that are no longer fit for circulation in accordance with CBK minimum quality requirements, and fighting counterfeiting and forgery of banknotes in collaboration with other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

II : Local Interbank Clearing and Settlement Operations

A. Transactions processed by CBK Clearing Room

“ The total value of clearing room’s transactions increased to reach KD 17.1 billion during FY2019/20 ”

The total value of transactions made by CBK clearing room during FY2019/20 increased to KD 17.1 billion for 2.87 million transactions (cheques) i.e. an average value of KD 5,962.9 per transaction, against KD 17.0 billion for 2.93 million transactions (cheques) i.e. an average value of KD 5,796.9 per transaction during FY2018/19.

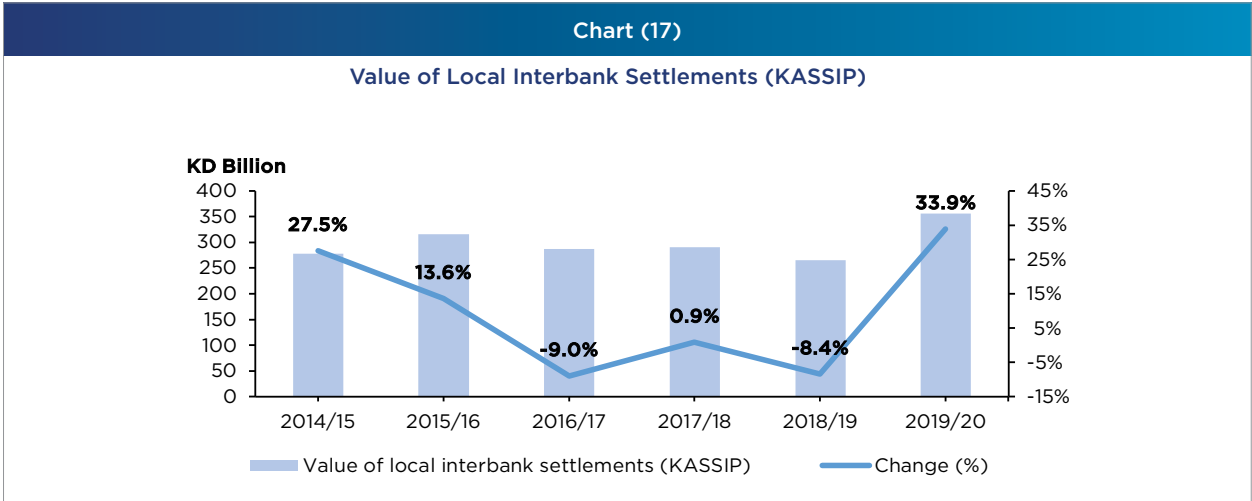


Source: Central Bank of Kuwait.

B. Interbank Settlements

“ The Interbank Settlements increased by 90.27 billion or 33.9% over the previous fiscal year ”

Interbank settlements carried out through CBK using Kuwait Automated Settlement System for Inter-participant Payments (KASSIP) amounted to KD 356.02 billion during FY2019/20 against KD 265.76 billion during the previous fiscal year, i.e. a rise of KD 90.27 billion or 33.9%.



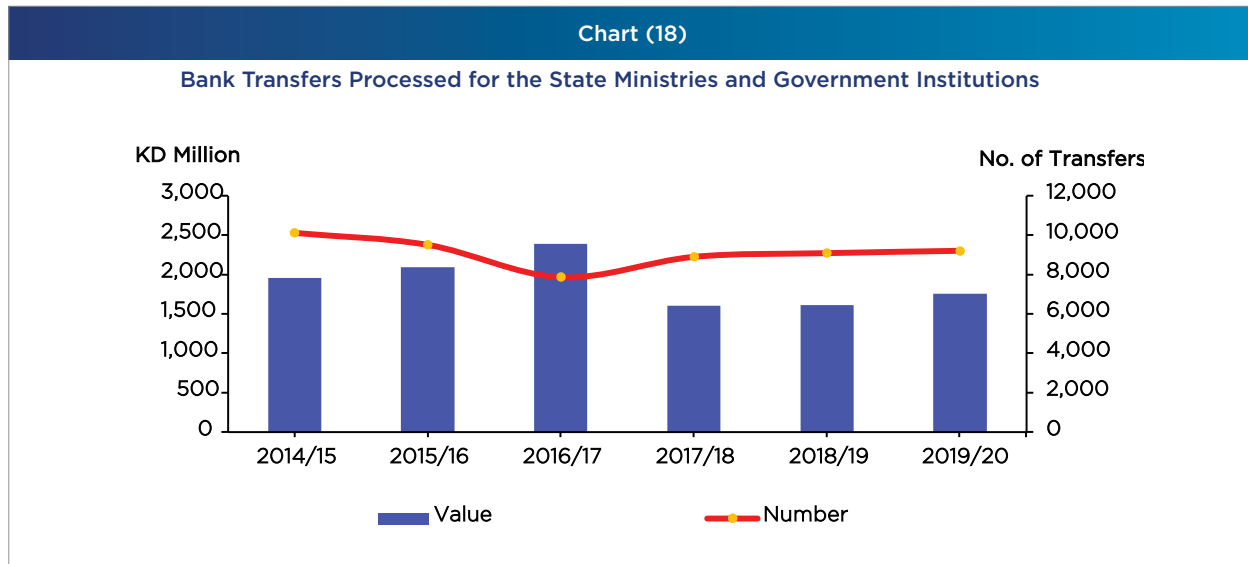
Source: Central Bank of Kuwait.

III : Bank Transfers and Transactions

A. Local Bank Transfers

“ The value of local bank transfers increased by 8.9% during FY2019/20 ”

CBK executed 9,204 bank transfers in favor of ministries and different government institutions totaling KD 1,758.6 million during FY2019/20 against 9,084 bank transfers totaling KD 1,615.2 million during FY2018/19.



Source: Central Bank of Kuwait.

B. 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 FY2019/20 are listed 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	11	21,010,286.094
Total	11	21,010,286.094
2) Paid		
- Local	2	965,585,0
- Foreign	84	359,069,522.443
Total	86	360,035,107.443
3) Amended		
- Local	-	-
- Foreign	1	120,049,844
Total	1	120,049,844

Source: Central Bank of Kuwait.



Fourth: CBK Workforce

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



I. Number of CBK Staff

CBK total staff number reached 1003 at the end of FY2019/20 against 963 at the end of the previous fiscal year, of which Kuwaiti staff reached 920 (91.7% of the total) at the end of FY2019/20 against 867 (90% of the total) at the end of the previous fiscal year.

FY2019/20 witnessed the appointment of 101 employees, of whom 99 were Kuwaitis (98% of total recruits), compared to 10 employees who were appointed in the previous fiscal year 2018/19, of whom 7 were Kuwaitis (70% of total recruits).

FY2019/20 also witnessed end of service of 60 employees for the following reasons: resignation (31 employees), retirement (15 employees), end of service (two employees), and dismissal (12 employees).

II. Official Missions

A number of 115 staff attended 70 conferences and meetings abroad during FY2019/20 (a decrease of 21.6%) against 148 staff who attended 77 conferences and meetings abroad during FY2018/19.

III. Training Courses and Programs

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 622 staff attended 102 programs during FY2019/20 (i.e. a decrease by 49.7% compared to the previous fiscal year) 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. Against 1163 staff, who attended 156 training programs in the previous fiscal year.

B. Outside Kuwait

During FY2019/20, a number of 147 staff (i.e. an increase by 40% compared to the previous fiscal year) attended 98 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 Bank of England, and the Federal Reserve System, and State Workers' Insurance Fund (SWIF), and The Istanbul School of Central Banking). On the other hand, 105 staff attended 75 training programs outside the State of Kuwait during the previous fiscal year.

IV. Professional Certificates and Scholarships

During FY2019/20, 2 employees attended 2 professional certificate programs, compared with 10 during FY2018/19.

V. Qualifying Kuwaiti Fresh Graduates

CBK has organized training programs for 37 fresh graduate interns whom the Bank has signed training contracts with during FY2018/2019. Also, 65 trainees completed their probation period during FY2019/20, compared to two trainees during FY2018/19 fiscal year.

VI. Scholarships

During FY2019/20, 5 employees meeting the requirements were granted scholarships for postgraduate studies abroad, against 4 employee granted scholarships abroad during FY2018/19.

VII. 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 ninth 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 ninth batch for this program is currently being prepared by training fresh Kuwaiti graduates to participate in the program. Under this program, 3 university graduate interns were selected for CBK to participate in this training.

VIII. Study after the CBK Official Working Hours

CBK did not receive any requests during FY2019/20 for study completion after the official working hours, compared with 10 requests during FY2018/19.

IX. Training University and Institute Students

During FY2019/20, 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 38 during FY2019/20, compared with 22 during FY2018/19.





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

I. CBK's Efforts Towards Developing and Upgrading the Information Technology Infrastructure

1. Implementation of the Electronic Banking Services System for KD transfers to government agencies - first stage

- Trained specialists from the Ministry of Finance, the Ministry of Foreign Affairs, Ministry of Electricity and Water and the Public Institution for Social Security.
- Implemented the system at the Ministry of Foreign Affairs, Public Institution for Social Security and the Ministry of Electricity and Water.
- Preparations were underway to implement the system at the Ministry of Finance.

2. Gulf Payment System – Linking Kuwait's Automated Settlement System for Inter-participant Payments (KASSIP) with Gulf Payment System

- The system infrastructure has been prepared.
- Awareness workshops were prepared for commercial banks on the system.
- CBK team has been trained on the system.
- The technical and functional specifications for the State of Kuwait have been approved.

3. Data Analytics & Reporting System Project - First Stage

- A unified database linked to all the bank's databases and systems has been established.
- Implemented and linked Plastic Cards and Electronic Operations Management System, unified the different data and displayed them in the form of dashboards.





- Completed the document on conducting operations for the first stage of the KNPS.
- Conducted several workshops for commercial banks on KNPS, in light of the participant readiness management plan.

6. Cash Management System Project

- The connection test with the Core Banking System and the Automated Handling System has been completed, and all outstanding critical faults have been fixed.
- Final tests were being performed before transferring the system to the banking hall in the new building.

7. Reengineering the Procedures of the Automated Recruitment System

- Completed the reengineering of the procedures of the Automated Recruitment System, and applied the system that helped the applicants to select jobs in a quicker and more accurate and flexible manner.

8. Human Resources Department Development Project

- Completed the preparation of the practice and invitation thereto.
- Prepared responses to companies' questions in coordination with the relevant departments of CBK.
- Completed the visual presentations submitted by the companies participating in the practice.
- Evaluated the companies participating in the practice in coordination with the relevant departments in CBK.
- Signed the contract with the winning company to develop human resource department systems.

II. CBK's Efforts Towards Enhancing its Communications with the Economic and Financial Society

In order to achieve the goals for which the Communications and Public Relations Department was estab



lished, to promote a balanced presence, and in support of the distinguished image of CBK, the department was keen to intensify its activities during the FY2019/20 to achieve the goals entrusted to it. Its vital role derived from its goals and objectives, and the effective contribution to achieving the Bank's vision in order to maintain financial and monetary stability, and exercising its supervisory role on monetary policies and the banking system in the country. The department has worked to continue its effort in accomplishing projects. Below is an overview of the most important achievements of Communications and Public Relations Department.

1. Organizing Specialized Conferences and Events:

CBK has continued its role in promoting global, regional and national communications with the aim of exchanging experiences, increasing knowledge, and preparing for the future through holding many important events, for example:

- Organized the International Banking Conference: Shaping the Future, under the patronage of His Highness the Emir, the top-level international delegates of more than 1700 participants from international and regional financial institutions, central banks, supervisory authorities, banks, companies and international experts in the financial and banking affairs.
- Organized the Fintech exhibition with the participation of more than 40 exhibitors at a regional level.
- Organized (3) high-level roundtable discussions with the participation of international experts and the presence of banking and international leaders.
- Supervised logistics for holding (6) specialized workshops in cooperation with local, regional and international bodies in the presence of Gulf and local banks and supervisory entities.
- Organized a roundtable discussion with high-level delegates on the state of the national economy and its future prospects, in cooperation with Global Finance.
- Promoted the strategic cooperation between the sectors responsible for higher education in the State of Kuwait in the governmental and private sectors on the one hand, and with CBK and the banking and financial sector on the other, to cater to the future needs and aspirations of the labor market.

2. Awareness, educational and advertising campaigns:

Within the context of enhancing the awareness and instructive role of CBK, the Bank has contributed to launching awareness, educational and advertising campaigns directly or through the entities subject to its control, the most important of which are:

- Launched the reminder campaign for the electronic payment and settlement systems.
- Launched a campaign for the Regulatory Sandbox Framework for technical innovations.
- Launched an awareness campaign on information security and cybercrime.
- Continued to raise awareness on complaint submission procedures against CBK-regulated entities.
- Launched a campaign on issuing the 5th Anniversary coin of naming His Highness the Emir a leader of humanitarian action.
- Launched a campaign to issue a commemorative coin on the 65th anniversary of the establishment of Kuwait Airways.

3. Internal communication activities:

The Department was keen to strengthen internal bonding through organizing various internal events including:

- The Distinguished Employees of 2018 ceremony.
- Celebration of National Day and Liberation Day.
- Educational and awareness lectures delivered by specialists in various fields.
- Community and humanitarian contribution programs.
- Health Week.
- Attracting special offers for employees.

4. Social Responsibility

A. Kafa'a Initiative:

Among the most important social responsibility initiatives that CBK strongly supports is the “Kafa'a” initiative. It represents the vision of CBK and Kuwaiti banks to develop national cadres. The Institute of Banking Studies (IBS) manages the initiative and its various programs that aims at building national cadres and competencies capable of supporting the development process in the State of Kuwait, as follow

- The Kuwaiti Economic Researcher Award and the Kuwaiti Economic Student Award.
- Kuwait Graduates Development Program.
- Cyber Security Leaders Program (CSLP).
- Master's Degree Scholarship Program.
- The Executive Education Program for Banking and Financial Executives (Harvard Business School).
- Certified Shari'ah Auditor (CSA).
- Risk Management Leaders Program.

B. National and Gulf Participations:

- Celebrated national occasions by lighting CBK's building, posted on social media platforms, and produced the necessary artworks.
- Participated with the GCC countries in the celebration of their national holidays by lighting the bank's building, publishing on social media platforms, and producing the necessary art materials.

5. Communication:

The Communications and Public Relations Department published content related to events and occasions organized and sponsored by the Bank, as the department carried out the following:

- Published (59) press releases, which included statements, news or announcements, in local newspapers, Kuwait News Agency (KUNA) and other news agencies to update the public on the developments in the work of CBK.
- Published (80) posts on the Bank's social media platforms and networks, which varied between Twitter, Instagram, Facebook, LinkedIn and YouTube.
- Prepared and published (11) "Infographics" in Arabic and English, in a detailed and simplified manner, to update the public, and those interested, on the latest developments.

The department is also keen on the continuous development of the Bank's accounts on social media platforms, and worked to increase the number of followers to build a broader base of followers of the Bank's social media accounts. The department also monitors, reviews and analyzes the supervised entities' announcements in newspapers and social media to identify the extent of compliance with the instructions issued to them.

6. Precautionary measures taken at the onset of the COVID-19 Crisis:

CBK communicated its precautionary measures promptly during the crisis in cooperation with the entities subject to its supervision. Amongst these measures are:

- Published (18) educational materials, and (3) videos in the Bank's accounts and through social media related to the precautionary measures and announcements issued by CBK in this regard.
- Cooperated with local banks to republish these materials through their social media accounts.
- Monitored the procedures taken by the entities subject to CBK's supervision, and oversaw the measures taken at the branches and service delivery centers.



Sixth: CBK Financial Statements for the Fiscal Year ended 31 March 2020

- Auditors' Report.
- Balance Sheet as at 31 March 2020.
- Profit & Loss Account For FY ended 31 March 2020.
- Notes to the Financial Statements (31 March 2020).

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 2020, 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 2020 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

ERNST & YOUNG

AL AIBAN, AL OSAIMI & PARTNERS

SAFI AL-MUTAWA

LICENCE NO. 138A

KPMG SAFI AI-MUTAWA & PARTNERS

MEMBER FIRM OF KPMG INTERNATIONAL

15 June 2020

State of Kuwait

Balance Sheet as at 31 March 2020

(All amounts in KD)

Assets	Notes	31 March 2020	31 March 2019
Gold	2	31,742,157	31,742,157
Cash, current and call accounts in foreign currency with banks and other financial institutions		701,592,671	213,046,263
Deposits and investments in foreign currency	3	<u>10,726,109,167</u>	<u>10,574,392,981</u>
Other assets	4	<u>198,152,606</u>	<u>75,304,088</u>
Total Assets		<u>11,657,596,601</u>	<u>10,894,485,489</u>
Accounts managed by CBK on behalf of the Kuwaiti government and contra accounts	10	<u>5,451,475,597</u>	<u>6,978,299,446</u>

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

Balance Sheet as at 31 March 2020
(All amounts in KD)

Equity and Liabilities	Notes	31 March 2020	31 March 2019
Capital - fully paid up		5,000,000	5,000,000
General Reserve Fund	5	760,368,637	548,238,642
Special account	6	-	-
Profit for the year		194,512,671	212,129,995
Currency in circulation	7	2,125,495,495	1,803,310,982
Bonds issued by CBK	8	1,850,000,000	1,850,000,000
Government accounts		1,774,925,813	1,578,015,522
Local banks' current accounts and deposits with CBK	9	4,421,714,446	4,118,716,212
International institutions		102,474,990	154,563,258
Guarantees on documentary credits	10	284,725,662	445,299,162
Other liabilities	11	138,378,887	179,211,716
Total Equity and Liabilities		11,657,596,601	10,894,485,489
Accounts managed by CBK on behalf of the Kuwaiti government and contra accounts	10	5,451,475,597	6,978,299,446

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

Profit & Loss Account For the FY ended 31 March 2020
(All amounts in KD)

Items	Notes	31 March 2020	31 March 2019
Interest and income from investments		242,199,602	257,158,210
Interest and commissions expenses		<u>(102,160)</u>	<u>(109,956)</u>
		242,097,442	257,048,254
Other income		<u>770,409</u>	<u>1,012,453</u>
Operating income		242,867,852	258,060,707
Operating expenses	12	<u>(48,355,180)</u>	<u>(45,930,712)</u>
Net profit for the year		<u><u>194,512,671</u></u>	<u><u>212,129,995</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>194,512,671</u></u>	<u><u>212,129,995</u></u>

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

Notes to the Financial Statements (31 March 2020)

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 4).

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 2020	31 March 2019
Deposits with banks and foreign institutions	10,721,481,667	10,569,830,731
CBK Facilities to International Bank for Reconstruction and Development	4,627,500	4,562,250
	<u>10,726,109,167</u>	<u>10,574,392,981</u>

4. OTHER ASSETS (KD)

Items	31 March 2020	31 March 2019
Accrued interest on deposits and other assets	25,468,232	32,879,785
Investments denominated in Kuwaiti Dinars	50,228,544	2,791,210
Prepaid expenses	2,210,428	839,777
Other receivables	3,717,415	3,732,301
Ministry of Finance's - Transaction cost of Intervention in the money market (Note 2)*	83,723,057	16,656,569
Debit balances transferred from the Special Account on revaluation of monetary assets and liabilities denominated in foreign currencies (Note 6)**	32,804,930	18,404,446
	<u>198,152,606</u>	<u>75,304,088</u>

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 2020	31 March 2019
Balance at the beginning of the year	-	41,100,393
Net foreign currency translation difference from revaluation of monetary assets and liabilities denominated in foreign currencies	(32,804,930)	(59,504,839)
Debit balance transferred from the Special Account on revaluation of monetary assets and liabilities denominated in foreign currencies (Note 4)*	32,804,930	18,404,446
Balance at the end of the year	<u>-</u>	<u>-</u>

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 2020	31 March 2019
Net currency issued	2,699,581,990	2,542,881,590
Less: Currency in the CBK vaults	<u>(574,086,495)</u>	<u>(739,570,608)</u>
	<u>2,125,495,495</u>	<u>1,803,310,982</u>

- 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 2020	31 March 2019
Current accounts	1,797,279,707	1,742,806,798
Deposits	1,005,000,000	925,000,000
Tawarruq - (Takings)	<u>1,619,434,739</u>	<u>1,450,909,414</u>
	<u>4,421,714,446</u>	<u>4,118,716,212</u>

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

Items	31 March 2020	31 March 2019
(a) Accounts managed by CBK on behalf of the Kuwaiti government	<u>2,573,812,340</u>	<u>4,189,430,960</u>
(b) Contra accounts:		
Letter of Credit	2,874,799,092	2,785,988,799
Memorial Coins	<u>2,864,165</u>	<u>2,879,687</u>
	<u>2,877,663,257</u>	<u>2,788,868,486</u>
Collections According to Law No. 41 of 1993	<u>5,451,475,597</u>	<u>6,978,299,446</u>

On 31 March 2020, CBK held guarantees of KD 284,725,662 (2019: KD 445,299,162) against the letters of credit referred to above.

11. OTHER LIABILITIES (KD)

Items	31 March 2020	31 March 2019
Payable expenses	9,733,663	10,534,156
Other payables	128,645,224	168,677,560
Ministry of Finance's - Cost of Intervention in the money market (Note 2)	-	-
	<u>138,378,887</u>	<u>179,211,716</u>

- 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.

Items	31 March 2020	31 March 2019
Employee costs	33,959,351	33,128,101
Administrative and computer costs	7,722,658	6,901,673
Purchase of furniture and equipment	25,695	342,586
Production and shipment of currency	2,291,525	1,275,201
Sundry expenses	4,150,066	4,011,558
Construction costs	205,885	271,593
	<u>48,355,180</u>	<u>45,930,712</u>

13. PROMISSORY NOTES HELD

On 31 March 2020, the amount of promissory notes held by CBK in safe custody on behalf of international institutions was KD 605,229,598 (2019: KD 609,642,596).

تم بحمد الله