

بنك الكويت المركزي
CENTRAL BANK OF KUWAIT



Annual Report

For the Fiscal Year
2022/2023



بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ



The Amir of the State of Kuwait

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



The Crown Prince of the State of Kuwait

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



The Prime Minister of the State of Kuwait

H.H. Sheikh Ahmad Nawaf Al-Ahmad Al-Sabah

Board of Directors



Basel Ahmad Al-Haroon
The Governor
Chairman of the Board of Directors



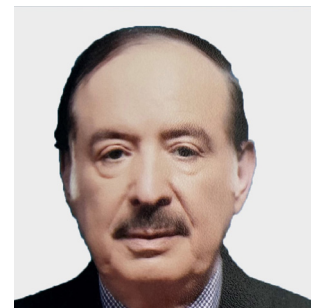
Sahar A. Al-Rumaih
Deputy Governor
Member



Aseel S. Al-Munifi
Undersecretary, Ministry of
Finance
Member



Mohammad M. Al-Anizi
Acting Undersecretary
Ministry of Commerce and
Industry
Member



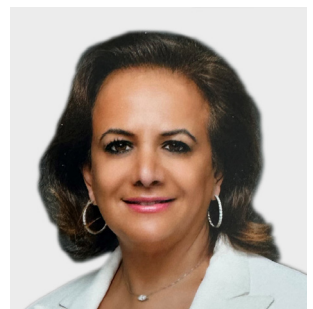
Abdullwahab R. Al-Haroon
Private Sector
Member



Hana A. Razzouqi
Private Sector
Member



Dr. Merza H. Hasan
Private Sector
Member



Fatma M. Al-Bader
Private Sector
Member

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Governor's Forward

It is my pleasure to present the 51st Annual Report of the Central Bank of Kuwait (CBK) for the Fiscal Year 2022/2023 (FY2022/23), which highlights the monetary and banking developments, along with CBK's efforts to sustain monetary and financial stability, supervise banking and financial institutions as well as develop infrastructure, IT and digitalization. This report also presents CBK's efforts in combating money laundering and developing information systems, cyber security and payment systems, and includes the Auditor's Report on the CBK's financial statements as on 31 March 2023.

The significant developments witnessed in FY2022/23 drastically affected the global economies, as represented in numerous challenges the most prominent of which is the highest inflationary wave seen in decades. The repercussions of the geopolitical conditions due to the Russian-Ukrainian war resulted in higher commodity prices, particularly food and energy prices. In addition, the supply chain activity has yet to normalize, but it is returning to pre-pandemic trajectories, and uncertainty that rose sharply. All these developments contributed to the rise in inflation rates in various countries worldwide, reaching unprecedented levels in some countries. Consequently, central banks in major economies, including US Federal Reserve Bank, the European Central Bank and the Bank of England, had to swiftly respond since Q1, 2022 by tightening monetary policy to curb the increasing inflation, and raising interest rates.

As part of its vigilant monitoring of the global and local economic conditions and the monetary policy directions in major economies, CBK raised the discount rate seven times by 225 base points, reaching 4.00% at the end of the reporting year against 1.75% in the previous year. These decisions were taken as part of the balanced and gradual approach adopted by CBK to raise interest rates, within the context of achieving the monetary policy objectives that targets consolidating the foundations of monetary and financial stability for banking and financial sector units, maintaining the allure of the national currency as a lucrative and reliable vessel for domestic savings on one hand, and bolstering elements supporting sustainable economic growth of the non-oil activities on the other, with high consideration towards the open nature of the Kuwaiti economy.

In a parallel context, CBK's endeavors to achieve a relative stability of KWD exchange rate against foreign currencies to curb the inflationary pressures on prices of imported commodities by pegging KWD to an undisclosed special weighted basket of currencies of countries that share significant financial and trade relations with the State of Kuwait. As a result, USD/KWD exchange rate fluctuated during FY2022/23 within relatively narrow margins, while that of USD against the other main currencies fluctuated within wider margins. Besides, most monetary and banking indicators, including money supply, deposits and the credit facilities extended by local banks to different local economic sectors, further improved during the reporting year. CBK continued its effort to reinforce its oversight over the units of the banking and financial system to ensure their resilient financial positions and bolster an atmosphere of financial stability.

On another front, CBK continued to upgrade information technology infrastructure, and to support innovation and utilization of the latest technology, whether in its own operations or those of CBK-regulated entities. It also continued to work towards empowering innovation in the banking sector and encouraging the use of the latest financial technology (Fin-Tech) and enhancing e-payment infrastructure, including that supporting cross-border payment. Furthermore, the bank launched a CBK digital conversion strategy and sanctioned establishment of digital banks. In terms of social responsibility and public outreach, CBK continued to spread awareness to protect bank's customers and their rights, as well as enhance public financial awareness. This was alongside the CBK'S continued strategic efforts aiming at national capacity building within the fields of



Basel Ahmad Al-Haroon
The Governor
Chairman of the Board of Directors

economics, banking, and finance. The national campaign for banking awareness (Diraya) continued its efforts to increase awareness, financial education and protect the public from electronic fraud. The Kafa'a Initiative activities were also resumed this past year to support and enhance national cadres.

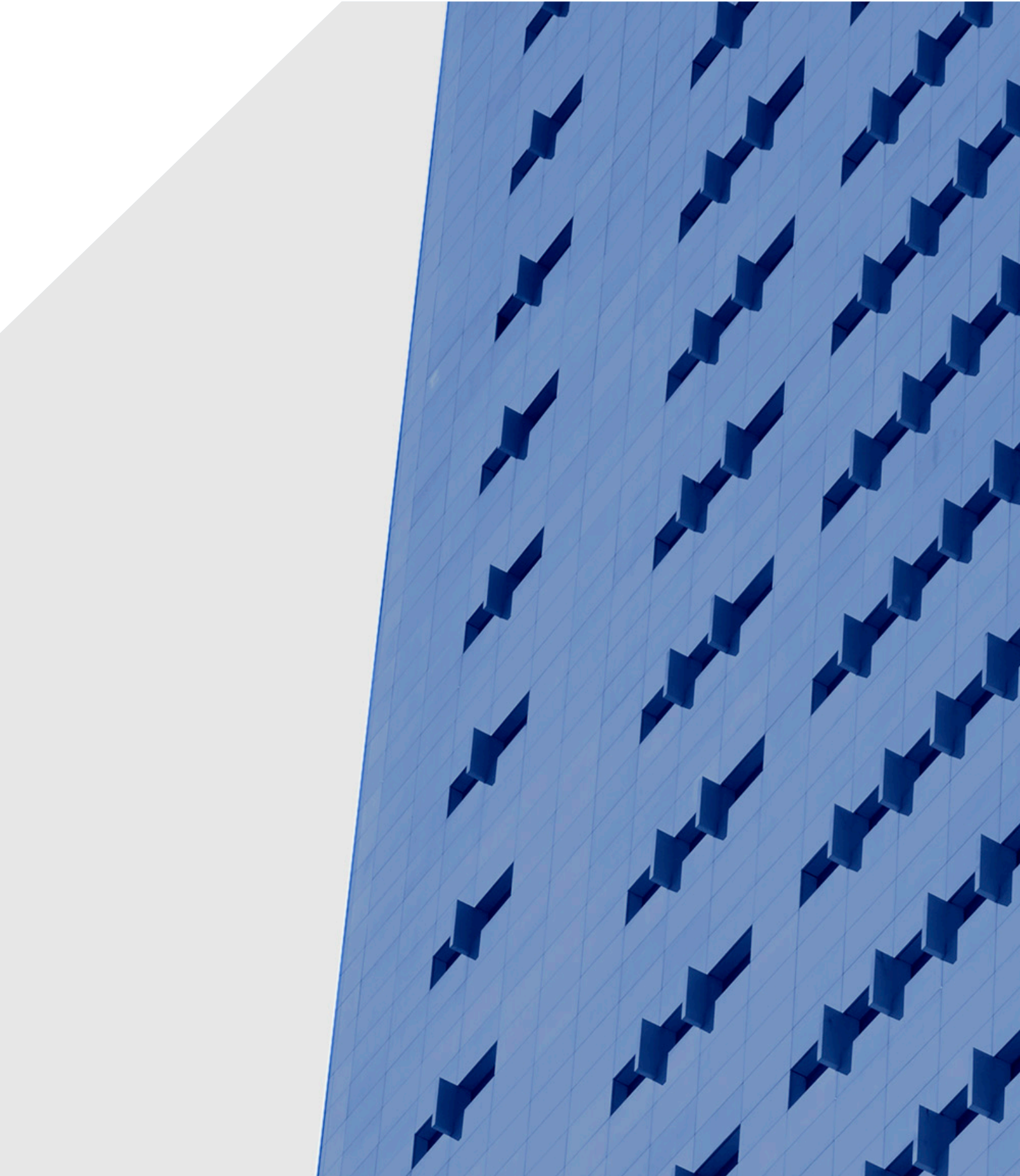
Lastly, we pray to Allah The Almighty to bless our efforts with success in the interest of our homeland and its prosperity under the wise leadership of His Highness the Amir Sheikh Nawaf Al-Ahmad Al-Jaber AL-Sabah, His Highness the Crown Prince Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah, and His Highness the Prime Minister Sheikh Ahmad Nawaf Al-Ahmad Al-Sabah.





**Monetary, Banking and
Economic Indicators**





Monetary, Banking and Economic Indicators

Throughout FY2022/23, CBK maintained efforts to draw and implement monetary policy, improve methods of monitoring and supervising CBK-regulated banking and finance system units, all within the framework of the goals stated in the Law No. 32 of 1968 concerning Currency, the Central Bank of Kuwait, and the Regulation of Banking and the amendments thereto, namely the privilege of issuing national currency on behalf of the state, working to maintain relative stability of exchange rate of the national currency against foreign currencies and guaranteeing ease and freedom of conversion, guiding credit policies of the local banking and finance sector units, developing the systems and programs for monitoring and supervising the sector's units, as well as providing financial counsel to the Government.

First: Monetary Policy

FY2022/23 witnessed a series of global, regional and local economic developments, most prominent of which were the rise in commodity prices on the back of the geopolitical progression of the Russian-Ukrainian war, disruptions of supply chains that have yet to normalize and uncertainty that rose sharply. All these developments contributed to the rise in inflation rates in various countries worldwide, reaching unprecedented levels in some countries. Consequently, central banks in major economies, including the US Federal Reserve Bank, the European Central Bank and the Bank of England, had to swiftly respond by tightening monetary policy and raising interest rates.

As part of its vigilant monitoring of the global and local economic conditions and the monetary policy directions in major economies, CBK raised the discount rate seven times by 225 base points, reaching 4.00% at the end of the reporting year against 1.75% in the previous year. CBK also decided to change the rates of monetary policy instruments by varying percentages for the entire interest rate yield curve, including repurchases (Repo), CBK bonds and tawarruq, term deposits, direct intervention instruments, as well as public debt instruments. These decisions are in line with a progressive approach adopted by CBK to reinforce the financial and monetary stability of the banking and financial units, and maintain the attractiveness of the national currency as a lucrative and reliable store for domestic savings, and foster an environment conducive to economic sustainable growth, in particular the non-oil sectors, in view of the open nature of the Kuwaiti economy.

During FY2022/23, CBK continued its efforts to ensure the relative stability of the Kuwaiti dinar's exchange rate against foreign currencies to help reduce inflationary pressures on imported goods by pegging KWD to an undisclosed special weighted basket of currencies of countries that share significant financial and trade relations with the State of Kuwait, since 20 May 2007 by virtue of the Law No. 147 of 2007. The available data reveal that the USD/KWD exchange rate fluctuated during FY2022/23 within relatively narrow margins, as the difference between highest and lowest rate was 2.3%. Meanwhile, the exchange rate of USD against the other main currencies fluctuated within wider margins; the difference between highest and lowest rate was 24.5% against the Pound Sterling, 23.3% against Japanese Yen, 16.8% against EURO, and 10.8% against the Swiss Franc.

The difference in USD/ KWD exchange rate was 2.3%, while that of USD exchange rate against the other major currencies fluctuated within wider margins.

Money supply in broad sense (M2) recorded an increase by KWD 2,209.4 million (6.0%) to stand at KWD 39,292.4 million by the end of FY2022/23, compared to an increase by KWD 1,699.1 million (4.8%) to stand at KWD 37,083.0 million by the end of the previous year.

On another front, residents' deposits with local banks increased by KWD 1,569.9 million or 3.4% to reach KWD 47,566.0 million by the end of FY2022/23 against KWD 45,996.1 million at the end of the previous year. Furthermore, private sector KWD deposits (95.3% of total private sector deposits) increased by KWD 2,072.4 million or 6.1% to reach KWD 35,812.6 million by the end of FY 2022/23, up from KWD 33,740.2 million at the end of the previous year.

The utilized portion of resident's credit facilities provided by local banks to different local economic sectors grew by KWD 2,287.7 million or 5.1% to reach KWD 47,145.0 million by the end of FY 2022/23 compared to KWD 44,857.3 million by the end of the previous FY. In addition, balances of cash credit facilities provided by local banks increased to various sectors, most notably the following:

- Personal facilities (by KWD 1,152.3 million or 6.7%).
- Other services (by KWD 505.0 million or 15.7%).
- Real estate (by KWD 274.2 million or 3.0%).
- Purchase of security (by KWD 272.9 million or 9.1%).

As for public debt instruments (treasury bills, treasury bonds, and related tawarruq) issued by CBK on behalf of the Ministry of Finance, there was no issuance of treasury bonds in FY2022/23. However, four previous issues reached maturity during the year with a nominal value of about KWD 240 million. Accordingly, the total outstanding balance of public debt instruments (treasury bills, treasury bonds and related tawarruq) at the end of FY2022/23 dropped to KWD 260.0 million from KWD 500 million the year before. Local banks' instruments meanwhile came to KWD 260.0 million, at 100%, by the end of FY2022/23.

Meanwhile, CBK issued 39 new treasury bonds and related tawarruq in FY2022/23 at a nominal value of KWD 8,990.0 million. 35 previous issues of bonds with a nominal value of KWD 8,530.0 million matured during the year at the same nominal value. Accordingly, the total outstanding balance of CBK bonds and related tawarruq amounted to KWD 3,405.0 million in FY2022/23, i.e. a hike by 15.1% compared to the previous FY.

Second: Financial Stability

The banking sector is the backbone of the financial system in the country, and safeguarding this sector against any repercussions of the global financial crisis to remain capable of providing the economy with all kinds of financial products and services efficiently and without disruption even under stressed operating conditions, is one of the main responsibilities of the Central Bank of Kuwait. In this respect, the bank maintained its efforts during the reporting year in supervising and regulating CBK-registered banking and finance units with the aim to buttress financial stability. Following is a glimpse of some of these efforts:

- **Validating macroprudential instruments by revising liquidity instructions according to maturity ladder:** Based on the findings of the comprehensive review of liquidity instructions conducted by CBK, and the regular monitoring of the local economic and banking conditions, liquidity instructions according to maturity ladder were revised twice during 2022 (in August and October).
- **CBK's questionnaire on the prominent economic expectations and risks for 2023:** As part of its efforts to monitor the economic and financial developments and forecasts, CBK has prepared two questionnaires to survey the opinions of experts inside and outside the local banking sector, one concerned with the expected repercussions of the Russia-Ukraine war, and the other on the most prominent economic and risk expectations for 2023.
- **Developing financial stress testing scenarios and defining the appropriate assumptions for every Scenario:** CBK has developed stress testing scenarios with developed hypotheses for each scenario. Following the adopted method of conducting these tests on a quarterly basis, the bank has applied these new scenarios to Kuwaiti banks during FY2022/23 to diagnose the situation of each bank in terms of strengths and weaknesses and taking the necessary action in light of those results.
- **Cooperating in preparation of a chapter of the Financial Stability Report for Arab Countries:** As a member of Financial Stability Team for Arab Countries, CBK has prepared Chapter Eight of the Financial Stability Report for Arab Countries (issued by the Arab Monetary Fund) which tackles the developments of modern financial technologies and their impact on the financial stability of Arab countries.

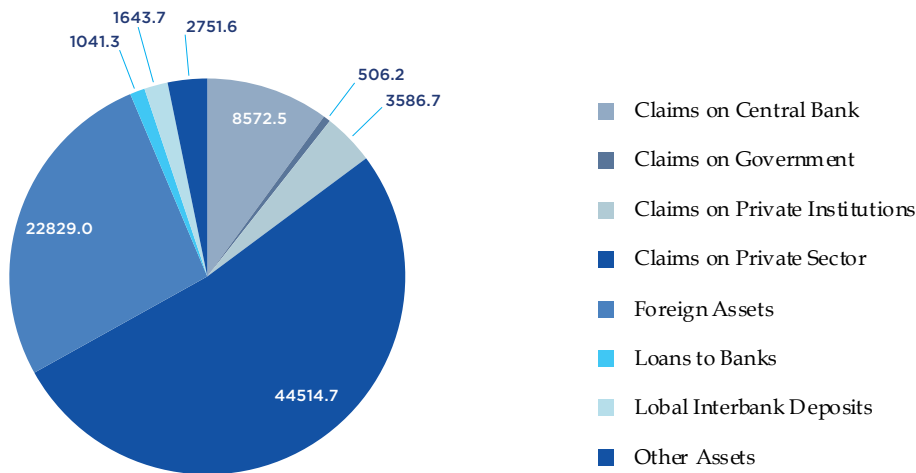
Third: Banking Developments

Available data revealed a rise by KWD 5,414.8 million, i.e. 6.8%, in the aggregate balance sheet of local banks on local level (operations of local banks and their branches in Kuwait) by the end of FY2022/23 to reach KWD 85,445.6 million, compared to KWD 80,030.8 million in the previous FY. This rise was the result of a multitude of developments in assets and liabilities, most prominent are the following:

A. Assets:

- **Local banks’ claims on the private sector increased** by approximately KWD 2,534.9 million at 6.0% to reach KWD 44,514.7 million by the end of FY2022/23 against KWD 41,979.8 million in the FY before, mainly due to the rise in balance of utilized portion of credit facilities extended by local banks to several local economic sectors amounting to KWD 2,722.8 million at 6.8% reaching 42,517.0 million by the end of FY2022/23 against KWD 39,794.2 million by the end of the previous FY.
- **Local banks’ claims on CBK increased** by KWD 80.9 million at 1.0% to reach KWD 8,572.5 million by the end of FY2022/23 compared to KWD 8,491.5 million at the end of the previous FY.
- **Foreign assets increased** by KWD 4,342.5 million at 23.5% by the end of FY2022/23 to reach KWD 22,829.0 million compared to KWD 18,486.5 million in the previous FY.
- **Local interbank deposits dropped** by KWD 726.3 million at 30.6% to reach KWD 1,643.7 million by the end of FY2022/23 compared to KWD 2,370.1 million at the end of the previous FY.
- **Local banks’ claims on the government declined** by KWD 233.3 million at 31.5% to reach KWD 506.2 million by the end of FY2022/23, against KWD 739.5 million at the end of the previous FY.

Chart (1)
Relative Allocation of Local Banks’ Assets (2022/23)
(KWD Million)



Source: Central Bank of Kuwait

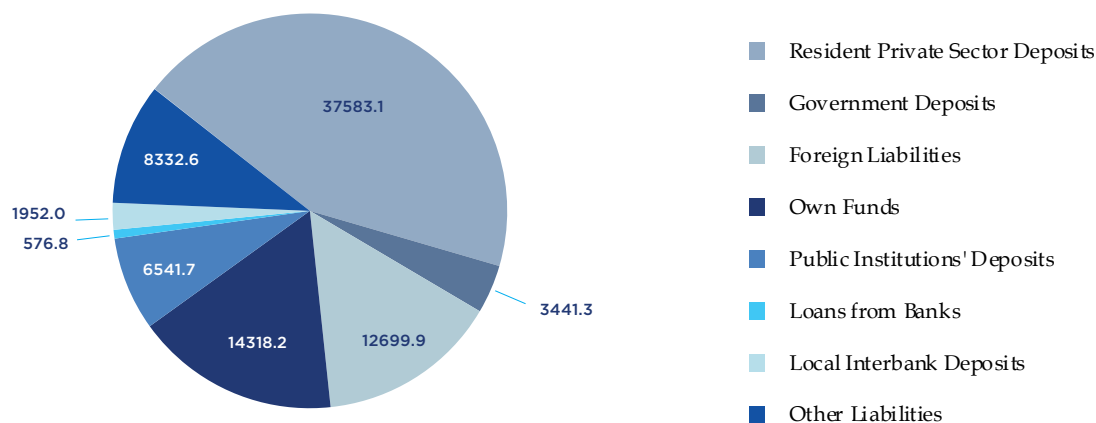
B. Liabilities:

- **Resident private's deposits with local banks increased** by KWD 2,281.2 million at 6.5% to reach KWD 37,583.1 million at the end of FY2022/23 against KWD 35,301.9 million at the end of the previous FY.
- **Local interbank deposits declined** by KWD 1,006.3 million at 34.0% to reach KWD 1,952.0 million against KWD 2,958.3 million at the previous FY.
- **Local banks' shareholders' equity increased** by approximately KWD 3,114.4 million at 27.8% to reach KWD 14,318.2 million at the end of FY2022/23 against KWD 11,203.8 million at the previous FY.
- **Foreign liabilities increased** by approximately KWD 675.8 million at 5.6% to reach KWD 12,699.9 million at the end of FY2022/23 against KWD 12,024.1 at the previous FY.
- **Government deposits with local banks increased** by KWD 200.8 million at 6.2% to reach KWD 3,441.3 million at the end of FY2022/23 against KWD 3,240.5 million at the end of the previous FY.

On the other hand, balances of contra accounts with local banks increased by KWD 950.1 million, i.e. 3.1%, to record KWD 31,524.0 million at the end of FY2022/23 against 30,573.9 million at the end of the previous FY. The ratio of this balance to local banks' aggregate balance sheet on a local activity level was 36.9% at the end of FY2022/23 compared to 38.2% at the end of the previous FY.

Chart (2)

Relative Allocation of Local Banks' Liabilities (2022/23)
(KWD Million)



Source: Central Bank of Kuwait

Table (1): Local Banks' Aggregate Balance Sheet on Local Activity Level (KWD Million)

Items	Closing Balance		Change	
	2021/22	2022/23	Value	(%)
Assets				
Claims on CBK	8,491.5	8,572.5	80.9	1.0
Claims on the Government	739.5	506.2	-233.3	-31.5
Claims on Public Institutions	3,864.0	3,586.7	-277.3	-7.2
Claims of the Private Sector	41,979.8	44,514.7	2,534.9	6.0
Foreign Assets	18,486.5	22,829.0	4,342.5	23.5
Loans to Banks	1,199.1	1,041.3	-157.8	-13.2
Local Interbank Deposits	2,370.1	1,643.7	-726.3	-30.6
Other Assets	2,900.3	2,751.6	-148.7	-5.1
Total Assets= Total Liabilities	80030.8	85445.6	5414.8	6.8
Liabilities:				
Resident Private Sector's Deposits	35,301.9	37,583.1	2,281.2	6.5
Government Deposits	3,240.5	3,441.3	200.8	6.2
Foreign Liabilities	12,024.1	12,699.9	675.8	5.6
Own Funds	11,203.8	14,318.2	3,114.4	27.8
Public Institutions Deposits	7,453.7	6,541.7	-912.0	-12.2
Loans from Banks	366.7	576.8	210.1	57.3
Local Interbank Deposits	2,958.3	1,952.0	-1,006.3	-34.0
Other Liabilities	7,481.9	8,332.6	850.7	11.4
Contra Accounts:	30,573.9	31,524.0	950.1	3.1
Number of Banks:	22	22	0.0	0.0

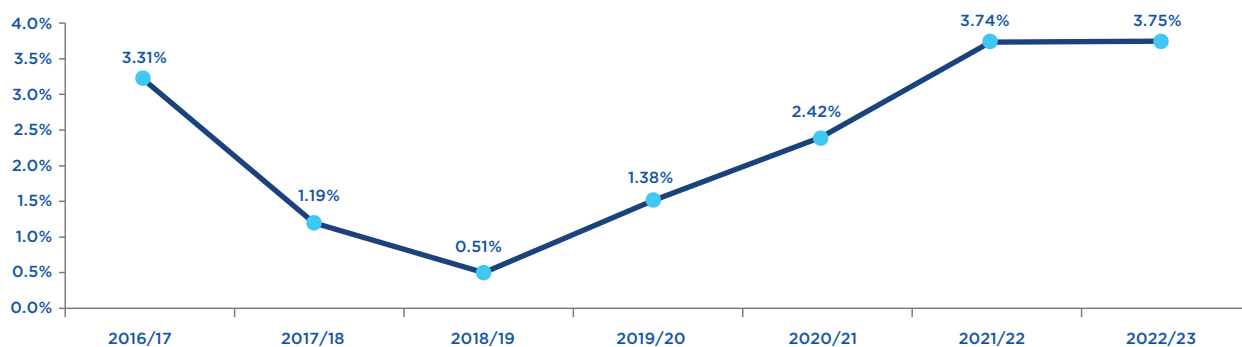
Source: Central Bank of Kuwait

Fourth: Annual Inflation Rate

Data issued by the Central Statistical Bureau indicate that the average annual inflation rate (measured by the relative change in the Consumer Price Index, base year 2013=100) was relatively stable and reached 3.75% during FY2022/23 compared to 3.74% in the previous FY. Main contributors to this inflation rate were:

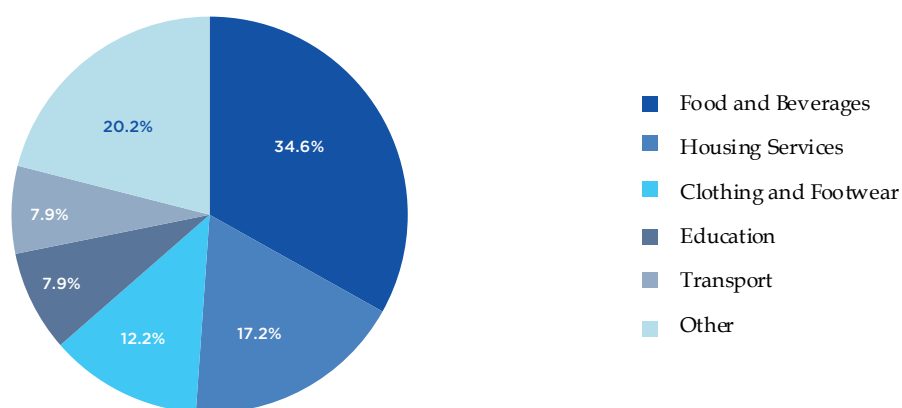
- Food and Beverages (relative weight of 16.7%) with a contribution of 34.6%.
- Housing Services (relative weight of 33.2%) with a contribution of 17.2%.
- Clothing and Footwear (relative weight of 8.0%) with a contribution of 12.2%.
- Education (relative weight of 4.2%) with a contribution of 7.9%.
- Transport (relative weight of 7.5%) with a contribution of 7.9%.

Chart (3)
Average Annual Inflation Rate (%)



Source: Central Statistical Bureau

Chart (4)
Relative Contribution to Inflation Ratio by Major Sections (2022/23)

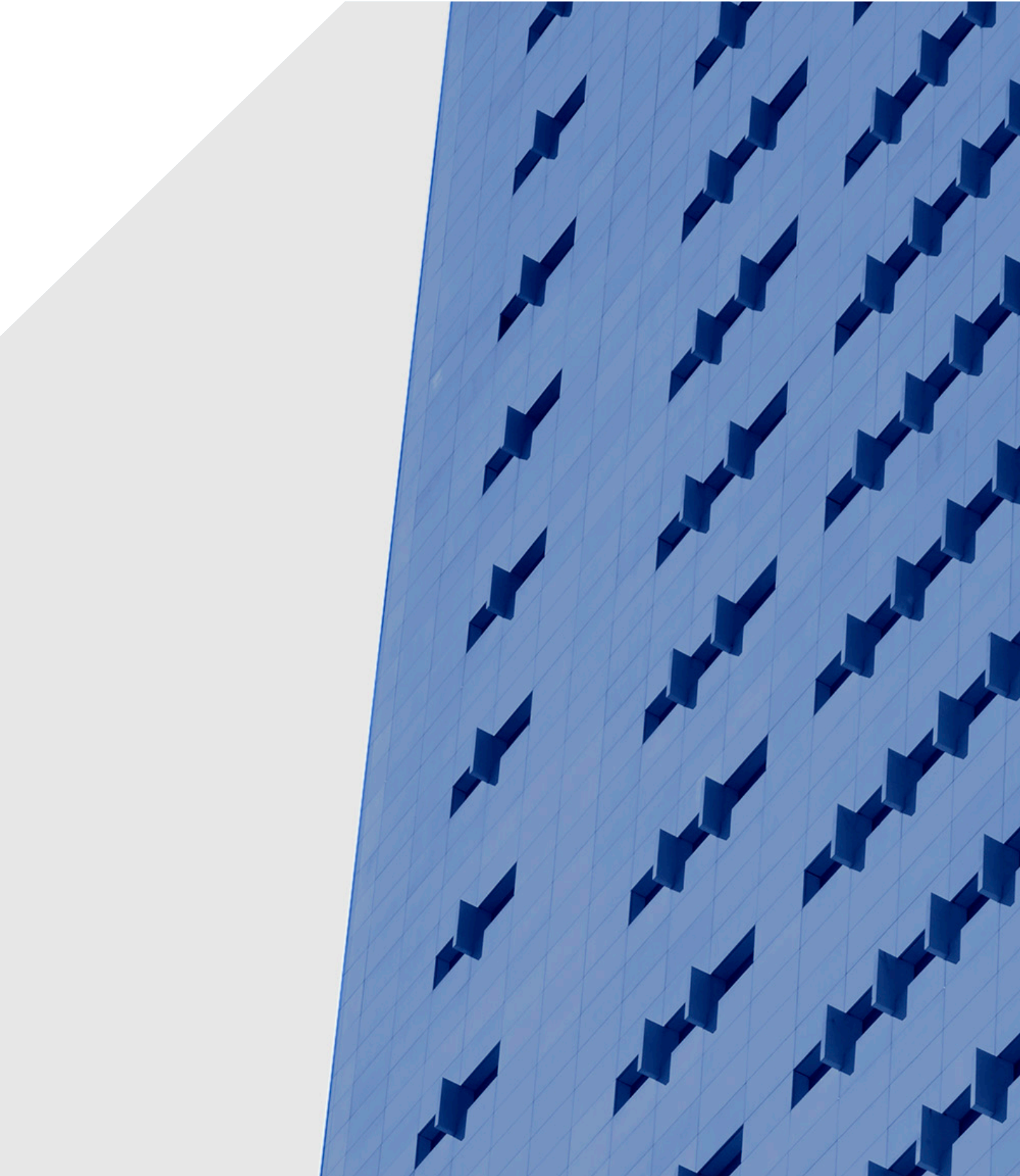


Source: Central Statistical Bureau

The average annual inflation rate was relatively stable and reached 3.75% during FY2022/23 compared to 3.74% in the previous fiscal year.

CBK's Supervisory Efforts





CBK’s Supervisory Efforts

I. Instructions, Circulars and Regulations Issued to CBK-regulated Entities

In FY2022/23, CBK continued its vigilant monitoring of, and oversight over, the entities subject to its regulation through its on-site and off-site supervision arms, by issuing instructions and regulations, most important of which are enumerated below:

- On 19 May 2022, CBK issued a circular to all local banks promulgating the controls to increase the credit limits for Libor linked contracts, in order to balance between reducing the risks of LIBOR exposures and not restricting investment opportunities.
- On 20 June 2022, CBK issued two circulars to local banks and exchange companies to establish a database for the transactions to be reported (TRS) and related to each of the cash deposits made to customer accounts (LCT) and money transfers executed from/to Kuwait for the benefit of customers (FCT) equal to or above KWD 3,000 or its equivalent in foreign currencies per day per customer. CBK indicated in its circulars that it seeks to double the oversight follow-up and verification of the unusual financial transactions both ways to and from Kuwait processed by the customers of CBK-regulated entities (local banks and exchange companies) and, accordingly, consider the actions taken by those entities in this regard.
- On 02 August 2022, CBK issued a circular to all local banks to inform CBK prior to initiating any contact with off shore supervisory or banking authorities if the branches, subsidiaries and associates intend to expand outside the host country, and provide CBK with a report of the closing financial statements, including observations of the supervisory authorities in the host country, as well as the penalties, if any, imposed on foreign branches, subsidiaries and associates.
- On 07 September 2022, CBK issued a circular to the exchange companies revising the controls and regulations for opening branches of the exchange companies to stay abreast with the relevant business model. The said circular considers the growing role of the exchange companies in the area of money transfers, and add on the instructions regulating the business of such companies.

The Central Bank of Kuwait

CBK’s ESG Directives to Local Banks

ESG Standards



Governance



Social



Environmental

In light of:

- “New Kuwait 2035” Vision 
- The UN Sustainable Development Goals (SDG)

▶ **CBK’s Key Directives to Local Banks:**

- Launching financing products and instruments consistent with Green Finance activities.
- Supporting financial inclusion and enhancing governance.
- Applying sustainability principles to banking institutions’ activities.
- Inclusion of ESG standards within the bank’s governance and risk management strategy.
- Advising to refer to Basel Committee on Banking Supervision document entitled the “Principles for Effective Management and Supervision of Climate-related Financial Risks”.

- In August and November 2022, CBK issued two circulars to all local banks validating macroprudential instruments by revising liquidity instructions according to maturity ladder.
- On 08 September 2022, and in order to approve a standard approach to facilitate issuance of a clearance certificate, CBK issued a circular to all local banks requiring adherence to a process to issue a clearance certificate to customers from bank branches or online within the specified period, as well as the amended mechanism for purchasing/ transferring debts from banks, and customer transfer from one bank to another.

- On 24 November 2022, CBK issued a circular to all local banks concerning the guidelines for sustainable finance and defining the three sustainability standards (Environmental, Social, Governance - ESG) in light of the increased attention to the Sustainable Finance, and in line with its efforts to support sustainable development. Furthermore, and to support the modern financial technologies and keep pace with the global trends related to sustainability, CBK is prioritizing products that align with Kuwait's environmental, social and governance (ESG) strategy in its regulatory sandbox.
- 3 products have been promoted to testing stage of the CBK Regulatory Sandbox for testing before launching thereof in the Kuwaiti market. Names of the products were published on the CBK website.
- On 03 January 2023, CBK issued a circular requiring all banking and financial units to cease providing CBK with the statements of financial positions that are received via the direct communication line in Mainframe or MY Files starting from the statements of January 2023. This decision is intended to cease reliance on old databases in publishing monetary statistical data, and rather employ newly developed databases in the units of banking and financial system for publishing such data.
- In its session held on 15 February 2023, the CBK's Board of Directors approved issuance of "CBK Instructions to the Financing Companies" Guide that covers the following:
 - Instructions on the maximum limits of credit concentration.
 - Instructions on the maximum limit of a single customer's obligation towards the Islamic financing company.
 - Instructions on rationing and regulating the financing companies' credit policy.
 - Instructions on rationing and regulating the Islamic financing companies' financing policy.
 - The rules and principles for classifying credit facilities and calculating their provisions, and accounting for the revenues from them.
 - The rules and principles for classifying financing facilities to customers according to Islamic finance modes, calculating their provisions, and accounting for the revenues from them.
 - Instructions on the guide of the general guidelines on the internal control systems with the financing companies and the auditors' reports related to evaluation of these systems.
 - Instructions on the credit facilities extended by the financing companies for trading in Boursa Kuwait listed shares.
 - Instructions on the financing facilities extended by the Islamic financing companies for trading in Boursa Kuwait listed shares.
 - Instructions concerning the conditions for appointment and responsibilities of the Shari'a Supervisory Board and the Manager of the Shari'a Internal Audit Department in the Islamic financing companies.
- As part of the CBK's continuous efforts in the area of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), and with the aim to ensure compliance with the international requirements issued by the Financial Action Task Force (FATF), a circular was issued to local banks and exchange companies on 16 February 2023 accompanying the revised AML/CFT instructions.
- Participation in the technical teams formed by the National AML/CFT Committee, with respect to:
 - The National Risk Assessment Team, to update the national AML/CFT assessment report, the national strategy of the State of Kuwait and the risk-based action plan of the National AML/CFT Committee.
 - The National Team of Mutual Evaluation Preparations, to collect the information related to the questionnaire needed for evaluating the compliance with AML/CFT requirements under the Forty Recommendations issued by FATF, whether related to technical aspects or effectiveness.

- The National Risk Assessment Team, to update the national AML/CFT assessment report, the national strategy of the State of Kuwait and the risk-based action plan of the National AML/CFT Committee.
- The National Team of Mutual Evaluation Preparations, to collect the information related to the questionnaire needed for evaluating the compliance with AML/CFT requirements under the Forty Recommendations issued by FATF, whether related to technical aspects or effectiveness.
- A mechanism to identify the risks associated with the activities of the units subject to CBK supervision has been developed by including new elements that are put into consideration for the matrix, to ensure effective oversight over those units using the methodology associated with risks. In addition, AML/CFT risk matrix was updated to identify the type of follow-up to be applied on the units in the inspection plan.
- We sought the assistance of IMF experts in the area of technical compliance and assessment of effectiveness in preparation for the Mutual Evaluation of the State of Kuwait in 2023. They held meetings with the officials of CBK and the other entities represented in the National AML/CFT Committee.

II. Customer Protection

In order to protect the rights of individual customers and enhance the services provided to them, CBK issued a circular dated 04 December 2022 to all local banks concerning the launch of a system that enables individual customers to submit complaints and grievances electronically via CBK website.

Mechanism For Submitting Complaints for Individual Bank Customers

www.cbk.gov.kw

Banknotes Coins | Payment System | Statistics and Releases | Censorship | Monetary Policy | Bank News | Legislations Instructions | About the Bank

To file a complaint against a bank, please click on [Customer Complaints \(individuals\)](#) on the home page of the website.

KEY FIGURES				EXCHANGE RATES			
Updated: 24.01.2024				Updated: 24.01.2024			
DISCOUNT RATE	O/N REPO	1W REPO	1M REPO	USA	EUR	JPY	GBP
4.25	3.875	4.125	4.375	307.550	333.999	0.1000	-0.9368

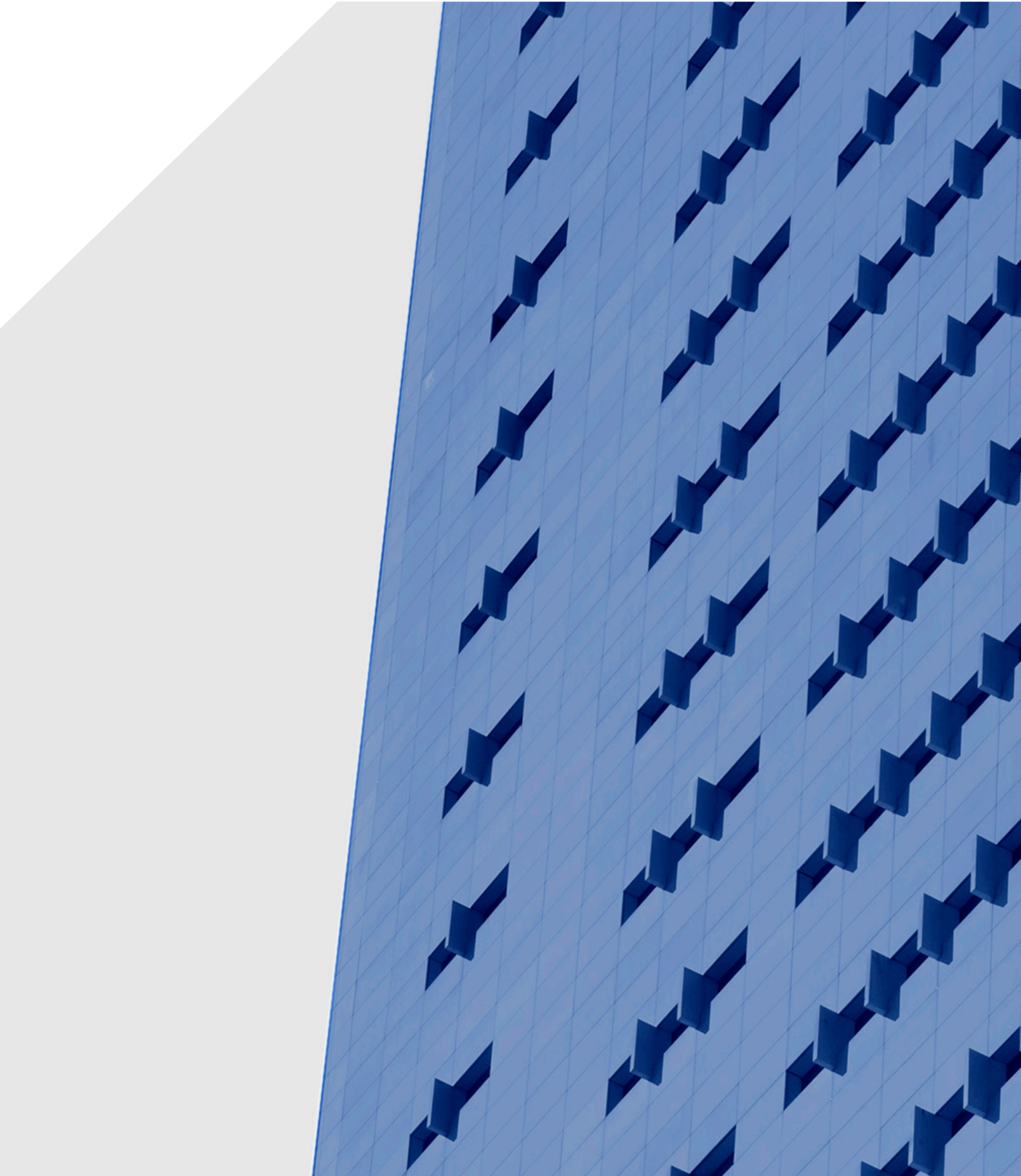
Selected Pages: [To File a Complain or Grievance](#)

Other: **News Releases**
 Press Release / 20.11.22
 The Central Bank of Kuwait Launches an electronic system to receive complaints and grievances of customers of local banks



Key CBK Banking Operations





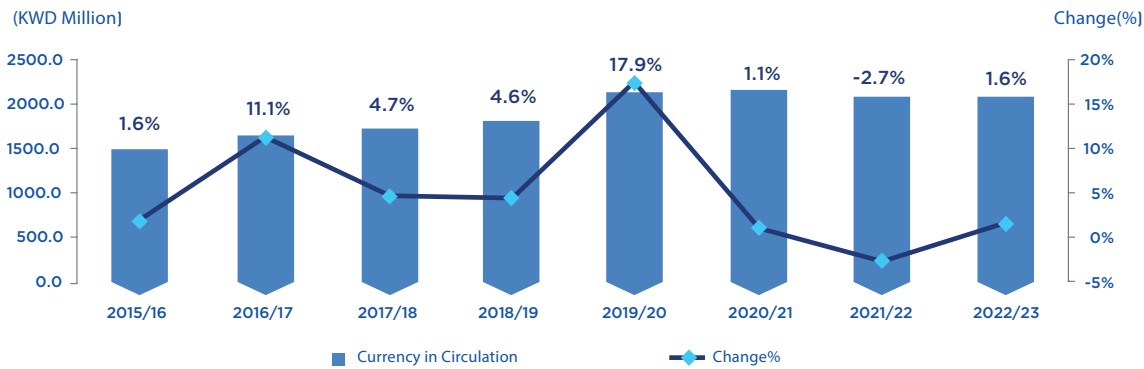
Key CBK Banking Operations

I. Currency in Circulation:

A. Balance of Currency in Circulation

Available data reveal that the value of currency in circulation at the end of FY2022/23 amounted to KWD 2,124.4 million compared to KWD 2,090.5 million at the end of the previous year, i.e. a rise of KWD 33.9 million or 1.6%. The balance of currency in circulation during FY2022/23 reached the highest level of KWD 2,261.3 million at the end of April 2022, and dropped to lowest line of KWD 1,969.2 million at the end of November 2022.

Chart (5)
Currency in Circulation



Source: Central Bank of Kuwait

B. Quality of Banknotes in Circulation

CBK maintained efforts to guarantee quality of banknotes in circulation and to withdraw and destroy banknotes that no longer meet CBK’s minimum quality requirements to remain in circulation, as well as its efforts to counter crimes of currency counterfeiting in cooperation with other state bodies.

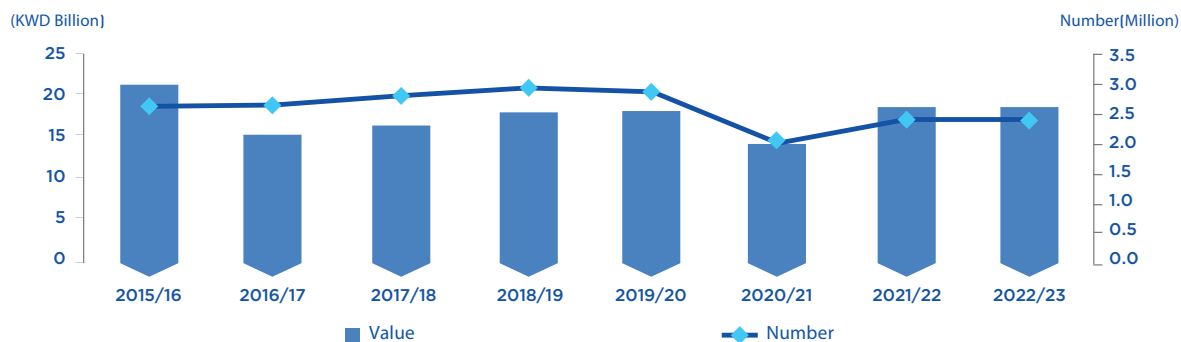
II. Clearing and Settlement Operations between Local Banks

A. CBK Clearing Room Operations

Total value of CBK clearing room transactions for FY2022/23 amounted to KWD 17.67 billion.

The total value of transactions carried out through CBK’s clearing room during FY2022/23 slightly increased to KWD 17.67 billion for 2.40 million transactions (cheques) at KWD 7,376.85 per transaction on average, compared to KWD 17.66 billion for 2.40 million transactions (cheques) and an average of KWD 7,356.55 per transaction during the previous FY.

Chart (6)
Clearing Transactions processed by CBK



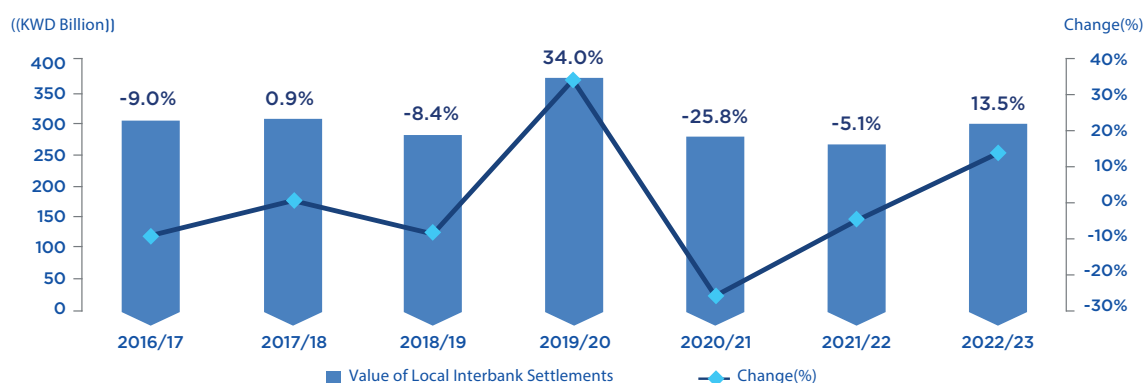
Source: Central Bank of Kuwait

B. Local Interbank Settlements

The value of local interbank settlements increased by KWD 33.90 billion at 13.51%.

Available data indicate that the value of local interbank settlements processed through CBK using the Kuwait Automated Settlement System for Inter-participant Payments (KASSIP) increased to KWD 284.81 billion against KWD 250.92 billion the previous FY, representing a drop by KWD 33.90 billion or 13.51%.

Chart (7)
Local Interbank Settlements (KASSIP)



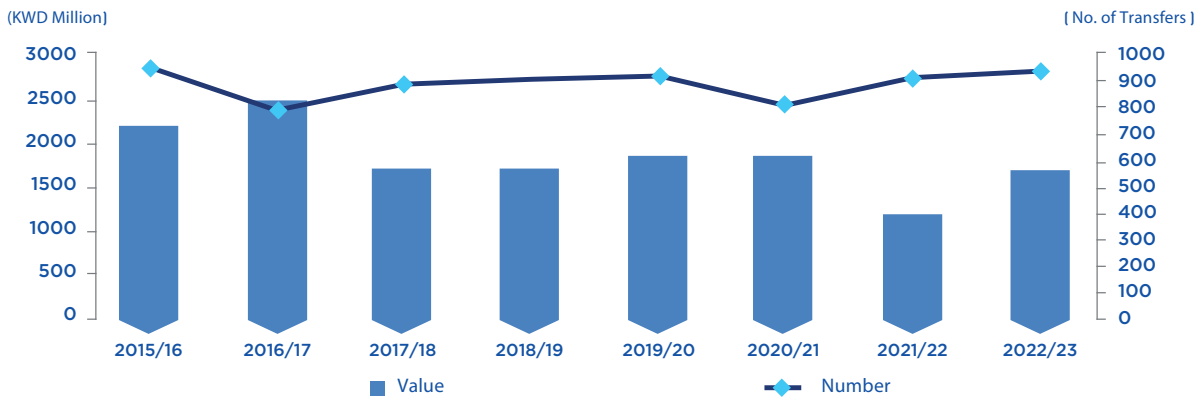
Source: Central Bank of Kuwait

III. Bank Transfers

A. External Bank Transfers

During FY2022/23, CBK processed 9,721 external bank transfer on behalf of state ministries and bodies at a total value of KWD 1,649.3 million, which compares to KWD 9,132 transfers at a value of KWD 1,098.3 million in previous FY.

Chart (8)
Bank Transfers Processed for the State Ministries and Government Institutions



Source: Central Bank of Kuwait

B. External Bank Transactions

As for the other external bank transactions CBK processed on behalf of the state ministries and government institutions in FY2022/23 in form of letters of credit, bills for collection, and cheques for collection, they are indicated in the following table:

Table (2)

External Bank Transactions processed for the State Ministries and Government Institutions

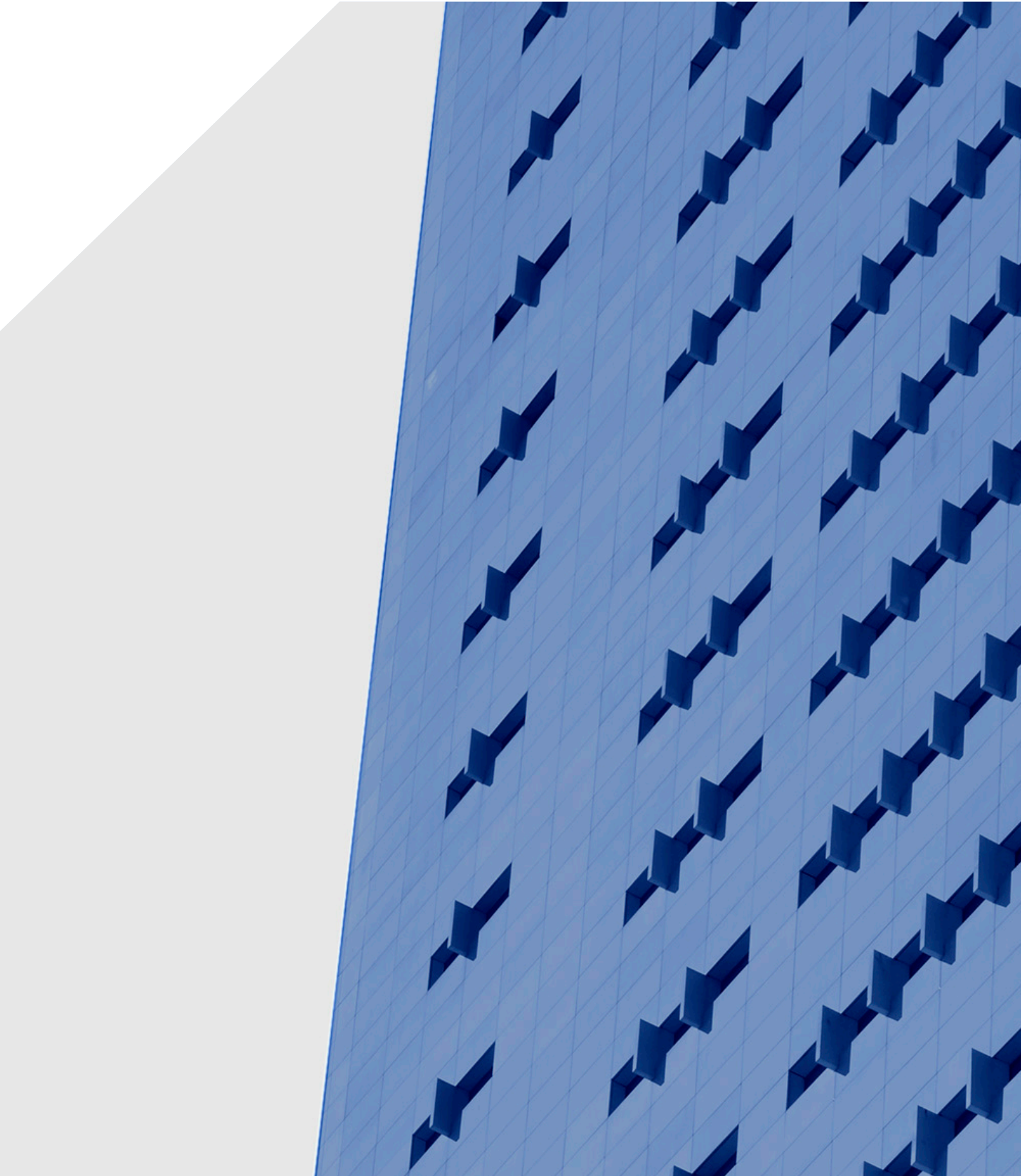
Statement	No.	Value (KWD Million)
Documentary Credits:		
1- Opened		
-Local	-	-
-Foreign	11	43.38
Total	11	43.38
2- Paid		
-Local	1	0.36
-Foreign	95	244.72
Total	96	245.08
3-Amended		
-Local	1	0.41
-Foreign	17	-
Total	18	0.41

Source: Central Bank of Kuwait



**IT and Digital
Transformation**

4



IT and Digital Transformation

During FY2022/23, CBK continued its efforts for development of its IT infrastructure, supporting innovation and digitalization, and making full use of the latest technology, whether in bank operations or those of CBK-regulated entities. CBK is always keen to promote innovation in the banking sector and implementation of the advanced financial technology, and strive to develop the infrastructure of electronic payments, including cross-border payments. Following is a glimpse of such efforts:

I. Digitalization Policy

As part of its efforts to implement the Digital Transformation for developing the internal operations, policies and systems, and provide the state-of-the-art electronic services, and moving forward with digitization, CBK has conducted the following during FY2022/23:

- The first service through the digital portal that serves local banks (request for CBK approval to launch a product/service/fee) has been implemented in the production environment of some banks, and work is underway to apply the service to all remaining local banks. The digital portal, which is an integral part of CBK digital transformation project, is intended to introduce procedures and services digitally to CBK-regulated entities, enhance the quality of services, accelerate processing of transactions, reduce paper correspondence and facilitate the digital report generation for decision-making at CBK.
- New features and requirements have been added to the current e-government banking system to enable government operations in foreign currencies (as a second phase of the system). The system provides a range of banking services to the participating entities including ministries, government departments, attached bodies and independent institutions, in order to transmit funds from their accounts with CBK.
- Banking Sector Assessment Program “BSAP” has been moved to the production environment. The system collects Kuwaiti banks data (conventional and Islamic) related to deposits, loans, Islamic Murabaha, liquidity, and investment.
- A mobile application has been launched for CBK staff to process their electronic transactions including approval on the requested transactions via mobile phone, and inquiring about their job information.
- CBK HR systems have been developed, including the e-training management system, HR Dashboard to follow up on employee data and HR related statistics and indicators, the electronic recruitment system linked to some systems of the Public Authority for Civil Information (PACI) and the entity organizing recruitment tests to obtain results automatically, prepare e-evaluation systems for interview committee and extract senior management reports with graphs, the annual statistical reporting system and the distinguished employee system by adding electronic evaluation forms for evaluation by both the management and competition team of the nominated employees.
- A number of companies (agents) practicing electronic payment activity have been registered as entities subject to CBK supervision. The number of companies registered in the register of E-Payment Service Providers (EPSPs) and their agents is 14.
- Two circulars were issued on 12 May 2022 to all local banks, exchange companies and financing companies regarding the instructions for using the updated automated system for the exchange of tax information, emphasizing the need to comply with the reporting requirements in accordance with the FATCA and CRS agreement, and to provide the Ministry of Finance with the required information and data on an annual basis.

II. Cyber Security Developments

CBK pays great attention to managing cyber and information security risks and follows the best principles applied globally in this field. In addition, CBK's efforts continued in FY2022/23 in the area of enhancing cybersecurity in line with the general cybersecurity framework for the banking sector in the State of Kuwait. To this end, CBK's ISO27001 certification was renewed for the second year (2022), and security compliance and self-attestation for the CBK SWIFT environment was implemented. In addition, analysis of the results of compliance by the CBK-regulated entities with the cybersecurity framework (CSF) was completed.

Within the joint cooperation to enhance cybersecurity, a project has been completed with the help of CBK cadres to build a platform for exchanging information on cyber threats to the banking sector of Kuwait and the other GCC countries.



III. Information and Operating Systems

Efforts continued during FY2022/23 for developing and modernizing the technical environment and infrastructure of CBK systems to be in line with the latest technologies, and further enhance their efficiency and security. These include:

- Completion of the training of 24 new government agencies on the electronic banking services system (EBSS), bringing the total number of entities that received such trainings to 43. The said system provides the service of creating electronic payment orders (banking operations) between government agencies, including ministries, authorities, institutions and companies, as well as between the employer and its employees for paying salaries by creating electronic payment orders, accelerating the pace of payment and reducing errors. 15 government agencies have activated the system, bringing the total number of entities that have activated it to 35.
- Completing all tasks related to the implementation of the Out-Of-Band Management network firewall system, which allows managing the security systems and network devices within a network that is completely separate and isolated from the production environment and dedicated to infrastructure management, thus forming layer of security for protecting devices in the isolated network.
- Completing the development of IS Network infrastructure, as this project aims at developing and updating IS Network infrastructure devices, thus raising the efficiency and quality of performance, as well as keeping pace with any future updates, including infrastructure and firewall.
- Completing tasks related to the Money Transfers and Deposits System (TRS) to receive information from CBK-regulated entities regarding external transfers.
- ISO 20000:2018 Certificate has been renewed, thus affirming the sustained compliance of CBK's technical environment - User Support Section - with the requirements of the international standard (ISO 20000:2018).



IV. Developments in Payment Systems

As part of its continued efforts to develop cross-border payment systems and adopt the latest technologies in order to improve efficiency, reduce dependence on financial systems and external transfer networks, and contribute to reducing the cost of transfer for customers, CBK announced the joining of the second group (6 banks) of local banks to the Gulf payment system (Afaq), bringing the number of banks enrolled in the system to 7 banks. This system aims to implement money transfers in the local currencies of GCC countries and other currencies in a short time and at low costs, within a safe and stable environment, and is part of a regional infrastructure that the Gulf Payments Company seeks to operate and develop for joint regional payment systems among the GCC countries, by providing a real-time settlement system between the Gulf central banks, supporting dealing in the local currencies of the GCC countries, facilitating clearance of financial settlements and ensuring the speed of processing cash transfers, standardizing their format and ensuring their protection. This contributes to strengthening the joint gulf payment systems, developing appropriate strategies to avoid financial risks and, thus, achieving the economic and financial integration among GCC States.

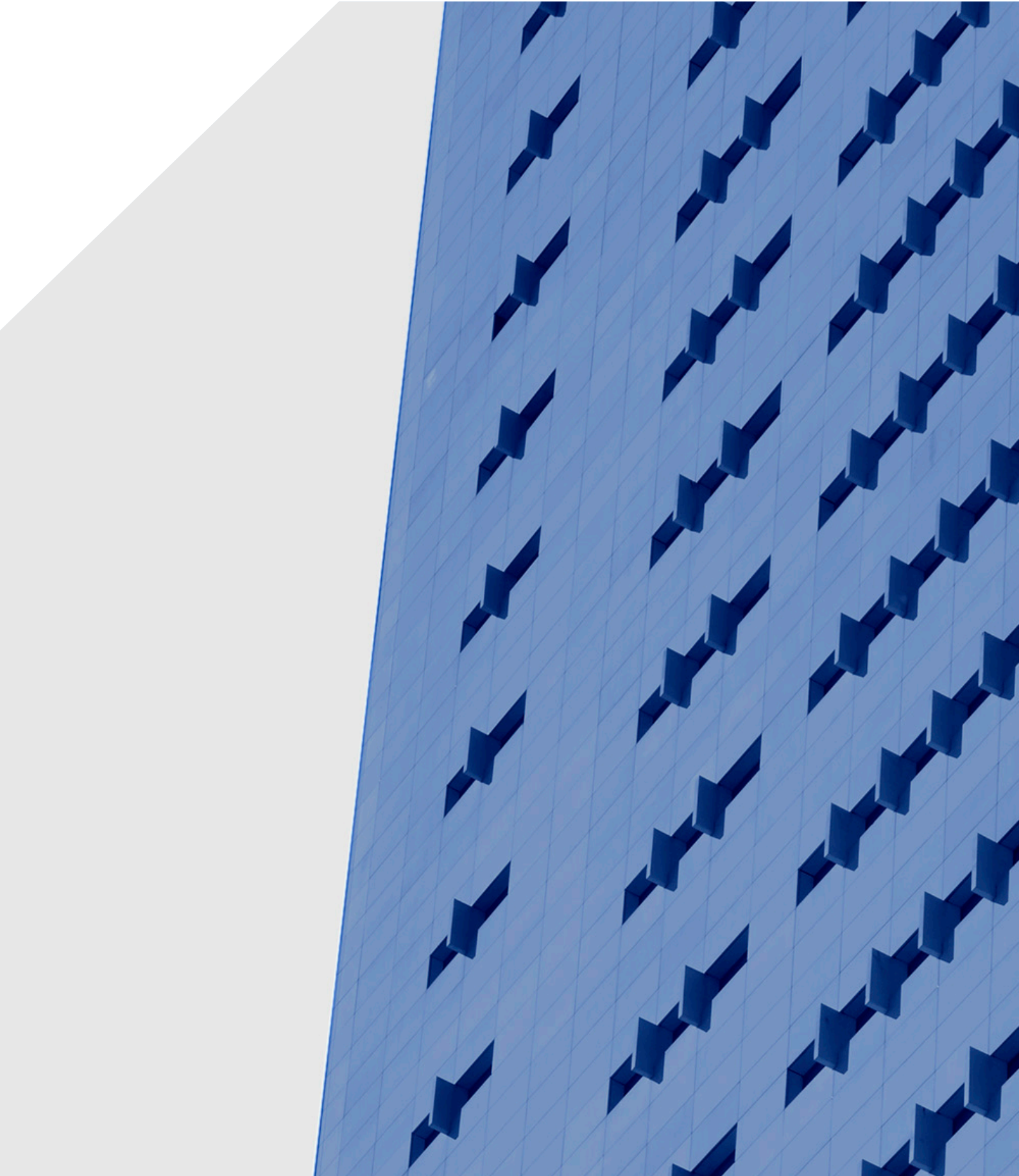
CBK is also keen to support and develop digital payment services provided to the public in order to provide easy and fast services in accordance with the highest security standards that ensure protection of customers' banking data. To this end, CBK announced that a number of Kuwaiti banks launched «Apple Pay» Service provided by Apple International in the local market, after meeting the legal requirements of other regulatory authorities. Since 2019, CBK has been giving its approvals to Kuwaiti banks that applied to provide the Apple Pay Service in the Kuwaiti market, in line with the CBK's keenness to develop digital payment services in all forms, and enable Apple to fulfill the other legal requirements from other regulatory authorities, for the launch of the service. It should be noted that CBK has previously given its approvals for similar digital payment services, including Samsung Pay and Fitbit, which have been operating in the Kuwaiti market for years. By having Apple Pay Service in the market, the main global digital payment services will be available in Kuwait. These efforts are part of CBK's keenness to provide a stimulating environment for modern financial technologies, such as the electronic payment services, in order to benefit from the technical advancements in raising the efficiency of payment systems in the State of Kuwait.

V. Financial Technologies

CBK spares no effort to make full use of the modern financial technology to support the banking and financial sector in developing its businesses and promoting innovations. During FY2022/23, CBK had reviewed more than 220 applications from the banking and financial sector to activate their services and products, including electronic services, to meet customers' needs and achieve added value. CBK also followed up the implementation of the instructions for strengthening the internal control systems to combat bankcard fraud (applying CVM). In addition, all banks are required to amend the mechanism for accepting and processing payments from points of sale (POS) using bankcards by adding offline pin feature, whereby the customer must enter the pin in POS device to complete payment for the transactions made outside the State of Kuwait.

**Governance and
Organization**





Governance and Organization

I. The Board of Directors

CBK is managed by a Board of Directors consisting of the Governor of the Central Bank of Kuwait as the Chairman, the Deputy Governor of the Central Bank of Kuwait, a representative of the Ministry of Finance, and a representative of the Ministry of Commerce and Industry, in addition to four other members with experience in economic affairs and in financial and banking specializations. As stipulated in Article (26) of the Law No. 32 of 1968 Concerning Currency, the Central Bank of Kuwait and the Regulation of Banking and amendments thereto, CBK draws up the CBK monetary and credit policy, determines the discount rate, takes decisions related to regulatory and supervisory matters in regards to banking activities, sets internal controls related to financial and administrative affairs and other regulations it deems necessary to achieve its good management, and approves the bank's annual budget, profit and loss account and closing account.

According to the Law No. 32 of 1968, the number of meetings to be held by the Board of Directors shall not be less than eight meetings per year. During FY2022/23, the Board held eight meetings. The changes in board membership during the said fiscal year included the appointment of Mr. Basel A. Al-Haroon as the Governor of the Central Bank of Kuwait and the Chairman of the Board of Directors as of the beginning of FY2022/23, and the appointment of Mrs. Sahar A. Al-Rumaih as the Deputy Governor as of 14/09/2022. Membership term of Mr. Nasser A. Al-Roudan, Mr. Mustafa J. Al-Shamali, Mr. Osama M. Al-Nusif, and Mr. Ahmed Y. Al-Saqer ended on 18/07/2022. Four new members were appointed instead, namely Mr. Abdullwahab R. Al-Haroon, Dr. Merza H. Hasan, Mrs. Hana A. Razzouqi, and Mrs. Fatma M. Al-Bader on 27/11/2022.

During FY2022/23, CBK's Board of Directors passed (140) resolutions, including (3) resolutions by circulation and (137) resolutions taken during its periodic meetings. The resolutions focused on various banking and finance issues to preserve the monetary and financial stability of the national economy, and bolster a supportive atmosphere for the business of the CBK-regulated banking and financial units.

II. Financial Control

All CBK activities are subject to an integrated system of financial control implemented by more than one entity, including previous and subsequent financial control procedures, and independent internal and external audit procedures in accordance with the highest supervisory standards. This involves the Bureau of Financial Controllers, the State Audit Bureau, which is supervising CBK, the Audit Committee of the Board of Directors formed on October 28, 2019, and the Internal Audit Office at the Central Bank of Kuwait, as well as external auditors from accredited audit offices.

In the area of Shari'a supervision, the CBK Higher Committee of Shari'a Supervision held three meetings during 2022/23, where the Committee set its priorities for the coming period to include developing the products of the Islamic banks and financing companies, governance of the internal and external Shari'a audit reports and forms, and addressing the conflict between Shari'a and legal adaptation in contracts of the Islamic banks and financing companies. The Committee also expressed its opinion on the issues presented with respect to Islamic banking and finance during the said fiscal year. On another front, the Committee participated in the 4th meeting of the Central Shari'a Boards hosted by the Higher Committee of Shari'a Board in the Central Bank of UAE. The meeting addressed several topics, e.g. Shari'a Guide for Exceptional Circumstances and the related role of the supervisory authorities in regulation of such in accordance with Shari'a regulations, planning to find solutions for exceptional cases, the strategies and efforts towards better adaptation and diversity of Shari'a contracts in Islamic finance, Shari'a and regulatory challenges facing Islamic financial institutions, and the risks from the lack of adequate diversity in structures, contracts, etc.

III. The CBK Budget

In preparing the annual budget, CBK ensures the accuracy of estimated needs, and takes into account the increase in spending efficiency. Therefore, a series of internal procedures have been taken to account for the expected expenses and revenues during the next FY, estimate the needs of the various departments and the general needs associated with the bank's headquarter, and the estimated costs of projects to be implemented during the next FY. It also estimates revenues from deposited funds as well as the other revenues on the basis of the average revenue collected for the last five years. The Budget Section then adds the estimated budget draft and follows the procedures for approval and presenting it to the Council of Ministers and the National Assembly till the final approval thereof in accordance with the law. **CBK did not exceed the approved budget for FY2022/23, and the savings in the three budget chapters amounted to 9%.**

IV. Risk Management

CBK applies specific, accurate and strict work procedures to avoid risks in the bank's business, whether financial or non-financial, by diversifying its currency portfolios and determining the weight of each based on the bank's investment strategy and risk profile. This is in addition to geographically distributing its assets, and limiting liquidity risks by distributing the maturity dates of deposits to meet various obligations in a timely manner, determining the investment dates on the basis of credit rating, with preference for short-term investments. In order to reduce operational risks, CBK applies a 5-level approach to verify soundness of operations before implementation thereof, which reduces errors and operational risks in the bank.

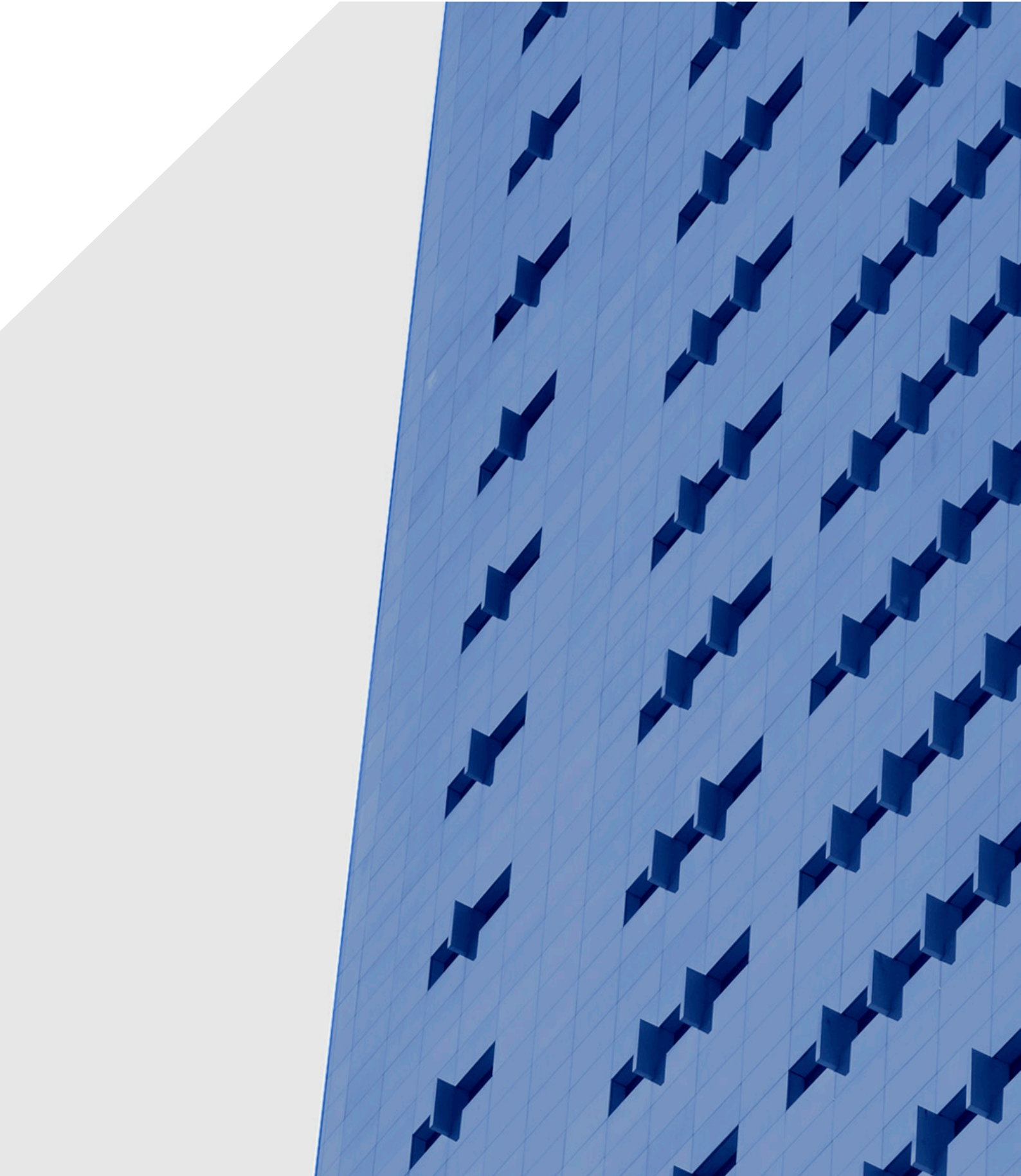
V. Disclosure and Transparency

Disclosure and transparency are among the basic standards of governance, and in this context, CBK prepares the following bulletins, reports and data:

- The monthly statement on the bank's assets and liabilities, which is submitted to the Minister of Finance, and published in the official gazette.
- The annual report on the bank's business, its budget, profit and loss account for the FY, and an overview of monetary and banking affairs.
- The explanatory note to the final account submitted by CBK to be presented to the Budget Committee in the National Assembly, indicating aspects of the monetary policy, supervisory policy, and all other work related to the main tasks of the bank.
- The economic report, the financial stability report, the (monthly) summary of the key local monetary and banking indicators, a series of the quarterly reports that highlight economic, monetary and banking topic and the monthly and quarterly statistical bulletins, all of which are published on the CBK website. These reports also cover CBK's the various annual achievements.
- Statements and press releases about the instructions issued and the tools and decisions applied within the scope of monetary policy.
- Continuous posting and publishing of various media on social media platforms.
- Responding to the inquiries submitted by the members of the National Assembly.
- Posting a series of podcast episodes on many economic and financial issues related to CBK's business and the national economy.

**Development of Human
Capital**





Development of Human Capital

CBK continues to provide an appropriate and stimulating environment for its manpower, and all the requirements necessary for it to perform its work and tasks in the best possible way. During FY2022/23, continuous efforts were made to enhance performance in both work processes and methods. This increases productivity and enhances staff academic and practical skills and capabilities in their field of work while increasing their specialized knowledge, improving their intellectual abilities and skill at using various analytical tools in the field, and enabling them to keep pace with scientific and technological progress and familiarize themselves with modern work methods, in order to follow-up with the rapid and successive developments in the banking and financial sector, locally and internationally.

I. Culture of Excellence, Transfer of Knowledge and Development of National Competencies

CBK has been promoting a culture of excellence and of transferring and developing knowledge, and raising the efficiency of productivity within the institution, all as part of the Central Bank's efforts aimed at promoting these values and providing a suitable work environment for its prosperity. In this regard, the most prominent steps taken by CBK were to enhance communication among all bank departments and employees, through holding regular meetings with representatives of bank departments to consider challenges and adoption of a mechanism for submitting suggestions and ideas, retaining highly qualified national staff, and providing the appropriate environment for talented, skilled, and experienced staff to continue to serve the institution.

During FY2022/23, and as part of the efforts exerted to bolster the social and environmental responsibility, CBK has, in cooperation with the Ministry of Education, implemented "Dinari" project to disseminate financial education among primary school students. Furthermore, CBK has launched a project that aims to reduce energy consumption, and issued directives to local banks concerning the environmental, social and corporate governance (ESG) practices.

II. Kuwaitization of Staff and Human Resource Development

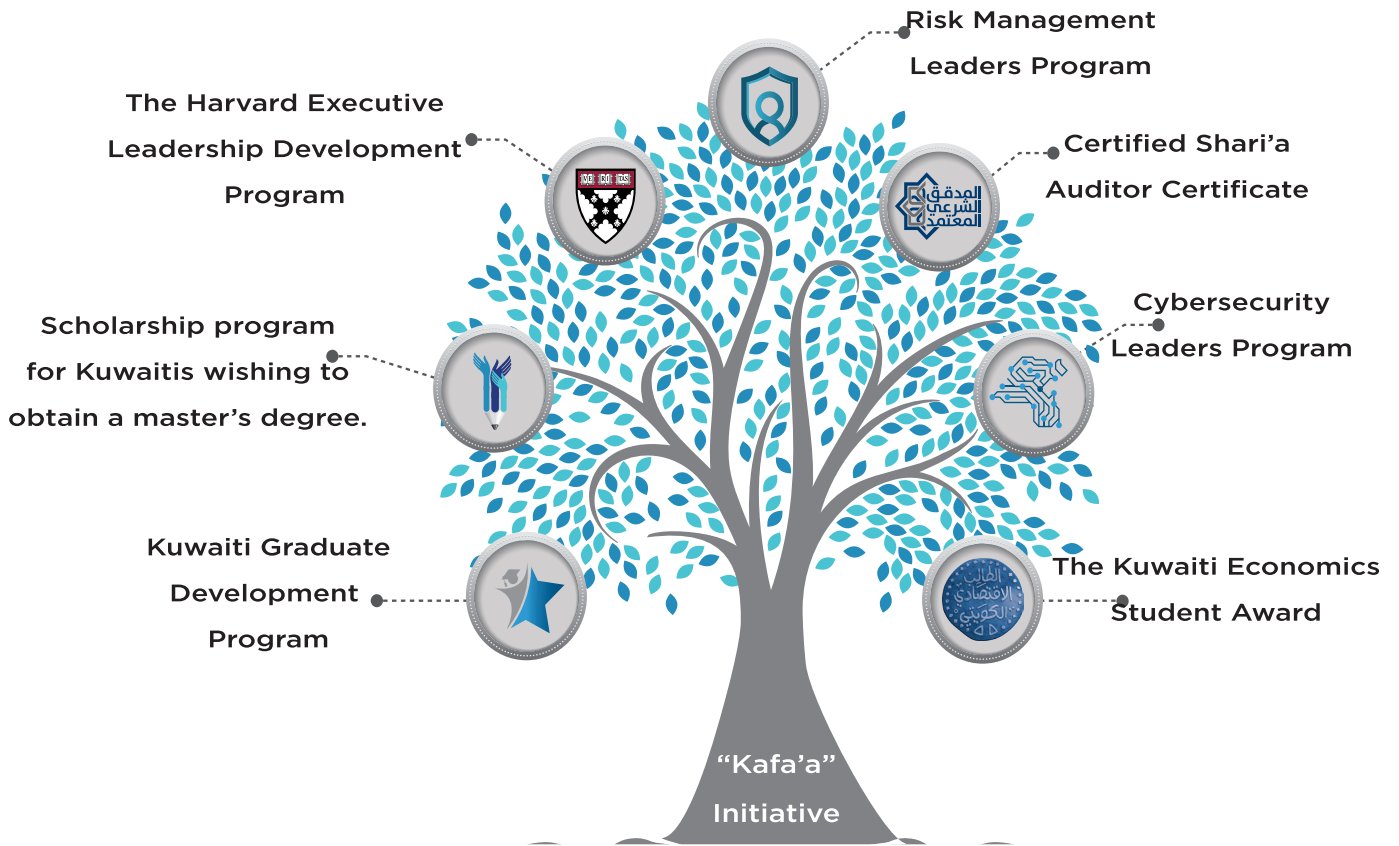
CBK employment policy is based on the criteria of efficiency, eligibility, and experience, and reliance on national cadres, which is the basis on which the personnel/HR system applied in the bank is based. Appointment of candidates is based on results of exams and interviews conducted by the bank's specialized committees. CBK also annually develops a comprehensive plan for scholarships and practical training at reputable training and academic institutions with the aim of enhancing staff performance and attracting national cadres, which raises the bank's efficiency in performing the tasks entrusted to it.

CBK has continued to implement its policy aimed at nationalizing jobs, which takes into account raising the ratio of CBK national cadres to the total number of employees. The CBK's total staff reached 928 employees at the end of FY2022/23, compared to 917 employees at the end of the previous FY. The number of Kuwaiti employees was 875 (94.3% of the total) at the end of FY2022/23, compared to 858 employees (93.6% of the total) the year before.

The number of Kuwaitis appointed During FY2022/23 was 54 (100%), compared to 8 out of 10 employees appointed in the previous year (80%). During FY 2022/23, the service of 43 employees was terminated for several reasons including resignation (18), retirement (17), end of service (2) and service termination (6).

As for official missions, 87 employees went on official missions during FY2022/23 (an increase by 93.3% over the previous FY) to attend 34 conferences and meetings outside the State of Kuwait, compared to 45 employees, who attended 21 conferences and meetings outside the State of Kuwait during the previous FY.

CBK developed and conducted training courses for staff in coordination with specialized training institutions, and arranged for various training programs or sought assistance of CBK's experienced specialists, remotely or physically.



During FY2022/23, 941 employees participated in 219 training courses, in coordination with local training bodies (such as the Institute of Banking Studies, the Arab Planning Institute, the Union of Arab Banks (UAB), the International Monetary Fund Center for Economics and Finance in the Middle East, the Public Anti-Corruption Authority, the General Secretariat of the Supreme Council for Planning, the Central Agency for Information Technology, and the Civil Service Commission). The bank also coordinated programs with a number of training agencies and specialized institutes in the banking, financial and economics fields, whether on Gulf, Arab, or international level. These included the Institute for Economic Policy of the Arab Monetary Fund, the International Monetary Fund, the World Bank, the Bank for International Settlements, the Bank of England, the Federal Reserve Bank in New York, the Bank of Italy, the German Central Bank, the Monetary Authority of Singapore, the Central Bank of the UAE, and the General Council for Islamic Banks and Financial Institution

In comparison, in FY 2021/22, 809 employees attended 208 training programs inside and outside the State of Kuwait befitting training needs and work requirements. These programs included specialized courses, seminars, and workshops in the fields of banking, financial, economic, administrative and IT, and were offered through the training platforms available in cooperation with various local and foreign entities.

Furthermore, 14 employees were selected in FY2022/23 to attend qualification programs for approved professional certification, compared to 10 employees in FY2021/22. CBK also monitored those enrolled in training provided through the program offered to fresh Kuwaiti graduates. In this context, 32 trainees are being trained during FY2022/23, while 38 trainees completed their training and were appointed. During FY2022/23, CBK sent 3 employees on graduate study scholarships outside the State of Kuwait, while none of the employees applied for a scholarship outside Kuwait during the previous year due to measures taken to contain the spread of the Coronavirus pandemic.

Moreover, CBK participates, for the eleventh consecutive year, in cooperation with local banks, in “The Kuwaiti Graduate Development Program” to train and qualify the Kuwaiti fresh graduates to work in the banking sector. The one-year program is organized by the Institute of Banking Studies under CBK supervision within the “Kafa’a” initiative. The eleventh batch of fresh graduate trainees is being organized and the training details of the program are currently being worked out. Under this program, 3 university graduates among CBK staff were approved to participate in the program this year.

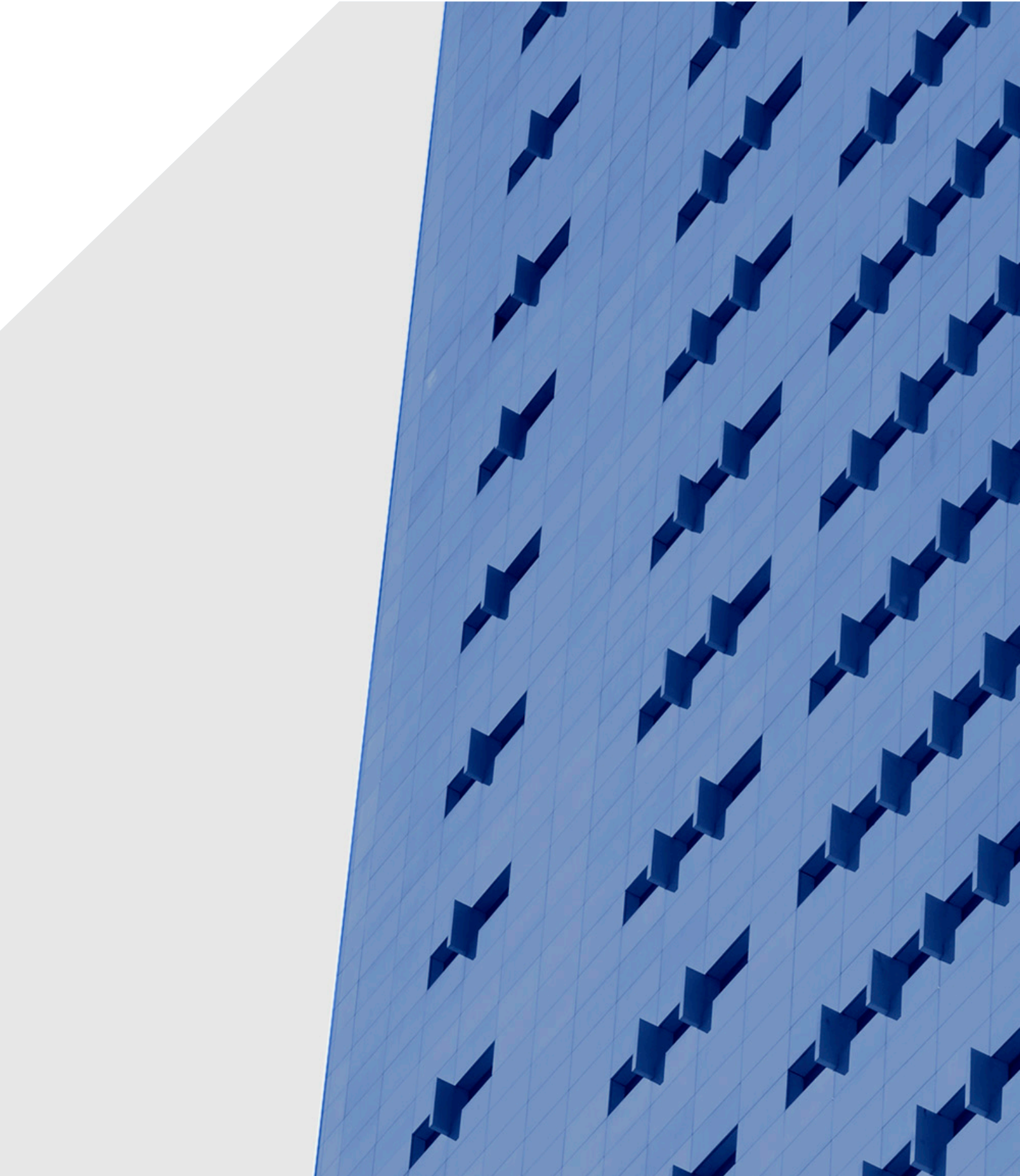
As for staff seeking higher academic qualifications beyond official working hours, 15 CBK employees submitted applications in this regard and their requests were approved in FY2022/23, compared to 6 employees in FY2021/22. CBK also provided onsite trainings for 6 Kuwait University students during FY2022/23 (9 during FY 2021/22).

CBK’s efforts resulted in job nationalization rates that are well above the requirements in both CBK and the Kuwaiti banking units.



Communication and Social Responsibility





Communication and Social Responsibility

During the fiscal year 2022/23, the CBK continued its leading communication strategy by providing all data and responses, launching awareness and educational campaigns, and communicating with all local and international media, as well as communicating with all relevant official and private institutions and bodies in order to achieve financial stability and monetary stability in the State of Kuwait, and support CBK's and the banking sector's efforts. CBK also communicates with its employees as being pillars of CBK's business continuity. Furthermore, coordination is sustained with communication units within the banking sector to ensure that the business shall not be affected due to inaccurate news and rumors, in addition to guiding the community on ways to access banking services safely and effectively.

I. Events

During FY2022/23, CBK:

- Organized two workshops on AML/CFT instructions to local banks and exchange companies to bolster its supervisory role and to enhance the skills of staff in the CBK-regulated units to increase their awareness of the revised requirements in the area of AML/CFT, and stressing the importance of preparedness for upcoming mutual evaluation of the State of Kuwait to measure the level of compliance with these requirements, in accordance with the international recommendations issued by FATF in this regard.
- Holding a joint virtual workshop in collaboration with the United States Department of Justice, titled "Effective Oversight of Financial Institutions to Combat Money Laundering and Terror Finance" in June 2022, as part of the existing and continued cooperative framework between CBK and the United States Department of Justice.
- Organizing a ceremony to honor the Harvard Executive Leadership Development Program graduates titled "Leading in a World Transformed" in May 2022, as well as the ceremony to honor the graduates of the "Risk Management" program in December 2022.
- Organizing a ceremony to honor the winners of the Kuwaiti Economic Researcher Award in its third session, and the Kuwaiti Economic Student Award in its second session in July 2022.
- Honoring the participants of the "Kuwaiti Graduates Development Program (KGDP) - the eleventh batch" in October 2022.
- Organizing visits to CBK's headquarters as part of the community service, whereby the bank welcomed visitations from the students of the Gulf University for Science and Technology (GUST), the students of the Kuwait Diplomatic Institute - Ministry of Foreign Affairs, and a delegation from the Kuwait News Agency (KUNA).

II. Social Responsibility Campaigns

To clarify, promote and support the CBK's work and instructions in the field of social responsibility, many initiatives and activities were executed, which included the following:

- Resuming activities under "Kafa'a" initiative, which is one of the most important social responsibility projects and one which is heavily supported by CBK. The initiative is a realization of CBK and Kuwaiti banks' vision of developing national cadres. CBK management supervises coordination with and follows up with the Institute of Banking Studies so that the various initiative programs continue and help with national capacity building to fuel the development process in the State of Kuwait. The programs included the following:

- The “Kafa’a” initiative to develop Kuwaiti youth.
- The Kuwaiti Economic Researcher Award and the Kuwaiti Economics Student Award.
- Kuwaiti Graduate Development Program for Kuwaitis seeking employment in the banking sector.
- Cyber Security Leaders Program.
- Scholarship program for Kuwaitis wishing to obtain a master’s degree.
- Executive leadership development program in the finance and banking sector.
- Certified Sharia Auditor Certificate.
- Risk Management Leaders Program.

In this regard, CBK continued publishing media materials related to these programs and encouraging people to participate in them, i.e. photos and videos of ceremonies honoring graduates, as well as press releases by H.E. Governor related to these initiatives.

- Continuing to work on the “Diraya” (Be Aware) campaign, which is executed in cooperation with banks and includes the publishing of infomercial videos and awareness messages on a continuous basis on their various media platforms to raise awareness among and educate customers regarding the banking sector and its role in stimulating and developing the Kuwaiti economy, and all matters related to dealing with banks, including lending, in addition to bank cards, their types and characteristics, the rights of customers with special needs, and cyber security tips and bank account protection. In this regard, the following has been done:
 - Publishing 25 videographs, 21 designs and 10 advertisements for the “Diraya” campaign.
 - Announcing that the “Diraya” campaign is into its second year and publishing a number of its videos and materials.
- - Publishing a press release regarding the efforts of the “Diraya” campaign into its second year.
 - Publishing photos and media content of the honoring of the banking awareness campaign “Diraya” for winning the Kuwait Creativity Award 2022.
 - Publishing a statement from the bank regarding CBK’s honoring of distinguished Kuwaiti banks to support the banking awareness campaign “Diraya” in the bank’s building.
 - Posting a design regarding the ongoing success of the “Diraya” campaign.
- Media and awareness collaboration with government agencies and others within the “Diraya” initiative, including: Ministry of Interior, Ministry of Information, Government Communication Center, Capital Markets Authority, Financial Investigation Unit, Kuwait Anti-Corruption Authority (Nazaha), Directorate General of Civil Aviation, Kuwait Airways, and telecommunications companies operating in the State of Kuwait.
- Raising awareness of the risks of trading in cryptocurrencies, virtual assets, and high-risk investments.
- Launching the campaign to distribute Eidiya (money) “Eidity” during Eid al-Fitr and Eid al-Adha in 2022.
- Launching the financial inclusion campaign for people with disabilities.

III. Communication and Publication

Enhancing the balanced and unique impression CBK gives, and in light of the challenges posed by the pandemic, specifically the need of effective handling of and interaction with all means of media and communication, the Central Bank of Kuwait was keen to adopt a balanced media policy aimed at highlighting its achievements and its vital role derived from its goals and objectives. The policy also aims to effectively aid in achieving the bank's vision of maintaining financial and monetary stability and exercising its supervisory role vis a vis monetary policies and banking system in the country. Media service activities have also been introduced to promote publishing work and develop digital and print media products for CBK. The following are the highlights of such achievements during FY2022/23:

- Publishing 100 media content including press releases, press statements, news, or advertisements in both local newspapers and local and international (media) agencies in keeping with developments in CBK business.
- Production of 42 media materials, and the design and publication of 65 infographics in Arabic and English in a detailed but simplified format to inform the community and those interested of developments.
- Broadcasting 2,716 posts and media on the Bank's 8 social media platforms and accounts; Twitter, Instagram 2, Facebook, LinkedIn, WhatsApp, YouTube and Podcast.
- In view of CBK's social responsibility and keenness to raise the Kuwaiti citizen's financial and economic awareness and education, CBK published podcasts on many economic and financial issues, during FY2022/23, regarding CBK's activities in particular and the national economy in general. Podcast topics included domestic inflation, cybersecurity, open banking services, complaints and grievances submission mechanism, modern financial technologies, money laundering and financing terrorism, financial stability report, balance of payments, economic statistics issued by the bank, and women empowerment in the Kuwaiti banking sector. All episodes were presented in Arabic and English.

IV. Reports and Publications

With the aim of enhancing form and content of CBK reports to keep up with developments in the area of issuing specialized reports, to increase the segment of readers and those interested in bank publications, and to raise awareness on important issues raised in the reports, the following reports have been issued and published:

- Annual Report 2021/22.
- Economic Report 2021.
- Highlights on the 2021 Economic Report
- Financial Stability Report 2021.
- Brief (monthly) bulletin on the developments of the most prominent local monetary and banking indicators.
- A series of quarterly reports launched by CBK to address some economic, monetary and banking issues.






V. Strengthening the Internal Environment and Communication Activities with Employees

In order for CBK to continue its main role in enhancing communication and interaction with the aim of exchanging experiences and increasing knowledge between employees on the one hand and with external parties on the other hand, through holding events, CBK has strengthened internal communication and built bridges of interaction with its employees on all occasions and during all activities, including organizing many events and activities. Examples of such activities include:

- Organizing National Day celebrations to commemorate the 62nd Anniversary of the Independence and the 32nd Anniversary of the Liberation of the State of Kuwait from the brutal Iraqi occupation.
- Organizing the Distinguished Employees Award Ceremony for 2022 in March 2023, during which a "Quraish" celebration was held to revive and celebrate social events and ancient Kuwaiti traditions.
- Holding many events, workshops, receptions, and organizing lectures in the fields of: health and the history of the State of Kuwait, in addition to providing special and exclusive offers and discounts to employees and making them available in the fields of: communications, tourism, health, nutrition, entertainment, and commodities, in addition to organizing and implementing social responsibility and humanitarian contribution programs.
- Completing the procedures for honoring the employees whose services ended, as the number of those whose services have ended during the year 2022/23 reached (38) employees.
- Receiving the public in CBK's banking hall for any complaints against the units under CBK-regulated entities, and any inquiries about transfers and the public's use of the right of access granted by law, as the number of those received during the year 2022/23 reached (1,278) citizens and residents whom are customers of the CBK-regulated entities.

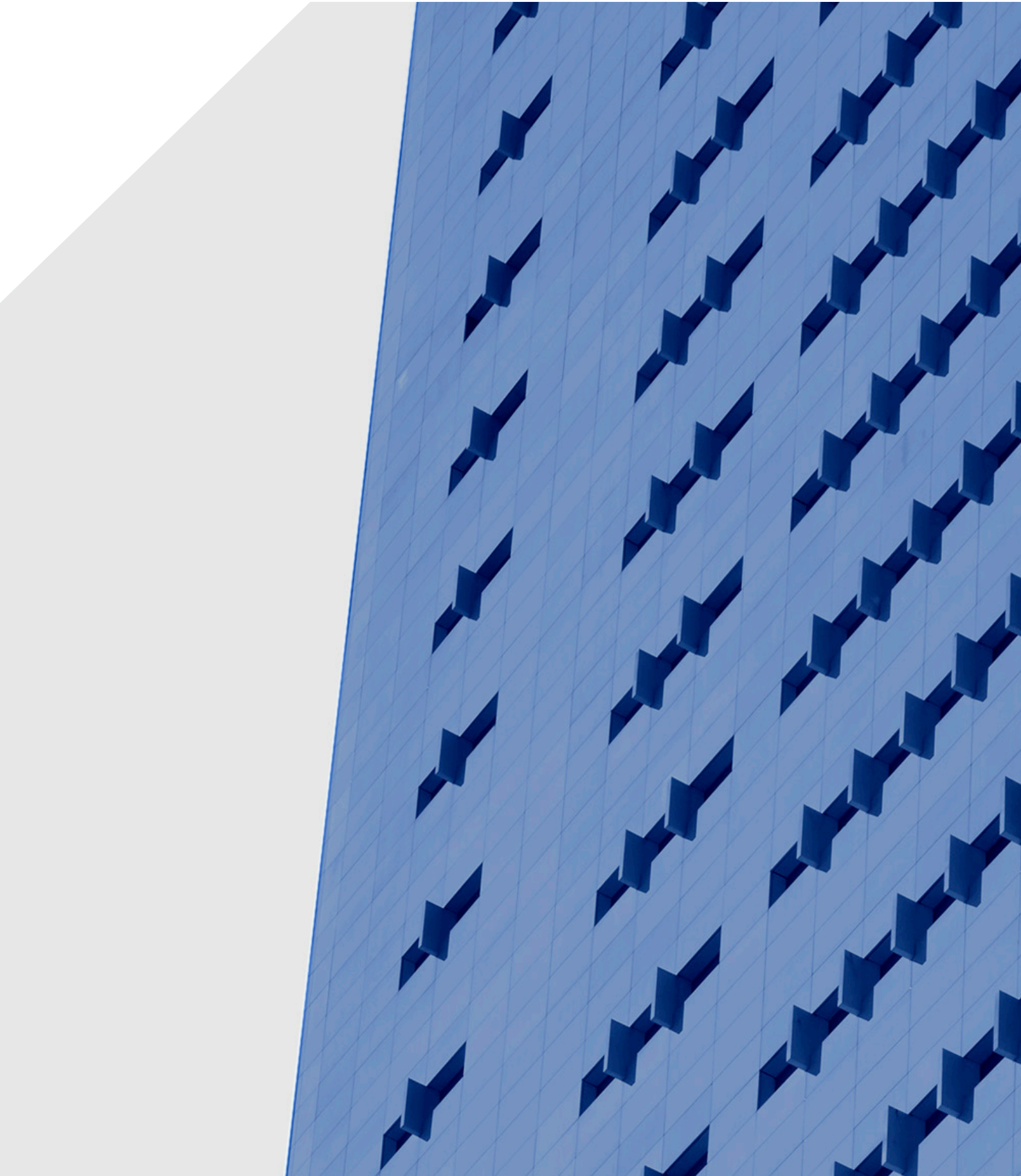


PODCAST

- 
What is inflation?
- 
What is the Cybersecurity?
- 
What do you know about open banking services?
- 
Complaints and grievances submission mechanism.
- 
What do you know about modern financial technologies?
- 
What do you know about AML/CFT crimes?
- 
What do you know about the Financial Stability Report?
- 
What do you know about the Balance of Payments (BOP)?
- 
What do you know about the economic statistics issued by CBK?
- 
Women Empowerment in the Kuwaiti banking sector.

**Financial Statements for
the Fiscal Year ended 31
March 2023**







**Ernst & Young
Al Aiban, Al Osaimi & Partners**

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TO THE GOVERNOR AND THE BOARD OF DIRECTORS OF THE CENTRAL BANK OF KUWAIT

Report on the Audit of the Financial Statement

Opinion

We have audited the financial statements of the central bank of Kuwait (the “Bank”), which comprise the balance sheet as at 31 March 2023, and profit and loss account for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the bank as at 31 March 2023, and its financial performance for the year then ended in accordance with the basis of preparation explained in Note 2 to the accompanying financial statements, and Law 32 of 1968, concerning currency, the Central Bank of Kuwait and the organization of banking business, and amendments thereto.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of preparation explained in Note 2 to the accompanying financial statements and Law 32 of 1968, concerning currency, the Central Bank of Kuwait and the organization of banking business, and amendments thereto, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management neither intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

TO THE GOVERNOR AND THE BOARD OF DIRECTORS OF THE CENTRAL BANK OF KUWAIT (continued)

Report on the Audit of the Financial Statement (continued)

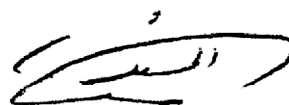
Auditors Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management,
- Conclude of the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



BADER AL-ABDULJADER
LICENCE NO. 27 A
EY
(AL-AIBAN, AL-OSAIMI & PARTNERS)



SAFI AL-MUTAWA
LICENSE NO 138
OF KPMG AL-QENAE & PARTNERS
MEMBER FIRM OF KPMG INTERNATIONAL

14 May 2023
Kuwait



Balance Sheet as at 31 March 2023
(All amounts in KWD)

Assets	Notes	31 March 2023	31 March 2022
Gold	2	31,742,161	31,742,157
Cash in hand, current and call accounts with banks and other financial institutions in foreign currency		1,712,030,330	884,563,610
Deposits and investments in foreign currencies	3	12,026,581,345	11,358,275,188
Other assets	4	217,291,267	166,191,990
Total Assets		<u>13,987,645,103</u>	<u>12,440,772,945</u>
Contra Accounts	10	<u>4,219,188,326</u>	<u>4,907,080,752</u>

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

Balance Sheet as at 31 March 2023
(All amounts in KWD)

Equity and Liabilities	Notes	31 March 2023	31 March 2022
Capital - fully paid up		5,000,000	5,000,000
General Reserve Fund	5	992,564,857	976,705,063
Special account	6	29,817,539	145,687,203
Profit for the year		327,847,864	15,859,794
Currency in circulation	7	2,124,396,828	2,090,519,518
Bonds issued by CBK	8	2,105,000,000	1,850,000,000
Government accounts		1,684,791,310	640,045,657
Local banks' current accounts and deposits	9	6,101,437,195	6,351,770,455
International institutions		15,570,364	44,504,067
Guarantees on documentary credits	10	163,094,285	165,451,601
Other liabilities	11	438,124,861	155,229,587
Total Equity and Liabilities		13,987,645,103	12,440,772,945
Contra Accounts	10	4,219,188,326	4,907,080,752

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

Profit & Loss Account for the FY ended 31 March 2023
(All amounts in KWD)

Assets	Notes	31 March 2023	31 March 2022
Interest and income from investments		372,404,535	63,369,372
Interest and commissions expenses		(46,960)	(81,462)
		372,357,575	63,287,910
Other income		2,312,823	884,666
Operating income		374,670,398	64,172,576
Operating expenses	12	(46,822,534)	(48,312,782)
Net profit for the year		327,847,864	15,859,794
Appropriated in accordance with Article 17 of Law 32 of 1968 and amendments thereto, as follows:			
To the General Reserve Fund's Account	5	7,435,143	15,859,794
To the State of Kuwait's Government	5	320,412,721	-
		327,847,864	15,589,794

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

Notes to the Financial Statements

(31 March 2023)

1. 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 concerning Currency, the Central Bank of Kuwait and the Regulation of Banking and the amendments thereto. The Bank is responsible for the issuance 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 of the banking and financial systems and serving as the banker and the financial advisor to the Government of the State of Kuwait.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Law No. 32 of 1968 concerning Currency, the Central Bank of Kuwait and the Regulation of Banking, and the amendments thereto. The significant accounting policies adopted and applied in accordance with the periods presented in the Bank’s financial statements are as follows:

Gold

In accordance with the Amiri Decree issued on 4 July 1978, gold is valued at KWD 12.500 per fine ounce and the fair value of gold amounted to KWD 1,521,650,193, as of 31 March 2023.

Local Bonds and Public Debt Instruments

Public debt instruments are recorded at their purchase cost.

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 Costs of Intervention in the money market, in accordance with the agreement between the Bank and the Ministry of Finance (Note 4).

Revenue Recognition

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

Capital Expenditure

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

Foreign Currencies

In accordance with Article 48 of the Law No. 32 of 1968, and the amendments thereto and the Amiri Decree issued on 4 July 1978, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Resultant gains or losses are taken to the Special Account in the balance sheet (Note 6).

Investments

Investments are carried at cost including income earned and accrued on it. These investments are translated to Kuwaiti Dinar at the Central Bank of Kuwait rate of exchange.

3. DEPOSITS AND INVESTMENTS IN FOREIGN CURRENCIES (KWD)

Items	31 March 2023	31 March 2022
Deposits with banks and foreign institutions	12,021,983,845	11,353,717,438
CBK Facilities to International Bank for Reconstruction and Development	4,597,500	4,557,750
	<u>12,026,581,345</u>	<u>11,358,275,188</u>

4. OTHER ASSETS (KWD)

Items	31 March 2023	31 March 2022
Accrued interest on deposits and other assets	62,765,514	8,213,115
Investments denominated in Kuwaiti Dinars	50,228,544	50,228,544
Prepaid expenses	1,940,927	2,259,513
Other receivables	3,566,122	2,982,337
Ministry of Finance's - (Transaction cost of Intervention in the money market - Debit balance to private account)*	98,790,160	102,508,481
	217,291,267	166,191,990

* The balance represents the amounts owed by the Ministry of Finance for transaction cost of intervention in the money market that have not been covered by the Ministry of Finance (Note 2) as well as debit balances transferred from the Special Account on revaluation of monetary assets and liabilities denominated in foreign currencies due by the Ministry of Finance based on Article (48) of the Law No. 32 of 1968 and amendments thereto on Currency, the Central Bank of Kuwait and Regulation of Banking.

5. GENERAL RESERVE FUND

In accordance with Article 17 (3) (a) and (b) of the Law No. 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 KWD 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 KWD 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 KWD 116 million to KWD 295 million by annually transferring 50% of the Bank's net profit 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 KWD 705 million to reach an aggregate balance of KWD 1,000 million. To reach the balance, the Bank will transfer all the net profit of each year to the Fund.

Based on the above, KWD 7,435,143 of the net profit for the year ended 31 March 2023 will be transferred to the Fund as the balance will reach KWD 1,000 million. The remaining amount of KWD 320,412,721 will be transferred to the Government of Kuwait in accordance with the provisions of Article 17 paragraph (3) (a) and (b) of the Law No. 32 of 1968, which states that if the balance of the Fund reaches the approved limit, the remaining net profit for the year shall return to the Government of Kuwait after the approval of the financial statements by all concerned authorities.

6. SPECIAL ACCOUNT (KWD)

Items	31 March 2023	31 March 2022
Balance at the beginning of the year	145,687,203	51,580,177
Net foreign currency translation differences from revaluation of monetary assets and liabilities denominated in foreign currencies	(115,869,664)	94,107,026
	29,817,539	145,687,203
Balance at the end of the year		

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 the Law No. 32 of 1968 and amendments thereof, and the Amiri Decree issued on 4 July 1978.

7. CURRENCY IN CIRCULATION (KWD)

Items	31 March 2023	31 March 2022
Net currency produced	3,159,359,377	3,473,847,110
Less: currency in the Bank's vaults	(1,034,962,549)	(1,383,327,592)
	<u>2,124,396,828</u>	<u>2,090,519,518</u>

Net currency produced represents the total of currency printed, reduced by currency destroyed.

Currency in the Bank's vaults is comprised of strategic inventory of notes, cash ready for use in the daily transactions (deposits and withdrawals) and unfit notes ready for destruction.

On 19 April 2015, the Bank 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 of the banknotes can be exchanged at the Central Bank of Kuwait from 1 October 2015 till 18 April 2025.

8. BONDS ISSUED BY THE CENTRAL BANK OF KUWAIT

The bonds of the Central Bank of Kuwait are tradable. Their purchase is limited to local banks and local investment companies that are subject to regulation of the Central Bank of Kuwait. The Central Bank of Kuwait uses these bonds to manage local liquidity.

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

Items	31 March 2023	31 March 2022
Current accounts	2,127,008,032	2,747,193,525
Deposits	1,420,000,000	1,190,000,000
Tawarruq - (Takings)	2,554,429,163	2,414,576,930
	<u>6,101,437,195</u>	<u>6,351,770,455</u>

10. CONTRA ACCOUNTS (KWD)

Items	31 March 2023	31 March 2022
(a) Accounts with CBK	1,749,901,502	1,920,148,640
(b) Contra accounts: Letter of Credit	2,466,561,666	2,984,157,245
Memorial Coins	2,725,158	2,774,867
	<u>2,469,286,824</u>	<u>2,986,932,112</u>
	4,219,188,326	4,907,080,752

As at 31 March 2023, the Bank held guarantees of KWD 163,094,285 (2022: KWD 165,451,601) against the letters of credit referred to above.

11. OTHER LIABILITIES (KWD)

Items	31 March 2023	31 March 2022
Payable expenses	2,733,183	2,765,162
Other payables	435,391,678	152,464,425
	<u>438,124,861</u>	<u>155,229,587</u>

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

12. OPERATING EXPENSES (KWD)

Items	31 March 2023	31 March 2022
Employee costs	35,281,240	34,667,400
Administrative and computer costs	7,023,795	7,552,620
Purchase of furniture and equipment	82,090	16,762
Production and shipment of currency	629,577	2,090,103
Sundry expenses	3,805,832	3,985,897
	<u>46,822,534</u>	<u>48,312,782</u>

13. PROMISSORY NOTES HELD

On 31 March 2023, the amount of promissory notes held by the Bank in safe custody on behalf of international institutions was KWD 617,782,160 (2022: KWD 624,084,345).





تصميم وإخراج وطباعة
مطبعة بنك الكويت المركزي

2024

