



بنك الكويت المركزي  
CENTRAL BANK OF KUWAIT



**THE THIRTY**  
**ANNUAL REPORT**

---

**FOR THE FISCAL YEAR 2001/02**

---

**The Annual Report of the Central Bank of Kuwait  
for the Fiscal Year 2001/02**

**INTRODUCTION**

The Central Bank of Kuwait (CBK) continued during the fiscal year 2001/02 its efforts in drawing and implementing the monetary policy, and supervising and overseeing the domestic banking and financial system, within its endeavors to firmly establish the atmosphere of monetary stability in the country and develop the methods for the supervision and oversight of the banking and financial sector units. These efforts reflect CBK's keenness to keep up with the domestic and worldwide developments and tackle their reflections on the domestic monetary and banking conditions, so as to strengthen the positions of the domestic banking and financial system units and boost their competitive capabilities.

Worth noting within this context are CBK's efforts in making available information and data on the economic, monetary and banking developments in the State of Kuwait, as the CBK continued during the fiscal year 2001/02 to prepare, publish and distribute its various periodicals (monthly, quarterly, annually) in both Arabic and English, while updating the CBK Home-Page on the Internet, where the latest monetary and banking data are continually posted.

From another perspective, within the implementation of the Law No. 2 for year 2001 regarding the setting up of a system for gathering information and data on loans and credit facilities linked to installment-sale operations, the CBK played a principal role in coordinating with the concerned authorities for the establishment of the Credit Information Network Company, which is to gather information and data relevant to installment-sale operations, according to that law. Also, in pursuance of its efforts in laying the groundwork for the development of an efficient and secure system for the settlement of payments between the domestic banking and financial system units, the

CBK has completed the first phase of that project, so as to increase the efficiency of settlement operations and to keep up with the latest worldwide advances in this field. Furthermore, CBK continued during the fiscal year 2001/02 its efforts in actively contributing to the preparation of Law No. 35 for year 2002 concerning combating money laundering operations, through taking part into the drafting of the proposed law, and participating in meetings with the concerned committees of the Council of Ministers and National Assembly. This law complements Kuwait's legislative structure in regard to combating money laundering operations, and is one more positive and important step toward enhancing the position of the State of Kuwait among the countries striving to confront these operations.

This report presents an outline of the most significant domestic monetary and banking developments during the fiscal year 2001/02, followed by a brief review of the most important measures taken and operations performed by the CBK during that period, then the Auditors Report on the CBK balance sheet and the profit and loss account of its activities for the above mentioned fiscal year.

Worth noting is that the fiscal year 2001/02 covered by this report started on the first of April 2001 and concluded at end of March 2002, by virtue of Law No. 18 for year 2000, which substituted the second paragraph under Article (3) of the Decree Law No. 31 for year 1978. According to that law, the State fiscal year is to start on the first of April and conclude at end of March of the following year. This resulted in changing the end of the fiscal year from the 30th of June to the 31st of March.

## **First : The Main Monetary and Banking Developments**

### **1- Monetary Developments:**

The CBK continued during the fiscal year 2001/02 to draw and implement its monetary policy aimed at enhancing the atmosphere of monetary stability in all facets of the national economy. The following are the most significant monetary developments during the fiscal year 2001/02.

#### **A- The Domestic Interest Rates:**

In light of CBK's continued monitoring of interest rates on the Kuwaiti dinar, so as to ensure their consistency with the domestic economic and monetary developments on the one hand and their alignment with the developments in interest rates on major currencies on the other, the CBK carried out in the fiscal year 2001/02 four consecutive reductions of the discount rate on 21 May, 22 August, 18 September and 30 October 2001. These reductions totalled 1.5 percentage point, thus bringing the discount rate at end of the fiscal year 2001/02 to 4.25%, against 5.75% at end of the previous fiscal year.

Regarding interest rates on customers KD and US dollar deposits at local banks, available data indicate a decline in the averages of interest rates on KD deposits for all terms during the fiscal year 2001/02. The average interest rate on the three-month KD deposits declined by two percentage points to 3.21% during the fiscal year 2001/02 against 5.21% during the period from April 2000 to March 2001. On the other hand, a steeper decline was recorded in the averages of interest rates on US dollar deposits with local banks for the same period during the fiscal year 2001/02, as the average interest rate on these deposits for the three-month term declined from 5.82% during the period (April 2000-March 2001) to 2.46% during the fiscal year 2001/02. Consequently, the interest rate margins between the averages of local banks interest rates on the KD and US dollar deposits shifted during the fiscal year 2001/02 in favour of the KD for all terms. For example, the margin existing in favor of KD deposits between the averages of interest rates on KD and US dollar deposits at local banks for the 3-month, 6-month and 12-month terms during the fiscal year 2001/02 reached 0.75, 0.88 and 0.78 percentage point respectively.

Furthermore, the averages of interest rates on the KD interbank deposits of local banks witnessed a similar downturn during the fiscal year 2001/02. For example, the average of interest rates on these deposits for the one-month term decreased by 2.56 percentage points to 4.03% during the fiscal year 2001/02 against 6.59% during the period from April 2000 to March 2001. These averages also declined for the six-month deposits from 6.68% to 4.10% during the same two periods of comparison.

In the same direction, the average interest rates on Kuwaiti Treasury Bills and Bonds, which the CBK manages on behalf of the Ministry of Finance and uses as one of its monetary policy instruments to regulate the levels of domestic liquidity, witnessed a decline in the fiscal year 2001/02. For example, the averages of interest rates on the three-month and six-month Treasury Bills declined from 6.36% and 6.63% respectively during the period (April 2000-March 2001) to 3.74% and 4.01% respectively during the fiscal year 2001/02. Also, the averages of interest rates on the issued one-year Treasury Bonds declined during the same two periods of comparison from 6.92% to 4.47%.

### **B- Money Supply:**

Money Supply in its broad definition (M2) reached KD 9673.7 million at end of March 2002, thereby recording a marked growth of KD 809.1 million or 9.1% compared to end of March 2001. This increase was essentially due to a rise of KD 413.8 million or 5.7% in Quasi-money (from KD 7285.5 million at end of March 2001 to KD 7699.3 million at end of March 2002), along with an increase of KD 395.3 million or 25% in Money (the narrow definition of money supply M1) during the same period.

Regarding factors which affected the growth of money supply within the aggregate monetary position of the CBK and local banks during the fiscal year 2001/02, as represented by the changes in net domestic and foreign assets of the mentioned institutions, the net foreign assets had a shrinking effect on money supply to the tune of KD 188.3 million as a result of the rise in net foreign assets of the CBK by KD 569.7 million and the decline in net foreign assets of local banks by KD 757.9 million. Also, the other net domestic assets (other than the net claims on the government and private sector) of the above mentioned institutions, also had a shrinking effect of KD 11.1 million, while the rise in the net claims on the government and private sector contributed KD 997.4 million to the rise in money supply, in light of the decrease in both the net claims of the CBK and local banks on the government by KD 169.1 million and the increase in local banks claims on the private sector by KD 1177.6 million.

### **C- The KD Exchange Rate:**

The KD exchange rate maintained its relative stability against the major currencies during the fiscal year 2001/02, thus reflecting the effectiveness of the policy which the CBK started applying since March 1975 in setting the KD exchange rate, by tying this rate to a weighed basket of currencies of countries that have significant trade and financial relations with the State of Kuwait. This relative stability is concluded from the limited decline, of not more than 0.2%, in the exchange rate of the US dollar against the Kuwaiti dinar at end of the fiscal year 2001/02, as the US dollar exchange rate against the Kuwaiti dinar reached 307.36 fils at end of March 2002, from 307.87 fils at end of March 2001. Furthermore, during the fiscal year 2001/02, the movements of the KD exchange rate against the US dollar remained within very narrow margins, as the difference between the highest and lowest exchange rates of the US dollar against the Kuwaiti dinar did not exceed 4.12 fils (or 1.3%) during the fiscal year 2001/02. Meanwhile, the exchange rates of other major currencies recorded marked fluctuations, as the difference between the highest and lowest exchange rates of the US dollar reached 12.9% against the Japanese yen, 12.2% against the Swiss franc, 8.9% against the Euro, and 7.4% against the Sterling pound.

### **D- Bank Credit:**

The total balances of utilized cash credit facilities extended by local banks to the Kuwaiti economic sectors recorded a noticeable rise of KD 1020.1 million (19.6%) during the fiscal year 2001/02 to KD 6235.6 million at end of March 2002, against KD 5215.5 million at end of March 2001. The sectoral distribution of the balances of utilized cash credit facilities at end of March 2002, indicates a rise in the balances of credit facilities extended to the "Personal Facilities" sector by KD 420.6 million or 25% to KD 2100 million (representing 33.7% of the total), the Real Estate sector by KD 275.1 million or 31.7% to KD 1143.2 million (18.3% of the total), the Trade sector by KD 77.6 million or 7.9% to KD 1053.8 million (16.9% of the total). Meanwhile, a decline was witnessed in the balances of utilized cash credit facilities extended to the "Other" sector (which includes

transportation, governmental and professional services, in addition to other services) by KD 146.1 million or 29.4% to KD 350.8 million (5.6% of the total) and the Construction sector by KD 17.1 million or 4.1% to KD 398.7 million..

#### **E- Issuing of Public Debt Instruments:**

The CBK continued during the fiscal year 2001/02 to issue public debt instruments- Treasury Bills and Bonds- on behalf of the Ministry of Finance. Thereby, during the mentioned fiscal year, the CBK made 27 issues of Treasury Bills with a total nominal value of KD 2240 million, of which 15 issues of three-month maturity with a total nominal value of KD 1125 million, and 12 issues of six-month maturity with a total nominal value of KD 1115 million. During that fiscal year, 26 previous issues of these bills with a total nominal value of KD 2110 million reached maturity. Accordingly, the outstanding balance of Treasury Bills at end of the fiscal year 2001/2002 rose tangibly by KD 130 million or 19.1% to KD 810 million against KD 680 million at end of the fiscal year 2000/01.

On the other hand, during the fiscal year 2001/02, the CBK made 15 issues of Treasury Bonds with a total nominal value of KD 1355 million, all of which for one-year term. During the same fiscal year, 17 previous Treasury Bond issues with a total nominal value of KD 1493 million matured. Accordingly, the outstanding balance of Treasury Bonds declined by KD 138 million or 7.7% to KD 1655 million at end of the fiscal year 2001/02 against KD 1793 million at end of the previous fiscal year.

As a result of the above developments, the outstanding balance of public debt instruments (Treasury Bills and Bonds) declined slightly by KD 8 million or 0.3% to KD 2465 million at end of the fiscal year 2001/02 from KD 2473 million at end of the previous fiscal year.

#### **2- Banking Developments:**

Available data indicate that the aggregate balance sheet of local banks rose by KD 1400.8 million or 9.8% to KD 15582.7 million at end of March 2002 against KD 14181.9 million at end of March 2001. This rise was the outcome of several

developments on both the assets and liabilities sides in this balance sheet. The following are the most significant of these developments:

**On the Assets Side:**

- \* The manifest rise in local bank claims on the private sector by KD 1177.6 million (20.2%) to KD 6983.1 million or 44.8% of total assets at end of March 2002, compared with KD 5805.5 million or 40.9% of total assets at end of March 2001. This rise was the outcome of the above mentioned increase in the balance of the utilized portion of cash credit facilities extended by local banks to the domestic economic sectors by KD 1020.1 million or 19.6% (from KD 5215.5 million at end of March 2001 to KD 6235.6 million at end of March 2002) along with the tangible increase in the balances of other domestic investments by KD 157.5 million or 26.7% (from KD 590 million at end of March 2001 to KD 747.5 million at end of March 2002).
  
- \* The decline in the balances of local banks claims on the government by KD 283.2 million (7.9%) to KD 3290.5 million at end of March 2002, thereby accounting for 21.1% of total assets, compared with KD 3573.7 million or 25.2% of total assets at end of March 2001. This decline resulted from the decrease in the balances of Debt Purchase Bonds by KD 241.1 million or 16.7% (from KD 1442.1 million at end of March 2001 to KD 1201 million at end of March 2002) on the one hand, and the decline in the balances of public debt instruments (Treasury Bills and Bonds) with local banks by KD 42.1 million or 2% (from KD 2131.6 million at end of March 2001 to KD 2089.5 million at end of March 2002) on the other hand.
  
- \* The decline in balance of total foreign assets of local banks by KD 97.4 million (4.4%) to KD 2117.5 million at end of March 2002, from KD 2214.9 million at end of March 2001. This decline is essentially ascribable to the marked decrease in the balances of local banks deposits with foreign banks by KD 292.4 million (35%) to KD 543.2 million at end of March 2002, against KD 835.6 million at end of March 2001, in addition to the decrease in the balances of credit facilities



extended to non-residents by KD 28.2 million (2.7%) to KD 1024.3 million at end of March 2002, against KD 1052.6 million at end of March 2001.

- \* The marked increase in balances of local banks deposits with the CBK by KD 707.5 million to KD 1740.6 million at end of March 2002, against KD 1033.1 million at end of March 2001. This rise is essentially attributable to the increase in the balances of local banks term-deposits with the CBK by KD 678 million to KD 1671.5 million at end of March 2002 compared with KD 993.5 million at end of March 2001.

**On the Liabilities Side:**

- \* The increase in private sector deposits with local banks by KD 787.1 million (9.3%) to KD 9263.3 million at end of March 2002, thereby accounting for 59.4% of total claims, against KD 8476.2 million or 59.8% of total claims at end of March 2001. The major portion of this rise resulted from the increase in KD deposits with local banks by KD 967.6 million (13.3%) to KD 8219.9 million or 88.7% of the total value of deposits at end of March 2002, against KD 7252.3 million or 85.6% of the total value of deposits at end of March 2001. On the other hand, the balances of private sector foreign currency deposits with local banks declined during the same period by KD 180.6 million or 14.8% to KD 1043.4 million at end of March 2002 against KD 1223.9 million at end of March 2001.
- \* The rise in balances of foreign claims on local banks by KD 660.5 million or 57.7% (from KD 1145.1 million at end of March 2001 to KD 1805.6 million at end of March 2002), as a result of the increase in the balances of non-resident (banks and other entities) deposits by KD 545.1 million or 53.5% to KD 1563.3 million at end of March 2002, and the rise in other claims by KD 115.4 million or 91% (from KD 126.9 million at end of March 2001 to KD 242.3 million at end of March 2002).
- \* The increase in shareholder's equity in local banks by KD 134.1 million or 8.4% (from KD 1598.2 million at end of March 2001 to KD 1732.3 million at end of March 2002).

## **Second: Significant Supervisory Measures and Instructions Issued by the CBK**

Within the context of CBK's keenness to provide an environment conducive to strengthening the financial position of the banking and financial system units, by continuing to upgrade and enhance the efficiency of supervisory and oversight programmes, the CBK issued during the fiscal year 2001/02 several decisions and instructions, most significant among which are the following:

- In keeping up with the expansion in the activity of investment companies, particularly the investment companies operating according to the Islamic Shariaa, and within a development reflecting its keenness to provide an atmosphere favorable to the conduct of these companies business, the CBK reworded some supervisory instructions concerning investment companies, to fit the activity of investment companies operating according to the provisions of the Islamic Shariaa. These reworded instructions were issued on 24/4/2001, separately and specifically to this type of companies, and encompassed the following:
  - \* Instructions concerning the rationalization and regulation of financing policy.
  - \* Instructions concerning the maximum limit of a single client liability to an investment company operating according to the provisions of the Islamic Shariaa.
  - \* Instructions concerning the rules and regulations to be observed in consumption financing operations, and other operations concerning the extension of personal financing facilities on installment basis, by investment companies operating according to the provisions of the Islamic Shariaa.
  - \* Instructions concerning financing operations by investment companies operating according to the Islamic Shariaa, for the purpose of trading in securities in the Kuwait Stock Exchange.
- The circular issued on 21/5/2001 concerning the method of calculating the specific provisions required for the credit facilities portfolio, in compliance with the International Accounting Standard No. (39).

- The circular issued on 17/9/2001 concerning taking necessary steps to facilitate the sale and purchase of Euro effective from 1/1/2002, as the CBK endeavors thereby to enable nationals and residents in the State of Kuwait to exchange their holdings of European currencies of the European Monetary Union countries into their equivalent value in Kuwaiti dinars or Euros.
- The circular issued on 22/10/2001 concerning the introduction of an amendment to the instructions dated on 2/4/2000, to amend the maximum limit of consumer loans and other installment loans to 12% of total private deposits added to the certificates of deposits and deposits of other financial institutions (excluding investment companies), along with allowing the increase of this limit to 30% of the balances of issued bonds and medium and long-term loans falling due within not less than one year.
- The circular issued on 22/10/2001 concerning the introduction of an amendment to CBK's instructions with regard to regulating the investment policy of local banks, as bonds were excluded from the securities portfolio whose book value should not exceed 50% of the bank's capital in its broad definition, so that the above limit takes only into account the portfolio of shares. Furthermore, the circular amended the definition of high quality investment-grade securities as applying to those securities rated (BBB) instead of only those rated (A).
- The circular issued on 5/12/2001 amending the method applied in the treatment of revenues resulting from both the credit facilities extended to customers and international sovereign loans cited under the third part of the mentioned instructions, by recording in the contra accounts (i.e. off-balance sheet), the interests calculated on credit facilities rated "bad", accruing as of the date of such rating, in addition to the outstanding balance of suspended interest payments accrued on these facilities.

### **Third: Major Operations Performed by the CBK**

- 1- The monthly average value of currency and coins issued during the fiscal year 2001/02 reached KD 439.4 million, compared with a monthly average of KD 438.9 million during the previous fiscal year. The value of issued currency reached its highest level during the fiscal year 2001/02 in February 2002 (KD 531.5 million), and its lowest level in August 2001 (KD 393.6 million).
- 2- The total value of banking sector operations carried out through the CBK Clearing Room during the fiscal year 2001/02 rose above its level during the period from April 2000 to March 2001, as it reached KD 4601 million (with an average of KD 2924.6 per transaction), compared with KD 3762.4 million (and an average of KD 2472 per transaction) during the period from April 2000 to March 2001. Meanwhile, settlement operations carried out between banks through the CBK during the fiscal year 2001/02 amounted to KD 45.7 billion with a monthly average of KD 3809.6 million, compared with KD 44.4 billion and a monthly average of KD 3696.3 million during the period from April 2000 to March 2001.
- 3- During the fiscal year 2001/02, the CBK processed 7973 banking drafts amounting to KD 480.3 million, compared with 5734 banking drafts valued at KD 260.2 million during the period from April 2000 to March 2001.
- 4- As mentioned above, the CBK continued during the fiscal year 2001/02 to issue public debt instruments on behalf of the Ministry of Finance. Thereby, during that fiscal year, the CBK made 27 issues of Treasury Bills of three-month and six-month maturities, with a total nominal value of KD 2240 million. During that fiscal year, 26 previous issues of these bills with a total nominal value of KD 2110 million reached maturity. Additionally, the CBK made 15 issues of one-year Treasury Bonds with a total nominal value of KD 1355 million. During that fiscal year too, 17 previous Treasury Bond issues with a total nominal value of KD 1493 million matured. Accordingly, the outstanding balance of public debt instruments (Treasury Bills and Bonds) at end of the fiscal year 2001/02 reached KD 2465 million (KD 810 million for Treasury Bills and KD 1655 million for Treasury Bonds) compared with KD 2473 million (KD 680 million for Treasury Bills and KD 1793 million for Treasury Bonds) at end of the previous fiscal year.

5-Within CBK's activity for regulating the levels of liquidity in the domestic economy, the total value of CBK's money market operations during the fiscal year 2001/02 reached KD 15302.7 million, of which KD 8488.7 million through the auctioning system for accepting deposits from local banks to absorb their liquidity surplus.

6- During the fiscal year 2001/02, the CBK processed foreign banking transactions, on behalf of ministries and government bodies, namely documentary credits as well as bills and drafts for collection, as shown in the following table:

Particulars	No.	Value (in KD)
<b>First- Documentary Credits:</b>		
1- <u>Opened:</u>		
-Local	-	-
-Foreign	88	190,664,211.00
2- <u>Paid:</u>		
-Local	8	4,622,322.930
-Foreign	153	10,464,542.122
3- <u>Amended:</u>		
-Local	-	
-Foreign	88	
<b>Second- Collection Transactions:</b>		
Bills for Collection		
a- Incoming	43	177,540.406
b- Paid-up	29	89,215.485
<b>Third- Drafts for Collection:</b>		
a- Collected	118	176,600.915
b-Purchased	-	

#### **Fourth: The Labour Force at the CBK**

The CBK continued during the fiscal year 2001/02 to intensify its efforts aimed at improving its banking cadres and upgrading their efficiency, along with raising the percentage of Kuwaiti staff in the total labour force. The CBK took in this regard several measures and decisions during the fiscal year 2001/02, most important among which were the following:

- 1- During the fiscal year 2001/02, thirty-four Kuwaiti graduates (of which 20 holding university degrees and 14 holding the diploma of applied sciences) were accepted as trainees for various positions at the CBK. The CBK also appointed 73 employees, of which 71 Kuwaitis (97%), during the mentioned fiscal year. Meanwhile, 24 trainees who successfully completed their training program were confirmed in their jobs at the CBK, during the fiscal year 2001/02.
- 2- The total labour force at the CBK reached 750 employees (of which 582 Kuwaitis) at end of the fiscal year 2001/02, thus reflecting a rise in the percentage of Kuwaitis in the total labour force at the CBK to 77.6% compared with 735 employees, of which 545 Kuwaitis or 74.1% of the total labour force at end of the fiscal year 2000/2001.
- 3- During the fiscal year 2001/02, the CBK organized 99 specialised training courses in the State of Kuwait in cooperation with domestic training institutions, and sent 452 of its employees to these courses. Furthermore, the CBK sent 65 of its employees to 54 training courses abroad.
- 4- The CBK organized in cooperation with the Institute of Banking Studies in the State of Kuwait, a special 10-month qualifying program for new graduates and recent appointees, to qualify them for specialized jobs in banking supervision at the CBK.
- 5- During the fiscal year 2001/02, the CBK sent 77 of its staff members abroad to attend 44 conferences and meetings held on various topics at the Gulf, Arab and international levels.

**Fifth :**

**The Central Bank of Kuwait Balance Sheet  
and Profit & Loss Account for the Fiscal Year  
Ended 31 March 2002**

## **AUDITORS REPORT**

We have examined the financial statements of the Central Bank of Kuwait (CBK). Our examination included such tests of the accounting records and such other auditing procedures as we considered necessary. We obtained all the information and explanations which we deemed necessary for the purpose of our examination.

In our opinion, the financial statements give a true and fair view of the real financial position of the CBK on 31 March 2002 and of the results of its operations for the period then ended, in compliance with Law No. 32 of 1968 and amendments thereof.

Furthermore, in our opinion, proper books of account have been kept and the financial statements are in accordance therewith, and an inventory was duly carried out.

**Waleed Abdulla Al-Osaimi**  
Register of Accountants & Auditors  
License No. 68 A - Kuwait  
Al-Aiban, Al-Osaimi & Partners  
of ERNST & YOUNG

**Bader Abdullah Al-Wazan**  
Register of Accountants & Auditors  
License No. 62 A - Kuwait  
of PRICE WATERHOUSE COOPERS

**19 June 2002**  
**State of Kuwait**



**Balance Sheet As On**

<b>Assets</b>	<b>Note</b>	<b>31 March 2002</b>	<b>31 March 2001</b>
Gold		31,732,140	31,732,140
Cash, and Current and Call Accounts in Foreign Currency with Banks and other Financial Institutions		223,307,147	217,908,586
Deposits and Investments in Foreign Currency	3	2,691,733,058	2,126,486,380
Deposits and Loans with Local Banks and Financial Institutions in KD		-	5,802,701
Other Assets	4	23,201,237	16,507,391
		<b><u>2,969,973,582</u></b>	<b><u>2,398,437,198</u></b>
Accounts Managed by the CBK on Behalf of the Government of the State of Kuwait and Contra Accounts	10	<b><u>4,120,149,346</u></b>	<b><u>4,161,338,927</u></b>

---

---

## 31 MARCH 2002 (KD)

<b>Capital and Liabilities</b>	<b>Note</b>	<b>31 March 2002</b>	<b>31 March 2001</b>
Capital - Fully Paid Up		5,000,000	5,000,000
General Reserve Fund	5	179,000,000	179,000,000
Special Account	6	40,243,255	51,158,223
Profit For the Year		39,329,183	47,284,584
Currency Issued	7	472,227,742	450,020,681
Government Accounts		423,013,887	595,113,319
Local Banks' Current Accounts and Deposits with the CBK	8	1,791,887,588	1,037,725,024
International Institutions		3,491,721	2,533,090
Deposits on Documentary Credits	10	5,283,158	10,242,373
Other Liabilities	9	10,497,048	20,359,904
		<b><u>2,969,973,582</u></b>	<b><u>2,398,437,198</u></b>
Accounts Managed by the CBK on Behalf of the Government of the State of Kuwait and Contra Accounts	10	<b><u>4,120,149,346</u></b>	<b><u>4,161,338,927</u></b>

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

**PROFIT & LOSS ACCOUNT FOR  
THE FISCAL YEAR ENDED 31 MARCH 2002  
(KD)**

	Note	2001/2002 (12 Months Ending 31 March 2002)	2000/2001 (9 Months Ending 31 March 2001)
Interest & Income From Investments		98,816,969	85,574,297
Interest and Commission Expenses		(48,318,723)	(28,072,982)
Provision no longer required (against bad debt)		-	584,773
		50,498,246	58,086,088
Other Income		91,799	237,271
<b>Operating Income</b>		50,590,045	58,323,359
<b>Operating Expenses</b>	11	(11,260,862)	(11,038,775)
Net Profit For the Year to be Transferred to the Ministry of Finance in Accordance with Article 17, paragraph 3 (b), of Law No. 32 of 1968 amended by the Decree Law No. 130 of 1977		39,329,183	47,284,584

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

## **NOTES TO THE FINANCIAL STATEMENTS**

### **31 MARCH 2002**

---

#### **1- Activities:**

---

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

According to Law No. (18) of 2000 providing for the change of end of the fiscal year from 30 June to 31 March, the CBK undertook during the previous period to change the end of fiscal year from 30 June to 31 March 2001. Therefore, the comparative figures for the Profit and Loss account are for nine months only.

---

#### **2- Significant Accounting Policies:**

---

These financial data were prepared in accordance with Law No. 32 of 1968 and amendments thereof. The applied significant accounting policies are as follows:

**(a) Gold:**

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

**(b) Revenue Recognition:**

Interest receivable and payable are recognized on a time proportion basis, taking into account the principal outstanding and the rate applicable.

**(c) Capital Expenditure:**

Capital expenditure is charged to expenses in the year of authorization.

**(d) Foreign Currencies:**

In accordance with Article 48 of Law No. 32 of 1968 and amendments thereof, and the Amiri Decree of 4 July 1978, all assets and liabilities in foreign currencies are revalued at the exchange rates prevalent on the date of the preparation of the balance sheet, and the resulting gains or losses taken to the special account.

---

**3- Deposits and Investments in Foreign Currencies (KD):**

---

	<u>31 March 2002</u>	<u>31 March 2001</u>
Deposits with Foreign Banks and Institutions	2,687,121,008	2,121,866,980
Central Banks facilities to the International Bank for Reconstruction and Development	4,612,050	4,619,400
	<u><b>2,691,733,058</b></u>	<u><b>2,126,486,380</b></u>

---

**4- Other Assets (KD):**

---

	<u>31 March 2002</u>	<u>31 March 2001</u>
Interest Receivable on Deposits and other Assets	19,127,900	13,008,969
CBK's Share in the Capital of the Industrial Bank of Kuwait	2,511,210	2,511,210
Other Debit Balances	1,460,151	858,171
Prepaid Expenses	94,501	129,041
Advance Payments	7,475	-
	<u><b>23,201,237</b></u>	<u><b>16,507,391</b></u>

---

**5- General Reserve Fund:**

---

In accordance with Article 17, paragraphs 3(a) and (b), of Law No. 32 of 1968 and amendments thereof, the net profits of the CBK shall be paid into the General Reserve Fund until the balance of the fund amounts to twenty-five million Kuwaiti Dinars, unless the Board of Directors recommends and the Minister of Finance approves further increases in the Fund. In 1985, the Board recommendation to increase the fund to KD 179 million was approved by the Minister of Finance and Economy.

---

**6- Special Account (KD):**

---

	<b>31 March 2002</b>	<b>31 March 2001</b>
Balance at Beginning of the Year	51,158,223	68,466,893
Net loss on Foreign Exchange, resulting from revaluation of cash assets and liabilities in foreign currencies	(10,914,968)	(17,308,670)
<b>Balance at End of the Year</b>	<b>40,243,255</b>	<b>51,158,223</b>

The special account represents the net profit accumulated as a result of revaluation of cash assets and liabilities in foreign currencies, and profit resulting from the withdrawal of currency notes from circulation, based on Article 48 of Law No. 32 of 1968 and amendments thereof, and the Amiri Decree of 4 July 1978.

---

**7- Currency Issued (KD):**

---

	<b>31 March 2002</b>	<b>31 March 2001</b>
Net Currency Produced	955,594,452	1,021,669,464
Less: Currency in the CBK's Vaults	483,366,710	571,648,783
	<b>472,227,742</b>	<b>450,020,681</b>

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

---

**8- Local Banks Current Accounts and Deposits with the CBK (KD):**

---

	<b>31 March 2002</b>	<b>31 March 2001</b>
Current Accounts	120,387,588	44,225,024
Deposits	1,671,500,000	993,500,000
	<b>1,791,887,588</b>	<b>1,037,725,024</b>

---

**9- Other Liabilities (KD):**

---

	<b>31 March 2002</b>	<b>31 March 2001</b>
Accrued Expenses	3,417,138	3,497,287
Other Credit Balances	7,079,910	16,862,617
	<b>10,497,048</b>	<b>20,359,904</b>

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

**10- Accounts Managed by the CBK on Behalf of the Government of the State of Kuwait and Contra Accounts (KD):**

	<b>31 March 2002</b>	<b>31 March 2001</b>
Accounts Managed by the CBK on Behalf of the Government of Kuwait	3,897,512,321	4,116,287,048
<b>Contra Accounts:</b>		
Documentary Credits	193,593,600	18,739,957
Memorial Notes and Coins	1,691,201	1,722,000
Forward Transactions on Behalf of the Kuwait Investment Authority	6,191,067	6,192,212
Collections According to the Law No. 41 of 1993	21,161,157	18,397,710
	<u>222,637,025</u>	<u>45,051,879</u>
	<u><b>4,120,149,346</b></u>	<u><b>4,161,338,927</b></u>

On 31 March 2002, deposits of KD 5,283,158 (against KD 10,242,373 on 31 March 2001) were held against the documentary credits referred to above.

**11- Operating Expenses (KD):**

	<b>2001/2002 (12 Months Ending on 31 March 2002)</b>	<b>2000/01 (9 Months Ending on 31 March 2001)</b>
Employee Costs	9,405,341	7,068,127
Administrative and Computer Costs	676,498	1,636,664
Purchases of Furniture, Equipment and Vehicle	66,290	39,440
Production and Shipment of Currency	188,790	1,532,588
Sundry Expenses	923,943	759,048
Construction Costs	-	2,908
	<u><b>11,260,862</b></u>	<u><b>11,038,775</b></u>

**12- Compensation Claims:**

The Board of Directors of the United Nations Compensation Committee issued its decision No. (153) on 13 March 2002, approving the compensation of the CBK for damages sustained as a result of the Iraqi occupation, for an amount of US \$ 117,797,000 equivalent to KD 36,266,162 as on 31 March 2002, from a total claim

presented by the CBK on 7 February 1994 for an amount of US \$ 245.756.758 equivalent to KD 73,132,296 as on the date of presenting the claim.

On 23 April 2002, after the Balance Sheet date, a partial payment of the approved compensation was released for an amount of US \$ 15 million equivalent to KD 4,604,100 as on the mentioned date. The CBK received KD 4,465,977 of that amount after deduction of the Ministry of Finance 3% share in the compensation.

The CBK records compensation amounts as revenues, effective as on their date of receipt.

---

**13- Promissory Notes Held:**

---

On 31 March 2002, promissory notes held by the CBK in safe custody on behalf of international institutions totaled KD 386,078,687 (against KD 438,826,690 on 31 March 2001).



Contents	Page
<b>Introduction</b> .....	9
<b>First : The Main Monetary and Banking Developments</b> .....	10
1 - Monetary Developments .....	10
2 - Banking Developments .....	15
<b>Second : Significant Supervisory Measures and Instructions Issued by the CBK</b> .....	17
<b>Third : Major Operations Performed by the CBK</b> .....	19
<b>Fourth :The Labour Force at the CBK</b> .....	20
<b>Fifth : The Central Bank of Kuwait Balance Sheet and Profit &amp; Loss Account for the Fiscal Year Ended 31 March 2002</b> .....	22
- Auditors Report.....	23
- Balance Sheet.....	24
Assets.....	24
Capital and Liabilities .....	25
- Profit & Loss Account.....	26
- Notes to the Financial Statements .....	27

**For correspondence and enquiries:**

Postal address: | Central Bank of Kuwait  
Economic Research Department  
P.O.Box 526 Safat  
13006 Kuwait  
State of Kuwait

Telephone: | +(965) 240 3257  
Facsimile: | +(965) 244 0887  
E-mail | [cbk@cbk.gov.kw](mailto:cbk@cbk.gov.kw)  
Address: |

ISSN 1029-4546