

**CENTRAL BANK OF KUWAIT**

**THE TWENTY THIRD  
ANNUAL REPORT**

---

**FOR THE FISCAL YEAR 1994/95**

---

# **The Annual Report of the Central Bank of Kuwait for the Fiscal Year 1994/95**

## **INTRODUCTION**

The fiscal year 1994/95 witnessed several important economic, monetary and banking developments which reflect the efforts exerted by the Central Bank of Kuwait (CBK) through its monetary policy to maintain the monetary stability in the country and enhance the performance of the local banking and financial system in order to strengthen the role of this system in serving the national economy.

The CBK continued, during the fiscal year 1994/95, to ensure that its directions in respect of drawing up and implementing monetary policy, regulating the banking and financial system and directing banks' credit policy are consistent with the efforts exerted to invigorate development and the economic reform and are interactive and supportive of these efforts.

The following is an account of the main local monetary and banking developments during the fiscal year 1994/95 and a brief review of the most significant measures taken and operations performed by the CBK during that fiscal year, followed by the balance sheet statement of the CBK as on 30 June 1995, together with the profit and loss account of the CBK's activities for the fiscal year then ended.

### **First : An Outline of the Main Monetary and Banking Developments**

The most important developments in the fiscal year 1994/95, with regard to the use by the CBK of available monetary policy instruments and its impact on the main monetary and banking aggregates and indicators, are briefly analyzed as follows :

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

##### **(a) KD Interest Rates :**

During the fiscal year 1994/95, the CBK continued to monitor and follow up local and international monetary and banking developments and review the KD interest rates in the context of its concerns to keep these rates in line with the developments in interest

rates on major currencies, and in conformity with local economic conditions and the monetary policy objectives of curbing capital outflows, accommodating of the Kuwaiti dinar and maintaining monetary stability in the country.

In view of these developments, the CBK issued, during the period from 17 August 1994 to 17 April 1995, four consecutive decisions to increase the discount rate by one and a half percentage points (from 5.75% to 7.25%). The CBK issued another decision on 21 August 1994 to increase the minimum interest rate on savings account, from 3.5% to 3.75%, i.e. by a quarter percentage point.

By virtue of the decision issued on 30 January 1995, the CBK abrogated the floor of interest rates on both deposits and savings accounts; thus leaving these rates to be determined by market supply and demand forces. This decision is considered an important step toward liberating interest rates on the Kuwaiti dinar.

On the other hand, the above increase in the discount rate influenced the activity in the interbank KD deposit market of local banks and the prevailing average interest rates. The volume of transactions in this market in the fiscal year 1994/95 amounted to KD 13.3 billion, against KD 10.1 billion in the previous fiscal year. Average interest rates rose for all deposit terms. For example, the average interest rate on three-month deposits stood at 7.63% during June 1995, compared to 6.01% during the corresponding month of the previous year, an increase by 1.62 percentage points.

**(b) Money Supply :**

Money supply (in its broad definition M2) amounted to KD 6486.9 million at the end of the fiscal year 1994/95, a marked growth of KD 643.9 million (11%) over its level of KD 5843 million at the end of the previous fiscal year. This growth resulted from the increase in both money (the narrow definition of money supply M1) by KD 199.8 million (19.4%) and quasi money by KD 444.2 million (9.2%).

Currency in circulation grew by KD 10.9 million (3%) during the fiscal year 1994/95 to KD 371.6 million, against KD 360.7 million at the end of the previous fiscal year.

As for money supply components, private sector deposits with commercial banks recorded a substantial increase of KD 633 million (11.5%) during the fiscal year

1994/95. The largest portion (77.5%) of this increase was in KD deposits which rose by KD 490.6 million (11.2%). This development reflects CBK's efforts to enlarge the KD deposit base and accommodate the Kuwaiti dinar.

Factors affecting money supply changes were represented in the increase of net domestic assets (by KD 536.9 million) and net foreign assets (by KD 107 million) of both the CBK and commercial banks. The increase in net domestic assets included a rise in claims of commercial banks on the private sector by KD 447.3 million.

**(c) The KD Exchange Rate :**

During the fiscal year 1994/95, the CBK continued its KD exchange rate policy, based on pegging the dinar to a special weighted basket of currencies of major countries that have trade and financial relations with the State of Kuwait. This policy has proved its effectiveness, for more than twenty years of its application, in maintaining relative stability of the KD exchange rate against major currencies.

Despite sharp fluctuations in international currency exchange markets since the end of 1994, available data show that monthly changes in the US dollar exchange rate against the Kuwaiti dinar during the fiscal year 1994/95 were within tight margins. The upper and lower percentage changes in the exchange rate of the US dollar against the Kuwaiti dinar did not exceed 1.76% and -1.03% respectively during the fiscal year 1994/95. Meanwhile, the US dollar fluctuated against major currencies at higher rates. For example, its upper and lower percentage change during the fiscal year 1994/95 were respectively 6.79% and -8.01% against the Swiss franc, 5.20% and -4.60% against the French franc, 4.85% and -5.79% against the deutsche mark, 4.77% and -3.47% against the sterling pound and 2.21% and -8.38% against the Japanese yen.

**(d) Bank Credit :**

Credit facilities extended by local banks (commercial and specialized) to residents continued to increase during the fiscal year 1994/95 in the light of the continued favorable directions that avoid restricting credit, but without neglecting the sound procedures and principles of extending credit facilities.

The following table shows the development of cash and non- cash credit facilities, including consumer loans, extended by local banks to residents during the fiscal year 1994/95, compared to the previous fiscal year.

### Local Banks: Credit Facilities to Residents

(Million Dinars)

Particulars	Balance		Change	
	at End of Period		Value	%
	1993/94	1994/95		
<b>Total Extended Credit Facilities:</b>	<b>3383</b>	<b>3879</b>	<b>496</b>	<b>14.7</b>
Cash Facilities	1580	1922	342	21.6
Non-cash Facilities	1803	1957	154	8.5
<b>Total Utilized Credit Facilities:</b>	<b>1826</b>	<b>2284</b>	<b>458</b>	<b>25.1</b>
Cash Facilities	1038	1470	432	41.6
Of which: Consumer Loans	295	264	-31	-10.5
Non-Cash Facilities	788	814	26	3.3

The above table shows that the outstanding balance of total extended credit facilities at end of the fiscal year 1994/95 increased by KD 496 million (14.7%), compared to its level at the end of the previous fiscal year, following the increase in both cash facilities by KD 342 million (21.6%) and non-cash facilities by KD 154 million (8.5%). These balances are affected by adjustments resulting from repayments and interest accruals on utilized cash facilities, as well as from changes in the value of non-cash credit facility agreements.

Balances of actually utilized credit facilities rose by KD 458 million, or 25.1%, during the fiscal year 1994/95. Most of this rise was focused on the increase of utilized cash facilities (including consumer loans) by KD 432 million (41.6%). Meanwhile, the increase in the utilized non-cash facilities was limited to KD 26 million (3.3%). Balances of consumer loans in utilized cash facilities fell by KD 31 million or 10.5%, because repayments of consumer loans during the fiscal year 1994/95 exceeded the volume of consumer loans extended during that period.

Credit facilities extended by commercial banks to domestic economic sectors, which reflect the flow of utilized cash credit facilities extended by these banks, amounted to KD 1429.4 million at the end of the fiscal year 1994/95, compared to KD 1029.9 million at the end of the previous fiscal year, an increase of KD 399.5 million (38.8%).

This increase was distributed among all domestic economic sectors. Ahead of these sectors were the personal facilities (KD 146.5 million or 37.6%), the financial institutions' sector (KD 62.8 million or 90.4%) and the trade sector (KD 62.4 million or 24.5%). Credit facilities extended to the industrial, construction and real estate sectors grew at marked rates reaching 53.9%, 53.2% and 51.7% respectively.

**(e) Issuing Public Debt Instruments and Activity in their Secondary Market :**

Issuing public debt instruments (the primary market) witnessed a marked activity during the fiscal year 1994/95. The CBK issued, on behalf of the Ministry of Finance, 84 issues of three-month and six-month treasury bills totalling KD 7205.4 million. Meanwhile, 90 previous issues of these bills valued at KD 7115.2 million matured during the same year. Thus, the outstanding balance of treasury bills rose by KD 90.1 million (4.5%) to KD 2097.3 million at the end of June 1995.

Furthermore, the CBK made six one-year treasury bond issues, during the fiscal year 1994/95, totalling KD 775 million. Interest rates on these bonds ranged between 6.5625% on the first issue and 7.875% on the last three issues. Meanwhile three previous treasury bond issues and the last tranche of the first issue totalling KD 455.6 million matured, bringing the outstanding balance of treasury bonds to KD 775 million.

Accordingly, the outstanding balance of public debt instruments (treasury bills and bonds) amounted to KD 2872.4 million at the end of the fiscal year 1994/95, increasing by KD 409.6 million (16.6%) over the end of the previous fiscal year.

Transactions among the CBK and domestic banks and investment companies in the secondary market of public debt instruments (treasury bills and bonds), continued to increase during the fiscal year 1994/95 at a higher rate than in the previous fiscal year. The total value of transactions (buying and selling) in these instruments amounted to KD 3074.3 million, compared to KD 2105.8 million in the previous fiscal year. The higher value of purchased instruments (KD 1775.8 million, of which KD 1617.5 million for treasury bills) than the value of sold instruments (KD 1298.5 million, of which KD 1148.5 million for treasury bills) during the fiscal year 1994/95 indicates a reversal of the general direction, that was prevailing in the previous fiscal year, towards injecting KD liquidity to local banks and investment companies, within CBK efforts to regulate domestic liquidity levels.

In the same context, the value of treasury bill re-purchase operations among the CBK and local banks and investment companies, amounted to KD 1277 million during the fiscal year 1994/95, against KD 1298 million in the previous fiscal year.

## **2- Banking Developments :**

The aggregate balance sheet of local banks (commercial and specialized) witnessed several positive developments during the fiscal year 1994/95, reflecting the continued improvement in the performance of these banks since rationalizing their positions. These banks realized a record growth in their assets during the fiscal year 1994/95; accordingly, the aggregate balance sheet of these banks reached its highest value since the end of 1991.

The aggregate balance sheet of local banks totalled KD 10027.5 million at the end of the fiscal year 1994/95 (of which the aggregate balance sheet of commercial banks represents KD 9321.6 million, or 93%), an increase of KD 1212 million (13.7%) over its value of KD 8815.5 million at the end of the previous year (of which the commercial banks represent KD 8094.5 million, or 91.8%). The aggregate balance sheet of commercial banks also rose by KD 1227.1 million (15.2%).

The most prominent factors in the growth of major items of the aggregate balance sheet of local banks as on 30 June 1995 can be analyzed as follows :

- \* A marked increase of KD 603.8 million (10.9%) in private sector deposits, against a decrease of KD 142.4 million (36.7%) in government deposits with local banks.
- \* A marked increase of KD 467.1 million (42.6%) in balances of credit facilities extended by local banks to residents. These balances represent the flow of the utilized cash credit facilities.
- \* An increase of KD 73.7 million (1.4%) in the item of domestic investments, as a result of certain changes in its components. The most significant of these changes was the rise in local bank holdings of both treasury bills (KD 132.1 million or 8.2%) and treasury bonds (KD 124.1 million or 208.2%) and the decrease in balances of Debt Purchase Bonds (KD 193 million or 5.4%).
- \* A substantial increase in other assets (KD 571.2 million or 84%) and other liabilities (KD 668.1 million or 51.4%). These two items include several elements, ahead of which are

balances of interbank deposits of local banks and balances of operations pertaining to public subscription for shares in shareholding companies. These elements, being contra accounts, appear in both items of other assets and liabilities.

\* A decrease of KD 8.4 million (0.8%) in net foreign assets of local banks. This decrease resulted from a rise in foreign assets (KD 54.3 million or 3.4%) short of the rise in foreign liabilities (KD 62.7 million or 10.8%).

\* A growth of KD 19.7 million, or 1.9%, in shareholders' equity in local banks.

## **Second : Significant Measures Taken by the Central Bank of Kuwait During the Fiscal Year 1994/95**

During the fiscal year 1994/95, the CBK continued to take measures aimed at enhancing banking supervision systems and consolidating the improved performance of the local banking and financial system. In this context, the CBK issued various decisions and instructions to the banking and financial units, the most significant of which are as follows:

- 1- Amendment of the rules and instructions issued during April 1995 with regard to the maximum limits of credit concentration in banks and investment companies, subject to the CBK supervision. By virtue of this amendment, the ratio of credit concentration has been raised from 10% to 15%. In May 1995, the instructions relevant to KD credit facilities extended by local banks to residents have also been amended.
- 2- The instructions issued in November 1994 to regulate investment policies of local banks.
- 3- The instructions issued in November 1994 obligating banks and investment companies to appoint two auditors from separate auditing offices, in implementation of Law No. 51 of 1994, in order to enhance supervision on Kuwaiti shareholding companies.
- 4- The instructions issued in April 1995 to banks, investment companies and exchange companies subject to the supervision of the CBK, regarding evaluation of internal auditing systems. Instructions were issued to the auditors to evaluate the internal auditing systems of these banks and companies and provide the CBK with a report of the same.



5- Four consecutive decisions issued by the CBK, during the fiscal year 1994/95, with regard to raising the discount rate. These decisions were as follows:

(a) Increasing the discount rate by a half percentage point (from 5.75% to 6.25%) on 17 August 1994.

(b) Increasing the discount rate by a quarter percentage point (from 6.25% to 6.50%) on 26 September 1994.

(c) Increasing the discount rate by a half percentage point (from 6.50% to 7%) on 15 November 1994.

(d) Increasing the discount rate by a quarter percentage point (from 7% to 7.25%) on 17 April 1995.

Thus, the overall increase in the discount rate during the fiscal year 1994/95 was one and a half percentage points (from 5.75% to 7.25%).

Also, the CBK issued on 21 August 1994 a decision to increase the minimum interest rate on savings accounts by a quarter percentage point (from 3.5% to 3.75%).

6- A decision issued by the CBK on 30 January 1995, to abrogate the minimum interest rates on both deposits and savings accounts.

7- A decision issued by the CBK on 31 January 1995, to abolish the maximum limits of charges and commissions collected by banks against rendering banking services.

8- In the context of the last two decisions, the CBK issued instructions to banks to avoid making any prior mutual arrangements to set interest rates - paid on private sector deposits by these banks - which may not reflect the interaction of supply and demand forces, and to ensure that the charges and commissions on banking services match the cost of rendering these services. Moreover, banks should announce the prices of their banking services available to clients on a special board made for this purpose.

### **Third : Major Operations Performed by the Central Bank of Kuwait During the Fiscal Year 1994/95**

- 1- The monthly average volume of currency and coins issued during the fiscal year 1994/95 amounted to KD 386.4 million. The currency issued reached its highest level during the fiscal year (KD 457 million) at the end of February 1995, and its lowest level (KD 336.5 million) in September 1994.
- 2- During the fiscal year 1994/95, the CBK carried out discount and re-discount of commercial papers presented to it by local banks. These operations totalled KD 339.3 million, against KD 497.3 million in the previous fiscal year.
- 3- CBK activities in respect of issuing public debt instruments on behalf of the Ministry of Finance during the fiscal year 1994/95, resulted in 84 treasury bill issues amounting to KD 7.2 billion, against 73 issues valued at KD 6 billion during the previous fiscal year. Meanwhile, 90 treasury bill issues amounting to KD 7.1 billion matured during the fiscal year 1994/95, against 63 issues (KD 5.7 billion) in the previous fiscal year.

The CBK made six treasury bond issues during the fiscal year 1994/95 totalling KD 775 million, compared to three issues valued at KD 450.6 million in the previous fiscal year. In the fiscal year 1994/95, three previous issues of treasury bonds and the last tranche of the first issue totalling KD 455.6 million matured, while no treasury bonds matured in the previous fiscal year.

The paid up treasury bond coupons amounted to KD 25.9 million in the fiscal year 1994/95.

- 4- The value of CBK transactions in the secondary market for public debt instruments (buying and selling) during the fiscal year 1994/95 amounted to KD 3074.3 million. This value was distributed as follows : KD 1617.5 million for purchased treasury bills (in 188 transactions), KD 1148.5 million for sold treasury bills (in 204 transactions), KD 158.4 million for purchased treasury bonds (in two transactions) and KD 150 million for sold treasury bonds (in one transaction). Re-purchase transactions of these instruments amounted to KD 1277 million in the fiscal year 1994/95.
- 5- The total value of the banking sector transactions processed through the Clearing Room in the CBK during the fiscal year 1994/95 rose to KD 4.3 billion, i.e. an average of KD 2547.7 per transaction, from KD 3.9 billion or an average of KD 2488.7 per transaction in the previous fiscal year.

6- The flow of CBK deposits with local banks totalled KD 411 million in 50 transactions.

7- During the fiscal year 1994/95, the CBK processed 8964 payment orders and drafts amounting to KD 926.4 million, against 8782 drafts valued at KD 754.1 million in the previous fiscal year. The CBK carried out - during the fiscal year 1994/95 - all local and foreign banking transactions, relating to documentary credits as well as bills and drafts for collection, for ministries and government institutions as shown in the following table (value in KD) :

<b>Particulars</b>	<b>No.</b>	<b>Value</b>
<b>Documentary Credits :</b>		
<b>Opened :</b>	<b>782</b>	<b>135,632,259.809</b>
Local	-	-
Foreign	782	135,632,259.809
<b>Paid :</b>	<b>1127</b>	<b>14,212,718.671</b>
Local	-	-
Foreign	1127	14,212,718.671
<b>Amendments :</b>	<b>223</b>	
Local	-	
Foreign	223	
<b>Bills for Collection :</b>		
In-coming	1622	7,109,676.917
Paid-up	1469	6,508,400.116
<b>Drafts for Collection :</b>	<b>359</b>	<b>1,433,796.927</b>
For Collection	359	1,433,796.927
Purchased	-	-

8- According to the training needs within the annual training plan of the CBK, which reflects the CBK concerns to raise the efficiency of its staff and qualify national bankers, the training activity during the fiscal year 1994/95 included various specialized courses administered by several local and foreign training centers.

262 staff members of the CBK benefited from the implementation of training programs, either in-house training by specialized staff of the CBK or at specialized centers outside the CBK. 60 staff members were sent on training courses at government and private training centers in Kuwait, and 18 staff were sent to attend specialized training courses at international banking institutions outside Kuwait.

In addition to these specialized courses, 16 trainees of fresh Kuwaiti graduates joined the new trainee program whose duration extends to six months. The CBK is keen to qualify new Kuwaiti graduates through this program and equip them with the practical experience and knowledge in actual work positions at the CBK.

In the area of the educational and training activity of the Institute of Banking Studies (IBS), eight staff members of the CBK were on IBS enrollment during the fiscal year 1994/95 for the high diploma in banking studies, five of them in the first year and three in the second year. Those three have graduated while the other five are still studying. Also, 17 staff members joined various courses through the free selection syllabus system in the IBS.

Furthermore, 67 staff members joined the specialized training programs in banking at the IBS, while 33 staff members took secretarial and English language courses at the IBS during the fiscal year 1994/95.

On the other hand, 84 staff members of the CBK participated in various official meetings, seminars and conferences on economic, monetary and banking issues, held on a regional (Gulf or Arab world) or international level, during the fiscal year 1994/95.

**Fourth : The Central Bank of Kuwait Balance Sheet As  
at the End of 1994/95, and Its  
Profit & Loss Account for that Year**



## **REPORT OF THE AUDITORS**

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 state of affairs of the CBK on 30 June 1995 and of the results of its operations for the year then ended, in compliance with Law No. 32 of 1968 as amended by Law No. 130 of 1977.

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.

### **Ahmed Mohammad Al-Aiban**

Register of Accountants & Auditors  
License No. 65 A - Kuwait  
Al-Aiban, Al-Osaimi & Partners  
of ERNST & YOUNG

**16 July 1995**

**Kuwait**

**BALANCE SHEET AS ON 30 JUNE 1995**

<b>Note</b>		<b>1995 (KD)</b>	<b>1994 (KD)</b>
<b>Assets :</b>			
Gold		31,732,140	31,732,140
Cash, and Current and Call Accounts in Foreign Currency with Banks and Financial Institutions		274,242,684	43,272,708
Investments and Deposits in Foreign Currency	3	854,729,059	1,019,709,865
Deposits, Loans and Current Accounts with Local Banks and Financial Institutions in KD	4	20,161,748	45,258,418
Local Bonds in Kuwaiti Dinars and Public Debt Instruments	5	87,052,005	89,544,276
Discounted and Re-discounted Commercial Papers		50,591,319	61,966,708
Other Assets	6	4,728,461	6,192,748
		<b>1,323,237,416</b>	<b>1,297,676,863</b>
Accounts Managed by the CBK on Behalf of the Government of the State of Kuwait and Contra Accounts	11	<b>7,036,052,399</b>	<b>6,812,846,522</b>



<b>Note</b>		<b>1995</b> <b>(KD)</b>	<b>1994</b> <b>(KD)</b>
<b>Capital, Reserves and Liabilities :</b>			
Capital - Fully Paid Up		5,000,000	5,000,000
General Reserve Fund	7	179,000,000	179,000,000
Special Account	8	158,459,384	97,687,650
Profit For the Year		53,057,279	52,657,543
Currency Issued	9	411,284,157	401,563,583
Government Accounts		397,931,707	486,806,221
Local Banks' Accounts		99,841,294	33,269,150
International Institutions		9,122,617	28,491,932
Deposits on Documentary Credits		4,500,780	4,318,128
Other Liabilities	10	5,040,198	8,882,656
		<b>1,323,237,416</b>	<b>1,297,676,863</b>
Accounts Managed by the CBK on Behalf of the Government of the State of Kuwait and Contra Accounts	11	<b>7,036,052,399</b>	<b>6,812,846,522</b>

*The attached notes form part of these financial statements.*

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1995**

<b>Note</b>	<b>1995 (KD)</b>	<b>1994 (KD)</b>
Interest & Income From Investments	62,154,090	61,396,412
Interest and Commission Expenses	(44,536)	(9,024)
Provisions Against Investments (Charged), Resulting From Foreign Currency Translation (1994-Release of Provisions No Longer Required)	(760,790)	1,253,309
	<u>61,348,764</u>	<u>62,640,697</u>
Other Income	360,922	204,455
<b>Operating Income</b>	<b><u>61,709,686</u></b>	<b><u>62,845,152</u></b>
<b>Operating Expenses</b>	12 <b><u>8,652,407</u></b>	<b><u>10,187,609</u></b>
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 as amended	<b><u>53,057,279</u></b>	<b><u>52,657,543</u></b>

*The attached notes form part of these financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS

### 1 - Activities :

The Central Bank of Kuwait (CBK), is incorporated in Kuwait by Law No. 32 of 1968 as amended by Law No. 130 of 1977. 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 system and serving as banker and financial advisor to the Government.

### 2 - Significant Accounting Policies:

These financial statements have been prepared in accordance with Law No. 32 of 1968 as amended by Law No. 130 of 1977:

#### (a) Gold:

In accordance with the Amiri Decree of 9 July 1978, gold is valued at KD 12.500 per fine ounce.

#### (b) Investments :

- **Short-term Investments** : Kuwaiti treasury bills owned by the CBK are stated in the balance sheet at cost, adjusted for unamortised discount.
- **Long-term Investments** : Long-term investments are stated at cost, adjusted for any premium or discount as appropriate, with provision for any permanent decline in value on an individual basis.

#### (c) Revenue Recognition :

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

**(d) Capital Expenditure :**

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

**(e) Foreign Currencies :**

In accordance with Article 48 of Law No. 32 of 1968 (as amended by Law No. 130 of 1977) and the Amiri Decree of 9 July 1978, all assets and liabilities in foreign currencies at the balance sheet date are translated into Kuwait Dinars at the year end rates of exchange and resulting gains or losses are taken to a special account.

	<u>1995</u> (KD)	<u>1994</u> (KD)
<b>3 - Investments &amp; Deposits in Foreign Currencies :</b>		
Deposits with Banks and Foreign Institutions	856,350,909	1,020,705,665
Bonds of Foreign Governments	4,489,050	4,429,200
	<u>860,839,959</u>	<u>1,025,134,865</u>
Provision Against Deposit in Foreign Currency (Increase Due to Foreign Currency Translation)	6,110,900	5,425,000
	<u><u>854,729,059</u></u>	<u><u>1,019,709,865</u></u>

	<u>1995</u> (KD)	<u>1994</u> (KD)
<b>4 - Deposits &amp; Loans in KD with Local Banks and Financial Institutions :</b>		
Deposits	15,500,000	40,500,000
Loans	7,269,589	7,366,259
	<u>22,769,589</u>	<u>47,866,259</u>
Provision for doubtful debt	2,607,841	2,607,841
	<u><u>20,161,748</u></u>	<u><u>45,258,418</u></u>

	<u>1995</u> (KD)	<u>1994</u> (KD)
<b>5 - Local Bonds in KD &amp; Public Debt Instruments :</b>		
Local Bonds in KD	2,692,926	17,288,136

Kuwaiti Treasury Bills	84,359,079	72,256,140
	<u>87,052,005</u>	<u>89,544,276</u>

	<u>1995</u> (KD)	<u>1994</u> (KD)
<b>6 - Other Assets :</b>		
Interest Receivable on Deposits and other Assets	1,397,226	3,019,753
CBK's Share in the Capital of the Industrial Bank of Kuwait	2,511,210	2,511,210
Other Debit Balances	723,215	568,304
Prepaid Expenses	96,810	93,481
	<u>4,728,461</u>	<u>6,192,748</u>

#### 7 - General Reserve Fund :

In accordance with Article 17, paragraphs 3(a) and 3(b), of Law No. 32 of 1968 (as amended by Law No. 130 of 1977) the net profit 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.

	<u>1995</u> (KD)	<u>1994</u> (KD)
<b>8 - Special Account :</b>		
Balance at Beginning of the Year	97,687,650	94,035,894
Net Profit on Foreign Exchange Resulting From Revaluation of Assets and Liabilities in Foreign Currencies	60,771,734	3,651,756
Balance at End of the Year	<u>158,459,384</u>	<u>97,687,650</u>

The special account represents the net profit accumulated as a result of revaluation of all 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 (as amended by Law No. 130 of 1977) and the Amiri Decree of 9 July 1978.

	<u>1995</u> (KD)	<u>1994</u> (KD)
--	---------------------	---------------------

**9 - Currency Issued :**

Net Currency Produced	1,335,750,854	1,530,931,405
Less : Currency in the CBK's Vaults	944,466,697	1,129,367,822
	<u>411,284,157</u>	<u>401,563,583</u>

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

	<u>1995</u> (KD)	<u>1994</u> (KD)
<b>10- Other Liabilities :</b>		
Accrued Expenses	970,333	2,471,423
Other Credit Balances	4,064,758	6,406,699
Provision Against Cheques in a Foreign Currency	5,107	4,534
	<u>5,040,198</u>	<u>8,882,656</u>

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

	<u>1995</u> (KD)	<u>1994</u> (KD)
<b>11- Accounts Managed by the CBK on Behalf of the Government of the State of Kuwait and Contra Accounts :</b>		
Accounts Managed by the CBK on Behalf of the Government of the State of Kuwait	<b>6,876,572,218</b>	<b>6,775,245,447</b>
Contra Accounts :		
Letters of Credit	149,765,329	27,893,102
Letters of Guarantee	110,728	48,813
Memorial Notes and Coins	3,436,959	3,529,924
Forward Transactions on Behalf of the Kuwait Investment Authority	6,167,165	6,129,236
	<u>159,480,181</u>	<u>37,601,075</u>
	<u>7,036,052,399</u>	<u>6,812,846,522</u>

On 30 June 1995, deposits of KD 4,500,780 (against KD 4,318,128 on 30 June 1994) were held against the letters of credit referred to above.

	<b>1995</b> <b>(KD)</b>	<b>1994</b> <b>(KD)</b>
<b>12- Operating Expenses :</b>		
Employee Costs	6,521,612	6,230,004
Production and Shipment of Currency	450,000	2,095,000
Administrative and Computer Costs	710,818	885,100
Purchases of Furniture, Equipment and Vehicles	155,443	217,327
Sundry Expenses	814,534	760,178
	<b>8,652,407</b>	<b>10,187,609</b>

### **13- Compensation Claim :**

The CBK has submitted a claim amounting to KD 73,132,296 to the Public Authority for the Assessment of Compensation for losses suffered as a result of the Iraqi invasion and occupation of the State of Kuwait.

### **14- Promissory Notes Held :**

On 30 June 1995, promissory notes held by the CBK in safe custody on behalf of international institutions totaled KD 453,831,247 (against KD 413,136,913 on 30 June 1994).

# Contents

Heading	Page
<b>Introduction</b>	<b>9</b>
<b>First : An Outline of the Main Monetary and Banking Developments</b>	<b>9</b>
<i>1 - Monetary Developments</i> .....	10
<i>2 - Banking Developments</i> .....	14
<b>Second : Significant Measures Taken by the Central Bank of Kuwait During the Fiscal Year 1994/95</b>	<b>15</b>
<b>Third : Major Operations Performed by the Central Bank of Kuwait During the Fiscal Year 1994/95</b>	<b>17</b>
<b>Fourth : The Central Bank of Kuwait Balance Sheet As at the End of 1994/95, and Its Profit &amp; Loss Account For that Year</b>	<b>20</b>
- <i>Report of the Auditors</i> .....	21
- <i>Balance Sheet as on 30 June 1995</i> .....	22
<i>Assets</i> .....	22
<i>Capital, Reserve and Liabilities</i> .....	23
- <i>Profit &amp; Loss Account for the Year Ended 30 June 1995</i> .....	24
- <i>Notes to the Financial Statements</i> .....	25

---