

CBK Publishes Annual Report for Fiscal Year 2019/20

His Excellency, the Governor of the Central Bank of Kuwait (CBK), Dr. Mohammad Y. Al-Hashel, announced the publication of CBK's 48th Annual Report for Fiscal Year (FY) 2019/20, including the audited financial statements (the Balance Sheet and Profit and Loss Account) of the CBK for the FY ended 31st March 2020. The report also comprises the key developments in the main monetary aggregates and banking indicators, the Kuwaiti Dinar (KD) exchange rate, domestic interest rates, money supply, deposits, bank credit, domestic liquidity, public debt instruments, aggregate balance sheet of local banks, and domestic inflation rate. Furthermore, the report encompasses CBK's regulatory and supervisory efforts for said year, as well as major banking operations and key tasks performed by CBK to enhance staff performance and upgrade its IT infrastructure.

The Governor began by clarifying that, in light of developments in the domestic economic, monetary, and banking conditions on the one hand, and interest rates trends of major currencies on the other, CBK brought the discount rate down three times, first by a quarter of a percentage point on 30th October 2019 bringing it from 3% to 2.75%. In response to the repercussions of the spread of COVID-19 and the negative impact on the economic conditions in Kuwait and the apparent need for an accommodative credit policy, the CBK brought down the discount rate by another quarter percentage point on 4th March, and again by a full percentage point on 16th March, bringing the discount rate to 1.5%, the lowest level historically. This decision conforms to CBK's efforts to strengthen sustainable local economic growth, while maintaining the attractiveness and competitiveness of the national currency as a store of domestic savings, driving the local banking and financial units to finance different sectors of the national economy.

In parallel, CBK, during FY 2019/20, continued its efforts aimed to maintain a relative stability of the Kuwaiti Dinar exchange rate against other major world currencies within its system of pegging the KD to a special weighted basket of currencies of countries that share significant financial and trade relations with the State of Kuwait. The average exchange rate of the US dollar against the KD for FY 2019/20 reached 304.034 fils (per US dollar) against 302.743 fils during the previous

fiscal year, i.e. an increase of 0.43% or 1.29 fils in the US dollar's exchange rate. The difference between the highest exchange rate of the US dollar (309.9 fils) and its lowest exchange rate (302.9 fils) for FY 2019/20 was 2.3%.

With respect to monetary and banking developments, Money Supply in its Broad Definition (M2) decreased by 2.4% by the end of FY 2019/20. The balances of the utilized cash portion of credit facilities extended by local banks to various economic sectors during the fiscal year increased by 4.4% to KD 39,079.6 million against KD 37,420.8 million at the end of the previous year. Furthermore, the total balance of residents' deposits with local banks increased by 0.7% to reach KD 43,457.4 million by the end of FY 2019/20 against KD 43,169.7 million at the end of the previous fiscal year. A hike in the aggregate balance sheet for local banks (at the domestic level) was registered by the end of FY 2019/20 reaching KD 72,774.0 million against the previous year's KD 67,431.4 million, which is a 7.9% increase.

Moving on to supervisory developments, the Governor noted that the CBK had maintained diligent efforts to supervise and regulate the units of the local financial and banking sector, within its broader objective of bolstering these units' financial position and safeguarding financial stability in line with international standards. In this respect, CBK issued a circular to all local banks on 14/5/2019 updating its Anti-Money Laundering (AML) and Combatting the Financing of Terrorism (CFT) previously issued on 23/7/2013. The updated instructions reinforce and elaborate on some requirements relative to (AML/CFT) assuring the compliance of regulated banking and financial institutions. CBK issued a circular dated 28/8/2019 to all local banks, financing companies, and exchange companies concerning the executive by-laws for implementation of UN Security Council resolutions issued virtue of Chapter VII of the UN Charter related to countering terrorism and financing of the proliferation of Weapons of Mass Destruction (WMD). Further, CBK Board of Directors had at its 10/9/2019 session approved the incorporation of amendments to Kuwaiti banks governance controls and regulations instructions, mainly adding independent members among banks' boards and board committees. The amendments also stressed the importance of risk management governance and the role and responsibilities of the board, and added an item on the compliance framework within banks' macro risk management.

Part of the precautions and measures aiming to counter the repercussions of the COVID-19 pandemic, CBK had on 12/3/2020 instructed local banks, through the Kuwait Banking Association, to provide uninterrupted essential financial services to the public, and to provide all necessary means to guarantee that transactions are carried out with the customary speed, efficiency, and security. Additionally, banks were instructed to maintain ATMs and replenish them with sufficient cash supply to accommodate the public's needs. There were also instructions to guarantee continued and uninterrupted online banking services and Points of Sale, and to cease charges and commissions on POS, ATM, and online banking transactions for six months. Clients whose businesses were adversely affected by the current crisis were supported. Additionally, staff working from banks' premises and branches during lock-down were compensated financially in appreciation for their work. This was in addition to instructions to delay due payments for six months without penalizing those negatively impacted by the pandemic, and to continue to provide banking services to companies that import essential goods that are related to food security and basic society needs.

In the area of capacity building, CBK had 1,003 staff by end of the fiscal year, including 920 Kuwaitis who account for 91.7% of overall staff, compared to 963 including 867 Kuwaitis at 90% the previous year. The bank continued its efforts to enhance staff's academic and vocational qualifications through offering higher-education scholarships at prestigious international universities and training programs locally and abroad. This both enhances CBK staff performance and helps retain distinguished staff and, ultimately, reinforces CBK's overall performance.

On another front, CBK sought to upgrade its information technology infrastructure in line with the latest international developments in this field, which involved technical systems in several CBK departments and offices. The Bank had thereby accomplished several development projects, most significant of which are the governmental banking services system, the Kuwait National Payment System (KNPS), the data and reports analysis system, and updating SWIFT. CBK also developed several automated programs and systems.

The CBK meanwhile maintained its communications efforts with the Kuwaiti economic and financial community and society in general, which were enhanced to keep pace with the accelerating development in media, publication, and information technology. The Bank had, in FY 2019/20, drafted and implemented a communications plan which highlights CBK's efforts and contributions within the main areas of its mandate in monetary policy and banking supervision and oversight, which are aimed at safeguarding the state's monetary stability, supporting an environment that nurtures sustainable economic growth and further buttresses financial stability. Along these lines, the bank issued a series of periodicals in FY 2019/20 which included the latest economic, monetary, banking data and statistics and also, simultaneously, improved the content on its website, regularly updating it objectively and transparently.

In conclusion, CBK Governor Dr. Mohammad Y. Al-Hashel pointed out the Annual Report for FY 2019/20 is now available through the official CBK website (www.cbk.gov.kw).

07/09/2020