



بنك الكويت المركزي
CENTRAL BANK OF KUWAIT



THE THIRTY- NINTH
ANNUAL REPORT

FOR THE FISCAL YEAR 2010/11

INTRODUCTION

It pleases me to present the 39th Annual Report prepared by the Central Bank of Kuwait (CBK) for the fiscal year 2010/11, which includes the Auditors' Report of the CBK financial statements, reflected by the Balance Sheet as of 31 March 2011, and the Profit and Loss Account for the mentioned fiscal year. As in previous years, this Report begins with a brief overview of the most salient banking and financial developments in the Kuwaiti economy during FY 2010/11, alongside the most important decisions, procedures, and operations carried out by CBK through its different departments and offices in various fields relating to monetary and banking affairs during this FY including the most important instructions, circulars, and supervisory regulations issued by CBK to the banking and financial units subject to its supervision.

Within this context, CBK focused its efforts during FY 2010/11 to strengthen the foundation of monetary and financial stability in the country through drawing and implementing the monetary policy as well as upgrading supervision and oversight of banking and financial system units, in order to enhance economic growth and create an environment that is supportive of the efficient function of the local financial and banking system units.

In the area of monetary developments, FY 2010/11 has witnessed many important developments. Money Supply in its broad definition (M2) increased by KD 1371.5 million or 5.3% to KD 27009.4 million at the end of the mentioned FY, against KD 25637.9 million at the end of the previous FY. This increase in Money Supply reflects the persistent efforts of CBK to provide a suitable environment that supports meeting the financing needs of the various local economic sectors. Within this context, the balances of the utilized cash portion of credit facilities extended by local banks to the various economic sectors witnessed a rise of KD 132.6 million or 0.5% to reach KD 25253.3 million at the end of FY 2010/11, against KD 25120.7 million at the end of FY 2009/10. Additionally, the balances of the resident private sector deposits with local banks

increased to KD 26035.2 million during FY 2010/11, against KD 24835.3 million at the end of the previous FY, i.e. a rise of KD 1199.8 million or 4.8%. Consequently, the aggregate balance sheet of local banks increased to KD 42598.7 million at the end of FY 2010/11, against KD 40576.8 million at the end of the previous FY, i.e. a rise of KD 2021.9 million or 5%. On the other hand, the aggregate balance sheet of local investment companies (for 97 companies) decreased to KD 1127.3 million or 7.7% at the end of FY 2010/11 reaching KD 13451.1 million, against KD 14578.4 million at the end of FY 2009/10 (for 100 companies).

Within the context of supervisory developments, CBK continued its persistent efforts during FY 2010/11 in the area of supervision and oversight on registered local banking and financial sector units as part of its efforts aimed at enhancing their financial strength. In particular, during FY 2010/11 CBK continued to develop precautionary and preemptive actions aimed at fortifying the domestic banking sector and strengthening the capacities of its units to cope with new developments through continuing support of precautionary provisions and capitalization, as well as developing the ability to manage risks of different kinds.

On another front, during FY 2010/11 CBK continued its efforts toward developing and modernizing the infrastructure and the information technology used by CBK to keep pace with the latest international developments in the field. CBK continued its efforts during the mentioned FY to develop and update the technical systems utilized in the different departments and offices of CBK, and worked on drawing up and implementing of technical programs to ensure the continuity of operations in CBK during different circumstances in accordance with the latest international standards in this regard.

Additionally, FY 2010/11 witnessed continuation of CBK's efforts towards development of its manpower to upgrade their professional capabilities through specialized training programs, both local and international, that contribute to raise their performance and efficiency and maintain the distinctive competencies of its national employees as well as,

attract more of them to join CBK so as to enhance its capacity to carry out the tasks entrusted to it.

Before closing, I would like to point out in this introduction that the issuance of this thirty-ninth Annual Report coincides with the national celebrations in our beloved country of a series of events which are the 50th anniversary of its National Day, the 20th anniversary of its Liberation, the 5th anniversary of His Highness the Amir's accession, and the 50th anniversary of launching the national currency the "Kuwaiti Dinar" for circulation. In that regard, CBK was keen to participate in the national celebrations of these occasions by issuing commemorative coins (silver and gold) for each occasion.

In closing, we pray to the Almighty to grant success to our efforts and endeavors in achieving the benefits for our beloved homeland, under the patronage of His Highness the Emir, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, may God save him; His Highness the Crown Prince, Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah, may God protect him; and His Highness the Prime Minister, Sheikh Nasser Al-Mohammad Al-Ahmad Al-Sabah, may God guide him.

Salem Abdulaziz Al-Sabah

Governor of the Central Bank of Kuwait

Preface:

CBK continued during FY 2010/11 its efforts to achieve its objectives stipulated in Law No. (32) for the year 1968, concerning monetary policy, CBK and the organization of the banking business. These objectives include exercising the privilege of issuing currency on behalf of the State, maintaining relative stability in the exchange rate of the national currency against foreign currencies, securing the freedom of its conversion, drawing and implementing monetary policy, rationalizing credit policies of local financial and banking sector units, developing supervision and oversight systems and programs over the sectors' units so as to support the growth of the national economy on a firm foundation and contribute to an atmosphere devoted to financial and monetary stability in the country.

Within this context, CBK projects in the Medium Term Development Plan came to reflect the CBK's role and policies that were included in the government's working program for the 13th legislative term. During FY 2010/11, CBK continued its efforts to implement and follow up its projects included in the Medium Term Development Plan (2010/11-2013/14) which include development projects of a continuing nature related to the goals that CBK is seeking to achieve. This report deals with CBKs' efforts during FY 2010/11 in part of its projects within the State's Annual Plan for FY described as follows:

First- Key Developments in Monetary Policy and Monetary and Banking Indicators:

- **Strengthening CBKs' efforts in drawing and implementing the monetary policy which would contribute to consecrating the foundations of monetary stability.**

This section of the Report highlights notable developments in the country's major monetary and banking aggregates and indicators during FY 2010/11 as reflected by data related to money supply, interest rates, exchange rate of KD against other major

currencies, banking credit, domestic liquidity, issuance of public debt instruments, and aggregate balance sheet of local banks and investment companies. Some parts of these developments reflect CBK efforts in areas related to drawing and implementing the monetary policy, and supervision and oversight of banking and financial system units.

Data related to the country's major monetary and banking aggregates and indicators during FY 2010/11 indicate positive developments in these aggregates and indicators during the mentioned FY, which can be addressed as follows:

1- Monetary Developments:

A-Money Supply:

Money supply in its broad definition (M2) rose to KD 27009.4 million at the end of FY 2010/11, against KD 25637.9 million at the end of the previous FY 2010/09, i.e. an increase by 1371.4 million or 5.3%, compared to an increase of KD 775.9 million or 3.1% during the previous FY. This rise in money supply in its broad definition (M2) came as a result of CBK's continuous efforts in regulating the levels of domestic liquidity which contributes to providing the funding requirements for various domestic economic sectors.

This mentioned rise in money supply in its broad definition (M2) came as a result of the increase in Money (the narrow definition of money supply M1) by KD 1194 million or 22.8% (from KD 5248.3 million to KD 6442.3 million), and Quasi-money by KD 177.4 million or 0.87% (from KD 20389.6 million to KD 20567 million).

Money Supply Developments

(KD Million)

End of Period	2008/09	2009/10	2010/11	Change in 2010/11 over	
				2009/10	
				Value	%
Money Supply (M2)	24862.1	25637.9	27009.4	1371.4	5.3
Money (M1) of which:	<u>4695.1</u>	<u>5248.3</u>	<u>6442.3</u>	<u>1194</u>	<u>22.8</u>
Sight Deposits	3952.6	4445.7	5468.1	1022.4	23
Quasi Money	<u>20166.9</u>	<u>20389.6</u>	<u>20567</u>	<u>177.4</u>	<u>0.87</u>
Deposits in KD	17085.3	17832.4	18308.1	475.7	2.67
Deposits in FC	3081.7	2557.2	2258.9	-298.3	-11.7

Source: Central Bank of Kuwait.

In the monetary survey of CBK and local banks⁽¹⁾, the factors affecting changes in money supply (M2) during FY 2010/11, the mentioned growth in money supply in its broad definition (M2) of KD 1371.4 million or 5.3% came as a result of the increase in both net domestic assets of the mentioned institutions by KD 99.3 million, and net foreign assets by KD 1272.1 million. The mentioned rise in net domestic assets was mainly contributed by the increase of local banks' claims on the private sector by KD 593.5 million or 2.2% as a part of a positive development reflecting the local banks' continuous provision of bank credit to domestic economic sectors.

During FY 2010/11, the rise in net foreign assets of KD 1272.1 million was mainly due to the increase in net foreign assets of CBK by KD 1581.3 million or 32%.

⁽¹⁾All commercial banks, branches of foreign banks, specialized banks (the Industrial Bank of Kuwait), in addition to banks that operate in accordance with the provisions of Islamic Sharia.

B- Domestic Interest Rates:

The discount rate is considered a pivotal rate to which are linked, within specified margins, maximum limits of interest rates on KD-lending transactions at the local banking and financial system units. Accordingly, cutting (or raising) discount rate at CBK will lead to reducing (or increasing) the maximum limits of interest rates on KD lending transactions at the local banking and financial system units by the same amount of that reduction.

In the light of CBK's continuous follow up to economic, monetary and local banking developments on the one hand, the developments of interest rates on major foreign currencies on the other hand, and as a continuation of CBK efforts to strengthen the domestic economy, as well as maintaining the attractiveness and competitiveness of KD as a store of domestic savings, CBK kept its discount rate during FY 2010/11 at a historical low level of 2.5% since 8th February, 2010.

Within this context, regarding interest rates on both customers' KD time deposits and customers' US dollar time deposits with local banks, the interest rates on customers' KD time deposits with local banks during FY 2010/11 witnessed a decline compared to the pervious FY. Specifically, interest rates on customers' KD time deposits with local banks on one-month maturity and three-month maturity decreased to 1.023% and 1.206% respectively, against 1.345% and 1.501% for the two mentioned terms respectively during the previous FY.

On the other hand, interest rates on customers' US dollar time deposits with local banks on one-month maturity and three-month maturity witnessed a decline during FY 2010/11 to reach 0.257% and 0.384% respectively, against 0.304% and 0.423% for the two mentioned terms respectively during the previous FY. In the light of that, the margin between the average interest rates on KD and US dollar deposits for one-month maturity

and three-month maturity during FY 2010/11 reached 0.765% and 0.821% respectively in favor of KD deposits.

In the same direction, the average interest rates on local interbank KD deposits of one-month maturity and three-month maturity witnessed a decline during FY 2010/11 to reach 0.736% and 0.980% respectively, against 1.0222% and 1.2343% for the two mentioned terms respectively during the previous FY. The average interest rates on public debt instruments witnessed a decline during FY 2010/11, as the average interest rate on one-year treasury bonds recorded a decrease from 1.662% during FY 2009/10 to 1.25% during FY 2010/11.

C- The KD Exchange Rate:

During FY 2010/11, CBK continued its efforts to maintain the relative stability of the KD exchange rate against other major currencies, in light of KD exchange rate policy that was in effect since 20 May 2007 based on pegging the Kuwaiti dinar to a special weighted basket of currencies of countries that have significant trade and financial relations with the State of Kuwait.

In this regard, the average exchange rate of the US dollar against KD reached 278.94 fils (per US dollar) during FY 2010/11, against 287.62 fils during the previous FY, i.e. a decrease by 8.68 fils or 3%. The difference between the highest (293.2 fils) and the lowest (276.5 fils) exchange rates of the US dollar against KD during FY 2010/11 was 6%, whereas the exchange rates of the US dollar witnessed significant fluctuations against other major currencies during FY 2010/11. The difference between the highest and the lowest exchange rates of the US Dollar was 14.6% against the Pound Sterling, 29.6% against the Swiss Franc, 19.5% against the Euro, and 20.1% against the Japanese Yen.

The US Dollar Exchange Rate against the KD and Some Major Currencies

Item	April 2009 - March 2010					April 2010 - March 2011				
	Highest Price	Lowest Price	Change (%)	End of Period	Average	Highest Price	Lowest Price	Change (%)	End of Period	Average
Kuwaiti Dinar(filis)	292.50	284.40	8.10	288.75	287.62	293.20	276.50	16.70	277.25	278.94
Pound Sterling	0.7034	0.5890	0.1144	0.6709	0.6387	0.6996	0.6106	0.0890	0.6245	0.6248
Euro	0.7735	0.6626	0.1109	0.7441	0.7200	0.8405	0.7032	0.1373	0.7096	0.7329
Franc	1.1688	0.9988	0.1700	1.0679	1.0553	1.1667	0.9002	0.2665	0.9156	0.9430
Japanese Yen	100.815	86.995	13.820	92.775	90.691	94.895	97.025	15.870	81.710	82.236

D- Banking Credit:

Balances of the utilized cash portion of credit facilities extended by local banks to the various economic sectors during FY 2010/11 witnessed a rise of KD 132.6 million or 0.5% to reach KD 25253.3 million at the end of the mentioned FY, compared to KD 25120.7 million at the end of the previous FY. This rise in credit facilities was an outcome of the rise in credit facilities to the Industry sector (by KD 178.1 million or 12%), the Real Estate sector (by KD 81.4 million or 1.2%), and the Trade sector (by KD 18.5 million or 0.8%). On the other side, the balances of the utilized cash portion of credit facilities extended by local banks to the Non-bank Financial Institutions sector declined (by KD 150.2 million or 5.2%), the Construction sector (by KD 27.1 million or 1.5%), and the Personal Facilities sector (by KD 1.5 million or 0.02%) during FY 2010/11.

Development of Balances of Utilized Cash Portion of Credit Facilities (by Residents)
(KD Million)

End of Period	2009/10 (1)	2010/11 (2)	Change in (3) over (2)	
			Value	(%)
Total utilized cash portion of credit facilities, of which	25120.7	25253.3	132.6	0.5
Trade	2249.8	2268.2	18.5	0.8
Industry	1490.3	1668.4	178.1	12
Construction	1789.7	1762.6	-27.1	-1.5
Non-bank Financial Institutions	2881.2	2731.1	-150.10	-5.2
Personal Facilities	8414.6	8413.1	-1.5	-0.02
Real-Estate	6560.1	6641.5	81.4	1.2

Source: Central Bank of Kuwait.

E- Domestic Liquidity:

CBK continued to regulate the levels of domestic liquidity during FY 2010/11 in line with local economic, monetary, and banking developments. CBK uses different monetary instruments to regulate those levels, notably the scheme of accepting time deposits from local banks, issuing CBK bonds, and managing public debt instruments on behalf of the Ministry of Finance, in addition to direct liquidity injection.

In this regard, balances of time deposits of local banks with CBK, within the scheme of accepting time deposits from local banks, witnessed a noticeable increase during FY 2010/11 by KD 931.7 million or 75.5% to KD 2165.6 million at the end of the mentioned FY, compared to KD 1233.9 million at the end of the previous FY. Moreover, CBK made 35 issues of its bonds with a total nominal value of KD 4369 million during FY 2010/11, and during this FY, 33 previous issues of these bonds with a total nominal value of KD 4037.5 million matured. As a result, the outstanding balance of CBK bonds rose to KD 1575 million at the end of FY 2010/11, against its

level of KD 1243.5 million at the end of the previous FY, i.e. a rise of KD 331.5 million or 26.7%.

F- Issuance of Public Debt Instruments:

Public debt instruments (such as Kuwaiti Treasury Bonds and Bills), managed by CBK on behalf of the Ministry of Finance, are considered tools used by CBK to regulate levels of domestic liquidity. In this regard, CBK made 8 issues of Treasury Bills during FY 2010/11 with a total nominal value of KD 600 million, and 8 previous issues of Treasury Bills with a total nominal value of KD 600 million matured during that period. In addition, CBK made 20 issues of Treasury Bonds (one-year maturity) during FY 2010/11 with a total nominal value of KD 1653 million, while 19 previous issues of Treasury Bonds with a total nominal value of KD 1648 million matured during FY 2010/11. Accordingly, the total outstanding balance of public debt instruments (Treasury Bonds and Bills) increased by KD 5 million or 0.2% to KD 2038 million at the end of FY 2010/11, against KD 2033 million at the end of the previous FY. At the end of FY 2010/11, the outstanding balance of public debt instruments among institutions holding them were distributed between local banks' holdings which totaled KD 1815 million (89.1%), and other institutions' holdings which amounted to KD 223 million (10.9%).

2- Banking Developments:

A- The Aggregate Balance Sheet of Local Banks:

Data available indicate a rise in the aggregate balance sheet of local banks to reach KD 42598.7 million at the end of FY 2010/11, against KD 40576.8 million at the end of FY 2009/10, i.e. a rise by KD 2021.9 million or 5%. This rise in the aggregate balance sheet of local banks came as an outcome of various developments in

the components of this balance on both sides (Assets and Liabilities) of the balance sheet, the most notable of which are highlighted as follows:

On the Assets Side:

- The balance of local banks' claims on the private sector increased by KD 577.9 million or 2.1% to reach KD 27670.9 million at the end of FY 2010/11, against KD 27093 million at the end of previous FY 2009/10. This increase resulted from a rise in both the balances of utilized cash portion of credit facilities extended by local banks to domestic sectors by KD 132.6 million or 0.5%, as mentioned previously, to reach KD 25253.3 million at the end of FY 2010/11, against KD 25120.7 million at the end of the previous FY on the one hand; and the balances of other local investments by KD 445.3 million or 22.6% to reach KD 2417.6 million at the end of FY 2010/11, against KD 1972.3 million at the end of the previous FY on the other hand.
- The balance of local banks' claims on CBK increased by KD 1246.5 million or 45.2% to reach KD 4006.3 million at the end of FY 2009/10, against KD 2759.9 million at the end of the previous FY. This rise resulted from an increase in the balance of local banks' time deposits with CBK by KD 931.7 million or 75.5% (from KD 1233.9 million to KD 2165.6 million), and the balance of local banks' holdings of CBK Bonds by KD 331.5 million or 26.7% (from KD 1243.5 million to KD 1233.9 million) on the one hand, and the decline in the balance of local banks' sight deposits with CBK by KD 16.7 million (from KD 282.4 million to KD 265.8 million) for FY 2009/10 and FY 2010/11 respectively on the other hand.
- The balance of foreign assets of local banks increased by the equivalent of KD 13.1 million or 0.2% to reach KD 7272.0 million at the end of FY 2010/11, against KD 7258.9 million at the end of the previous FY. This rise resulted from an increase in balances of local banks' deposits with foreign banks by KD 253.2

million or 7.4% on the one hand; and the rise in local banks' foreign investments by KD 232.8 million or 10.5%, and the decrease in the balances of the utilized cash portion of credit facilities extended to non-residents by KD 456.6 million or 37.3%, and other foreign assets by KD 16.5 million or 4.1% on the other hand.

- The balances of local banks' claims on the government decreased by KD 48.9 million or 2.6% to reach KD 1815.0 million at the end of FY 2010/11, against KD 1863.9 million at the end of the previous FY. This decline is contributed entirely by the decrease in the balance of local banks' holdings of Public Debt Instruments by KD 48.9 million or 2.9% (to reach KD 1665.0 million at the end of FY 2010/11, against KD 1713.9 million at the end of the previous FY).

On the Liabilities Side:

- The balances of resident private sector deposits with local banks increased by KD 1199.8 million or 4.8% to reach KD 26035.2 million at the end of FY 2010/11, against KD 24835.3 million at the end of the previous FY. The mentioned rise came basically as a result of the increase in the balances of KD deposits by KD 1498.1 million or 6.7% to reach KD 23776.2 million at the end of FY 2010/11, against KD 22278.1 million at the end of the previous FY. The balances of foreign currency deposits recorded a decline by KD 298.3 million or 11.7% to reach KD 2258.9 million at the end of FY 2010/11, against KD 2557.2 million at the end of the previous FY.
- The balances of government deposits with local banks increased by KD 117.4 million or 3.2% to reach KD 3826.8 million at the end of FY 2010/11, against KD 3709.4 million at the end of the previous FY.

- The balances of shareholders' equity with local banks increased by KD 795 million or 15.3% to reach KD 5986.4 million at the end of FY 2010/11, against KD 5191.4 million at the end of the previous FY.
- The balances of foreign liabilities of local banks increased by KD 356.3 million or 12.8% to reach KD 3146.9 million at the end of FY 2010/11, against KD 2790.6 million at the end of the previous FY. This rise included the increase in the balances of non-bank foreign entities' deposits by KD 281.3 million or 33.3%, and other foreign liabilities by KD 118.0 million or 466.0%.

Aggregate Balance Sheet of Local Banks

(KD Million)

Items	Balances at the end of the year		
	2010/11	2009/10	2008/09
Assets:			
Cash	160.1	140.4	119.2
Claims on CBK	<u>4006.3</u>	<u>2759.9</u>	<u>1481.6</u>
Balances (demand deposits) with CBK	265.8	282.4	601.5
CBK Bonds	1575.0	1243.5	352.8
Time Deposits with CBK	<u>2165.6</u>	1233.9	527.4
Local Interbank Deposits	851.1	598.7	651.2
Claims On Government	<u>1815.0</u>	<u>1863.9</u>	<u>2007.5</u>
Treasury Bonds	1665.0	1713.9	2007.5
Treasury Bills	150.0	150.0	-
Claims on Private Sector	<u>27670.9</u>	<u>27093.0</u>	<u>25865.1</u>
Credit Facilities to Residents	25253.3	25120.7	24186.3
Other Domestic Investments	2417.6	1972.3	1678.8
Foreign Assets	<u>7272.0</u>	<u>7258.9</u>	<u>8417.9</u>
Deposits with Foreign Banks	<u>3667.7</u>	3414.5	4967.1
Credit Facilities to Non-Residents	767.6	1224.1	1068.8
Foreign Investments	2448.1	2215.3	2000.1
Other Foreign Assets	388.4	4.4.9	382.0
Other Assets	823.3	862.1	974.7
Total Assets=liabilities	42598.7	40576.8	39517.3
Liabilities:			
Private Sector Deposits	<u>26035.2</u>	<u>24835.3</u>	<u>24119.5</u>
KD Deposits	23776.2	22278.1	21037.9
Foreign Currency Deposits	2258.9	2557.2	3081.7
Government Deposits	3826.8	3709.4	3171.1
Local Interbank Deposits	765.5	699.8	593.2
Shareholders' Equity	5986.4	5191.4	4791.1
Foreign Liabilities	<u>3146.9</u>	<u>2790.6</u>	<u>4063.2</u>
Non-Resident Bank Deposits	1878.3	1921.3	2259.6
Other Non-Resident Deposits	1125.4	844.0	1720.4
Other Foreign Liabilities	143.3	25.3	83.2
Other Liabilities	2837.9	3350.2	2779.2
Contra Accounts:			
Bank Guarantees	5726.8	5132.4	5596.2
Obligations within issued data	389.5	709.3	637.8
Documentary Credits	988.3	944.0	1643.2
Bank Acceptances	363.6	335.8	1026.1

B- The Aggregate Balance Sheet of Investment Companies:

The total of aggregate balance sheet of local investment companies (Traditional and Islamic) at the end of FY 2010/11 reached KD 13451.1 million (for 97 companies), against KD 14578.4 million at the end of FY 2009/10 (for 100 companies), i.e. a decline of KD 1127.3 million or 7.7%. This decline was an outcome of various developments on both sides (Assets and Liabilities) within the aggregate balance sheet of local investment companies which can be summarized as follows:

On the Assets Side:

- The balances of domestic investments declined by KD 416.9 million or 10.2% to reach KD 3673.2 million at the end of FY 2010/11, compared to KD 4090.1 million at the end of the previous FY. This decline resulted from a decrease in both the balances of domestic financial investments by KD 329.5 million or 9.1%, and the balances of domestic non-financial investments by KD 87.4 million or 18.7%.
- The balance of cash and balances with local banks decreased by KD 7.6 million or 1.2% to reach KD 646.9 million at the end of FY 2010/11, against KD 654.6 million at the end of the previous FY.
- The balances of customer financing decreased by KD 285.2 million or 21.1% to reach KD 1065.3 million at the end of FY 2010/11, against KD 1350.5 million at the end of the previous FY.

Aggregate Balance Sheet of Local Investment Companies

(KD Million)

Items	Balances at the end of the	
	year	
	2010/11	2009/10
Assets:		
Cash and Balances with Banks	646.9	654.6
Customer Financing	<u>1065.3</u>	<u>1350.5</u>
Local Investments	<u>3,673.2</u>	<u>4090.1</u>
Financial Investments	3,292.5	3622.0
Non-financial Investments	380.7	468.1
Foreign Assets	6253.0	6555.2
Other Assets	1812.7	1928.0
Assets=Liabilities	13451.1	14578.4
Liabilities:		
Shareholder's Equity	4965.8	5456.3
Financing from Residents	3471.6	3719.1
Bonds, of which Financing Sukuks	239.0	669.2
Foreign Liabilities	3305.3	3398.9
Other Liabilities	1469.5	1334.8
Number of Companies	97	100

- The balance of total foreign assets recorded a decline by KD 302.2 million or 4.6% to reach the equivalent of KD 6253 million at the end of FY 2010/11, compared to the equivalent of KD 6555.2 million at the end of the previous FY. This decline was an outcome of the decrease in balances of foreign investments (financial and non-financial) by the equivalent of KD 405.7 million or 7.6%, and balances of credit facilities extended to non-residents by the equivalent of KD 12.1 million or 11.5% and cash and balances with foreign banks by the equivalent of KD 64.1 million or 12.9% on the one hand; and the rise in other foreign assets by KD 179.8 million or 28.2% on the other hand.

- The balances of other assets decreased by KD 115.3 million or 6% to reach KD 1812.7 million at the end of FY 2010/11, against KD 1928 million at the end of previous FY.

On the Liabilities Side:

- The balance of financing from residents declined by KD 247.6 million or 6.7% to reach KD 3471.6 million at the end of FY 2010/11, compared to KD 3719.1 million at the end of FY 2009/10. This decline resulted from the decrease in the balance of financing from investment companies by KD 87.1 million or 22.2%, the balance of financing from other institutions (non-banking and non-financial) by KD 57.4 million or 12% on the one hand, and the balance of financing from local banks by KD 101.5 million or 3.7% on the other hand.
- The balance of foreign liabilities decreased by KD 93.6 million or 2.8% to reach KD 3305.3 million at the end of FY 2010/11, compared to KD 3398.9 million at the end of the previous FY.
- The balance of shareholders' equity declined by KD 490.5 million or 9% to reach KD 4965.8 million at the end of FY 2010/11, compared to KD 5456.3 million at the end of the previous FY.
- The balance of other foreign liabilities increased by KD 134.7 million or 10.1% to reach KD 1469.5 million at the end of FY 2010/11, against KD 1334.8 million at the end of the previous FY.

Second- Supervision and Oversight:

During FY 2010/11, CBK's efforts in the areas of supervision and oversight have addressed its following projects within the State's first annual plan for FY 2010/11:

- Intensifying CBKs' efforts in the supervision and oversight over the banking and financial system units to increase their efficiency and competitiveness as well as to strengthen financial stability.
- Enhancing the financial strength of banking and financial system units.
- Modernization of retail banking services.
- Modernization of corporate banking services.
- Developing services supporting the financial sector.

In this regard CBK intensified its efforts during FY 2010/11 which aimed at developing its supervision and oversight on the banking and financial system units through off-site monitoring and on-site inspections of these units. The persistent CBK efforts strive to enhance the strength and safety of the financial positions of those units according to international oversight standards, and to increase the ability of this sector to face the repercussions of the global financial and economic crisis so as to resume its central role in strengthening domestic economic activity as well as ensuring monetary and financial stability in the national economy.

Within this context, CBK continued its procedures to strengthen banking regulations, particularly those concerning risk management including procedures for stress-testing, as well as to stress the importance of internal evaluation of capital adequacy (ICAAP). CBK has developed tools and models used in financial stress-tests, and provided them to the banks on June 13, 2010 as well as comprehensive guidance on conducting stress-tests on a semi-annually basis. CBK also started focusing on Risk Based Supervision.

CBK also directed banks to strengthen their capital base wherein several banks have increased their capital and to build precautionary provisions along with specific and general provisions. This is the policy that has been undertaken, and is still ongoing, which targets to support their financial position against any negative repercussions of the global financial and economic crisis.

As further reassurance about the ability of the banking sector to face any shocks, CBK has assigned an international independent consultant to diagnose and assess the risks faced by the banking sector and to conduct financial stress - tests on the Kuwaiti banks in order to measure their ability to resist shocks and work in difficult and stressful situations. The results of these tests, which were based on three scenarios with increasing degrees of stress, have showed that the Kuwaiti banks, at the level of each bank separately and at the level of the banking sector as a whole, have the flexibility and capacity to resist the strongest shocks.

Within the framework of its efforts towards applying the international supervisory standards and fortifying the banking sector and increasing its ability to withstand shocks, CBK has started taking the necessary measures for the application of supervisory standards issued by the Basel Committee and known as Basel III. These standards include a package of regulations that would enhance and improve the quality of capital money, in addition to regulations related to financial leverage, and promote liquidity ratios aimed at improving liquidity risk management and enhancing the degree of stability in the financial resources according to the structure of uses of these banks, in addition to the standards aimed at macro-supervisory measures to deal with systemic risks.

At the request of CBK a joint team from the IMF and World Bank visited Kuwait during 15th-27th March 2010 for updating the Financial Sector Assessment Plan (FSAP) last conducted in 2004. The report of the joint team, which was issued in May 2010, included a tribute to the success of the supervisory authority in Kuwait in maintaining financial stability during the global financial crisis, in addition to rates of capital adequacy ratios in the banking sector which are found to be higher than the minimum rate determined by CBK (12%), and which those set in the Basel Committee standards (8%).

In the same direction, CBK has assigned the World Bank to conduct an assessment of governance standards on the Kuwaiti banks and develop sets of standards and practices for governance in these banks. The final World Bank report was issued in October 2010.

CBK is currently conducting an update for governance standards in banks and financial institutions taking into account the lessons learned from the global financial crisis and the recommendations contained in the World Bank report.

CBK issued on 7th February 2011 a circular to all banks and investment companies that are under its control to prepare a separate statement to be displayed at the Annual meeting of the General Assembly that includes all sanctions imposed on the bank or the company during the financial year. This circular comes in the framework of improving the transparency and informing shareholders in order to assess the performance and to exercise their oversight role in this regard.

CBK issued on June 2010 instructions to the investment companies which includes supervisory regulations concerning financial leverage, liquidity, and external borrowing ratios. These regulations will contribute towards promoting the financial stability and increasing the degree of interaction between the investment companies and various sectors of the national economy.

On 27/4/2010 Warba Bank was listed in CBK's bank records. And on 30/11/2010 CBK approved the opening of Union National Bank from United Arab Emirates in Kuwait to increase the number of licensed foreign bank branches in the State of Kuwait to ten branches, since legislative restrictions on foreign banks in Kuwait were waived in 2004. These procedures came in a framework of policies aimed to transform the State of Kuwait were waived in 2004 into a regional financial and commercial center by enhancing basic constituents to develop the financial centers represented in expanding and diversifying the base of the banking system.

In August 2010 CBK issued instructions to Kuwaiti banks prohibiting them from providing any funding for underwriting to increase their capital; this applies to the bank, its branches abroad and its subsidiaries in order to ensure that the increase in the capital from a new source supports the bank's capital base.

Instructions were issued on 19/1/2011 to all banks and investment companies regarding establishing a complaint unit that deals with client complaints and finds appropriate solution for them. CBK continued applying its policies regarding the follow up of the banks to ensure their commitment in established fees and commissions to eliminate any overstatement of imposing such charges.

A circular was issued on 9/6/2010 to all banks, investment companies and exchange companies to enhance regulations of fighting against money laundering and terrorism financing operations, and to reinforce internal control systems to fight against such operations.

within the context of supportive services of the financial sector, CBK through its contribution in Ci-Net and chairing its Board of Directors, has guided that company to upgrade its business operations, raise its efficiency of performance, and improve the quality of collected data especially consumer and installment loans, with the effective participation of the participants in this company to make the database more informative which provides a proper base for banks and investment companies to make credit-related decisions in this regard.

CBK continued receiving supervisory reports required from banks and investment companies concerning the assessment of their internal control systems, and reports about the banks' departments strategies and visions of their situation and the problems that may face.

Third- Major Banking Operations Performed by CBK:

FY 2010/11 witnessed a rise in banking activities related to currency issued, whereby the balance of banknotes and coins issued by CBK increased during this FY compared to the previous FY. Data indicate that the average of currency issued reached KD 966.5

million during FY 2010/11, compared to KD 879 million during the previous FY, i.e. a rise of KD 87.5 million or 10%. The highest balance of currency issued during FY 2010/11 was KD 1563.4 million reached on 24th of February 2011, while the lowest balance was KD 872.2 million reached on 21st of July 2010. In the same direction, the value of currency in circulation (expressed as currency issued minus cash held by local banks) increased by KD 171.6 million or 21.4%, from KD 802.6 million at the end of FY 2009/10 to KD 974.2 million at the end of FY 2010/11.

During FY 2010/11 CBK continued its efforts toward ensuring the quality of currency notes in circulation, withdrawing and destroying those notes which no longer fulfilled CBK's minimum quality requirements, and fighting crimes of counterfeiting and forgery of banknotes in collaboration with other government bodies. In this connection, the value of currency notes withdrawn and destroyed during FY 2010/11 reached KD 180.2 million.

Furthermore, inter-bank payments transactions, which are carried out by CBK through Kuwait's Automated Settlement System for Inter-Participant Payments (KASSIP), reached KD 165.1 billion during FY 2010/11, against KD 153.7 billion during the previous FY, i.e. an increase of KD 11.4 billion or 7.4%. With respect to transactions executed within the clearing room at CBK, the total value of these transactions during FY 2010/11 increased to KD 9 billion for 2075.1 thousand transactions (cheques) (i.e. an average value of KD 4330.3), against KD 8.6 billion for 2039 thousand transactions (cheques) (i.e. an average value of KD 4239.8) during FY 2009/10.

CBK executed, during FY 2010/11 9336 banking transfers for the benefit of ministries and different state institutions totaling KD 1130.1 million, against 9046 banking transfers totaling KD 1488.7 million during the previous FY. Foreign banking transactions carried out by CBK for the benefit of the ministries and other government bodies in the form of documentary credits, bills and drafts for collection during FY 2010/11 are presented as follows:

Particulars	No.	Value (in KD)
First- Documentary Credits:		
1) <u>Opened</u>	<u>44</u>	<u>129,037,435</u>
- Local	-	-
- Foreign	44	129,037,435
2) <u>Paid</u>	<u>228</u>	<u>41,216,596</u>
- Local	8	1,709,260
- Foreign	220	39,507,336
3) <u>Amended</u>	<u>26</u>	-
- Local	-	-
- Foreign	26	-
Second- Collection Transactions:		
<u>Bills for Collection</u>	<u>3</u>	<u>25,727</u>
a-Incoming	2	21,775
b-Paid-up	1	3,952
Third- Drafts for Collection	95	321,492

Fourth- The Labor Force at CBK:

CBK efforts have continued toward developing the efficiency of its cadres and upgrading their educational levels and professional skills to keep pace with work developments, supervision, and oversight methods according to best international practices. CBK has taken a number of measures in this regard during FY 2010/11, including the following:

- 1- During FY 2010/11 69 Kuwaiti graduates (of which 48 hold university degrees and 21 hold diploma in applied sciences) were appointed as trainees for positions at CBK. Furthermore, during the same FY, 104 individuals, of which 98 (94.2%) Kuwaitis were recruited. Accordingly, by the end of FY 2010/11, the total number of CBK staff reached 992 employees, of which 855 (or 86%) were Kuwaitis.

- 2- During FY 2010/11 CBK participated in 171 specialized training courses in the State of Kuwait, and sent 1104 of its employees to these courses. Furthermore, CBK sent 171 of its employees to 113 training courses abroad, held at the Gulf, Arab and international levels, in coordination with a number of specialized training bodies in the fields of banking, finance and economics.
- 3- During FY 2010/11 CBK sent 204 of its employees abroad to attend 70 conferences and meetings of relevance to CBK's work, held at the Gulf, Arab and international levels. Also, during the mentioned FY 204 of CBK's employees were sent to attend 110 conferences and meetings in the State of Kuwait.
- 4- During FY 2010/11 CBK organized several specialized training programs for new Kuwaiti graduates (holders of university degrees or diplomas) to prepare and qualify them for work in CBK's various departments and offices. In addition, and as part of CBK's commitment to training universities' and institutes' students, 26 students of Kuwait University and other applied institutes were trained in CBK's various departments and offices.
- 5- During FY 2010/11 CBK updated the acceptance tests for vacant jobs, amended the organizational structure of a number of departments, and established the regulations of work contracts. CBK also established the regulations of part-time scholarships outside working hours.

Fifth- Other Operations and Activities:

During FY 2010/11, CBK carried out various other operations and activities, including the following:

- During FY 2010/11 CBK undertook several technical projects aimed at developing and updating the application and technical systems used to perform different functions. The most important of these projects that is being executed is a "System of consulting services for assessing CBK's internal and external networks and some other sensitive systems", a "Protection and prevention system of CBK's network against all break-ins" project, an "E-mail archiving system" project, "updating of CBK's external network systems" project, "CBK portal" project, "The single sign-on system for all CBK's systems", and others. Also, work is being done on some of this area's projects, most noticeable of which is the "Electronic banking services system" which aims at automating procedures of payments and remittances among government bodies and agencies subject to the supervision of CBK (investment and exchange companies) on the one hand, and local banks on the other hand. Also under development are giving the relevant agencies the ability of immediate query and control of their accounts with CBK, and a "cheque reading system" to automate the procedures of reading CBK's data cheques to provide a better service to customers in terms of accuracy and speed. In addition to conducting tests on the "Integrated automated system of interbank transfers", the "Anti-money laundering system within Swift operations" aims at examining CBK's transfers to external bodies through international transfer system (Swift) and verifying the legitimacy of the beneficiary agency through ensuring its absence from the black list, and preparing and operating a parallel/alternative site to link the financial/government system to CBK's external network to reduce the chances of CBK's external network outages, and operating the parallel procedure of developed systems of CBK's external network.
- During FY 2010/11 CBK continued preparing and publishing its various periodicals (monthly and quarterly). Also, CBK continued to publish its Economic and Annual Reports in both Arabic and English, and distribute them locally and internationally to those who are interested in monetary, banking, financial and economic development in the State of Kuwait. In addition CBK continued updating the

contents of its internet homepage which contains latest available information, data and statistics on the local financial and banking sectors and other sectors of the national economy, as well as some basic information on CBK.

- **CBK's New Headquarters**

CBK continued its efforts in executing CBK's new headquarters project as a part of its achievements within its development plan and FY plan of 2010/11. In this context, the value of actual expenditures on this project according to the fourth chapter of FY 2010/11 reached KD 27.03 million.

Sixth:

The Central Bank of Kuwait
Balance Sheet and Profit & Loss Account
For the Fiscal Year Ended 31 March 2011

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 CBK on 31 March 2011 and of the results of its operations for the year 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 Abdullah Al-Oseimi

Register of Accountants & Auditors

License No. 68 A -

Al-Aiban, Al-Osaimi & Partners

of ERNST & YOUNG

Safi Abdulaziz Al-Mutawa

Accountant & Auditor

License No. 138 A -

KPMG, Safi Al-Mutawa & Partners

of KPMG International

26 April 2011

State of Kuwait

CENTRAL BANK OF KUWAIT

BALANCE SHEET AS ON

Assets	Note	31 March 2011	31 March 2010
Gold		31,736,361	31,736,361
Cash, Current and Call Accounts in Foreign Currency with Banks and other Financial Institutions		187,830,637	209,323,877
Deposits and Investments in Foreign Currency	3	6,338,961,120	4,776,702,750
Other Assets	4	25,124,786	27,850,902
		6,583,652,904	5,045,613,890
Accounts Managed by CBK on Behalf of the Government of the State of Kuwait, and Contra Accounts	12	3,059,120,047	2,934,601,874
		3,059,120,047	2,934,601,874

CENTRAL BANK OF KUWAIT

31 MARCH 2011 (KD)

Equity and Liabilities	Note	31 March 2011	31 March 2010
Capital - Fully Paid Up		5,000,000	5,000,000
General Reserve Fund	5	295,000,000	295,000,000
Special Account	6	315,419,063	267,091,074
Profit for the Year		10,967,536	5,908,782
Currency Issued	7	1,134,304,529	942,950,432
CBK Bonds Issued	8	1,575,000,000	1,243,500,000
Government Accounts		471,985,309	446,845,943
Accounts of banking system liquidity support	9	1,000,000	1,000,000
Local Banks' Current Accounts and Deposits with CBK	10	2,434,098,859	1,524,137,865
International Institutions		25,757,566	66,816,619
Deposits on Documentary Credits	12	186,062,953	153,812,407
Other Liabilities	11	129,057,089	93,550,768
		6,583,652,904	5,045,613,890
Accounts Managed by CBK on Behalf of the Government of the State of Kuwait, and Contra Accounts	12	3,059,120,047	2,934,601,874

The attached notes from 1 to 14 constitute part of these financial statements.

CENTRAL BANK OF KUWAIT

**PROFIT & LOSS ACCOUNT FOR
FY ENDED 31 MARCH 2010
(KD)**

	Note	2010/11	2009/10
Interest & Income from Investments		68,566,290	42,663,590
Interest and Commission Expenses		<u>(72,783)</u>	<u>(93,437)</u>
		68,493,507	42,570,153
Other Income		<u>588,132</u>	<u>2,788,003</u>
Operating Income		69,081,639	45,358,156
Operating Expenses	13	<u>(58,114,103)</u>	<u>(39,449,374)</u>
Net Profit for the year		<u>10,967,536</u>	<u>5,908,782</u>
Disposed of according to Article 17, of Law No. 32 of 1968 and its amendments, as follows:			
to the Government Account	5	10,967,536	5,908,782

The attached notes from 1 to 14 constitute part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(31 MARCH 2011)

1- Activities:

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

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) Local Bonds and Public Debt Instruments:

Public Debt Instruments are recorded at purchase cost.

(c) Cost of Money Market Operations:

The cost arising from intervention operations in the money market (CBK Bonds issued, local banks deposits and tawarruq operations) are charged to the Ministry of Finance Account/cost of Supporting Money Market operations, according to the agreement between the Bank and the Ministry of Finance.

(d) Revenue Recognition:

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

(e) Capital Expenditure:

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

(f) 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 cash assets and liabilities in foreign currencies are converted at the exchange rates prevalent on the date of the preparation of the balance sheet, and the resulting gains or losses are taken to the special account.

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

	<u>2010/11</u>	<u>2009/10</u>
Deposits with Foreign Banks and Institutions	6,334,803,870	4,772,371,500
Central Bank Facilities to the International Bank for Reconstruction and Development	4,157,250	4,331,250
	<u>6,338,961,120</u>	<u>4,776,702,750</u>

4- Other Assets (KD):

	<u>2010/11</u>	<u>2009/10</u>
Interest Receivable on Deposits and Other Assets	5,596,414	2,214,330
CBK's Share in the Capital of the Industrial Bank of Kuwait	2,791,210	2,791,210
Prepaid Expenses	217,396	263,615
Advance Payments	11,767,491	17,172,666
Other Debit Balances	4,752,275	5,409,081
	<u>25,124,786</u>	<u>27,850,902</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 balance of the Fund. In 1985, the Board recommendation to increase the balance of the fund to KD 179 million was approved by the Minister of Finance and Economy. In accordance with the Board decision dated on 5 May 2003, and the approval of the Minister of Finance on 7 May 2003, it was agreed to increase the balance of CBK General Reserve Fund by KD 116 million to KD 295 million, by transferring half of CBK net annual profits to the Fund balance.

Therefore, no amount has been allocated from the profits since 2007, where the balance of the reserve has reached to KD 295 million.

6- Special Account (KD):

	2010/11	2009/10
Balance at Beginning of the Year	<u>267,091,074</u>	<u>99,772,084</u>
Net difference in foreign currency , resulting from revaluation of cash assets and liabilities in foreign currencies	<u>48,327,989</u>	<u>167,318,990</u>
Balance at the end of the Year	<u>315,419,063</u>	<u>267,091,074</u>

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

7- Currency Issued (KD):

	<u>2010/11</u>	<u>2009/10</u>
Net Currency Produced	1,816,456,867	1,532,556,116
Less: Currency in the CBK's Vaults	(682,152,338)	(589,605,684)
	<u>1,134,304,529</u>	<u>942,950,432</u>

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

8- Issued Bonds:

CBK bonds are negotiable and only purchased by local banks and local investment companies subject to CBK's supervision. The CBK uses these bonds in the domestic management field.

9- Banking System Liquidity Support Account:

Represents the amount transferred to the Central Bank according to the instructions of the Ministry of Finance- pursuant to the requirements of paragraph (e) in Article 31 of Law No. 32 of 1968, and amendments thereof, concerning money, the Central Bank of Kuwait, and the organization of the banking business so as to support the banking system liquidity.

10- Local Banks Current Accounts and Deposits with CBK (KD):

	<u>2010/11</u>	<u>2009/10</u>
Current Accounts	268,504,339	290,211,187
Deposits	531,000,000	287,000,000
Tawarruq Operations (withdrawals)	1,634,594,520	946,926,678
	<u>2,434,098,859</u>	<u>1,524,137,865</u>

11- Other Liabilities (KD):

	<u>2010/11</u>	<u>2009/10</u>
Accrued Expenses	7,654,041	6,393,834
Other Credit Balances	109,613,014	67,140,799
Ministry of Finance, Cost of Supporting Money Market Operations (Note 2-C)	<u>11,790,034</u>	<u>20,016,135</u>
	<u>129,057,089</u>	<u>93,550,768</u>

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

The Balance of Ministry of Finance-Cost of Supporting Money Market Operations represents the remainder of funds transferred from the Ministry of Finance after charging the cost of supporting the money market operations carried out by CBK according to the agreement between CBK and the Ministry of Finance.

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

	<u>2010/11</u>	<u>2009/10</u>
a- Accounts Managed by the CBK on Behalf of the Government of Kuwait	<u>2,876,468,197</u>	<u>2,783,757,360</u>
b- Contra Accounts:		
Documentary Credits	180,175,169	149,428,375
Memorial Notes and Coins	2,475,384	1,415,592
Collections According to the Law No. 41 of 1993	1,297	547
	<u>182,651,850</u>	<u>150,844,514</u>
	<u>3,059,120,047</u>	<u>2,934,601,874</u>

On 31 March 2011, deposits of KD 186,062,953 (KD 153,812,407: 2010) were held against the documentary credits referred to above.

13- Operating Expenses (KD):

	<u>2010/11</u>	<u>2009/10</u>
Employee Costs	21,852,778	19,249,242
Administrative and Computer Operation Costs	2,752,476	2,973,773
Purchases of Furniture, Equipment and Vehicles	85,189	299,995
Production and Shipment of Currency	4,097,100	2,901,653
Sundry Expenses	2,295,592	1,862,652
Construction Costs	27,030,968	12,162,059
	<u>58,114,103</u>	<u>39,449,374</u>

14- Promissory Notes Held:

On 31 March 2011, promissory notes held by the CBK in safe custody on behalf of international institutions totaled KD 463,314,539 (KD 474,901,483: 2010).

Contents	Page
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Introduction

First : The Main Developments of Monetary Policy and Monetary and Banking Indicators

1 - Monetary Developments

2 - Banking Developments

Second : The Main Supervisory Measures and Instructions Issued by CBK

Third : Major Banking Operations Performed by CBK

Fourth : The Labor Force at CBK

Fifth : Other Operations and Activities

Sixth : The Central Bank of Kuwait Balance Sheet and Profit & Loss Account for FY Ended 31 March 2011

- Auditors Report

- Balance Sheet

Assets

Equity and Liabilities

- Profit & Loss Account

- Notes to the Financial Statements

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