

SAUDI ARABIAN MONETARY AUTHORITY

Economic Research Department

Monetary and Banking Developments

First Quarter 2017



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Monetary and Banking Developments

Executive Summary

Executive Summary

The repo rate remained unchanged at 2.0 percent, while the reverse repo rate was raised from 0.75 percent up to 1.0 percent. The cash reserve ratio was maintained at 7.0 percent for demand deposits and 4.0 percent for time and savings deposits. SAMA also maintained the limit of weekly subscription to treasury bills for domestic banks at SAR 3.0 billion during Q1 2017. The average three-month Saudi interbank offered rate (SIBOR) declined to 1.8865 percent in Q1 2017.

Broad money supply (M3) decreased by 0.5 percent, whereas the monetary base increased by 0.1 percent to SAR 302.7 billion in Q1 2017. Preliminary data of SAMA's balance sheet indicate that total foreign assets fell by 5.1 percent to SAR 1,898.9 billion in Q1 2017. SAMA's total reserve assets also decreased by 5.1 percent to SAR 1,909.8 billion in Q1 2017.

Total bank deposits decreased by 0.5 percent to SAR 1,608.9 billion in Q1 2017. Total assets and liabilities of commercial banks amounted to SAR 2,267.4 billion at end-Q1 2017, increasing by 0.5 percent. Commercial banks' claims on the private and public sectors also went up by 0.4 percent to SAR 1,639.3 billion in Q1 2017.

Preliminary estimates suggest a deficit of SAR 4.5 billion in the current account balance in Q4 2016 compared to a y/y deficit of SAR 83.1 billion.

Total value of the Saudi Riyal Inter-bank Express System (SARIE) transactions went up by 24 percent to SAR 18,310.1 billion in Q1 2017. Total number of ATM transactions in Q1 2017 was approximately 488 million, with cash withdrawals totaling SAR 179.3 billion, including transactions through banks' network and Mada.

The general share price index went down by 2.9 percent to 7,001.6 points at end-Q1 2017. The stock market capitalization also declined by 2.6 percent to SAR 1,638 billion at end-Q1 2017 as compared to the end of the preceding quarter.

Total assets of investment funds managed by investment companies increased by 19.0 percent to SAR 104.5 billion in Q1 2017. According to latest available data, total actual disbursements of loans from government Specialized Credit Institutions (SCIs) decreased by 52 percent and total loan repayments to SCIs also decreased by 43 percent in Q3 2016.



Monetary and Banking Developments

First: Monetary Policy

SAMA has been adopting a monetary policy aimed at achieving price stability, supporting the various economic sectors in line with domestic and international economic developments, and assisting domestic banks to perform their financing role in the domestic economy. During the first quarter of 2017, SAMA made some amendments to the instruments of monetary policy as follows:

1.1 Rate of Return and Cash Reserve

In Q1 2017, SAMA changed the reverse repo rate from 0.75 percent to 1.0 percent, while maintaining the repo rate unchanged at 2.0 percent.

SAMA's daily average repo transactions stood at SAR 164 million in Q1 2017 against SAR 174 million in Q4 2016, while daily average reverse repo transactions amounted to SAR 111.1 billion in Q1 2017 compared to SAR 83.4 billion in Q4 2016.

The cash reserve ratio was maintained at 7.0 percent for demand deposits and 4.0 percent for time and savings deposits.

1.2 Interest Rates

To encourage domestic banks to channel liquidity into lending, SAMA maintained the limit of weekly subscription to treasury bills for domestic banks to SAR 3 billion in Q1 2017. The average three-month Saudi interbank offered rate (SIBOR) declined to 1.8865 percent in Q1 2017. The three-month interest rate differential between

the riyal and the dollar was approximately 81.8 basis points in favor of the riyal in Q1 2017, compared to 127 basis points in Q4 2016. As for the riyal exchange rate against the dollar, it remained unchanged at its official peg rate of 3.75.

SAMA also maintained the 90-day repo maturity, in addition to the current overnight, 7 and 28-day maturities, to reinforce stabilized liquidity.

As regards foreign exchange swaps, SAMA did not make any swap transactions with domestic banks in Q1 2017.

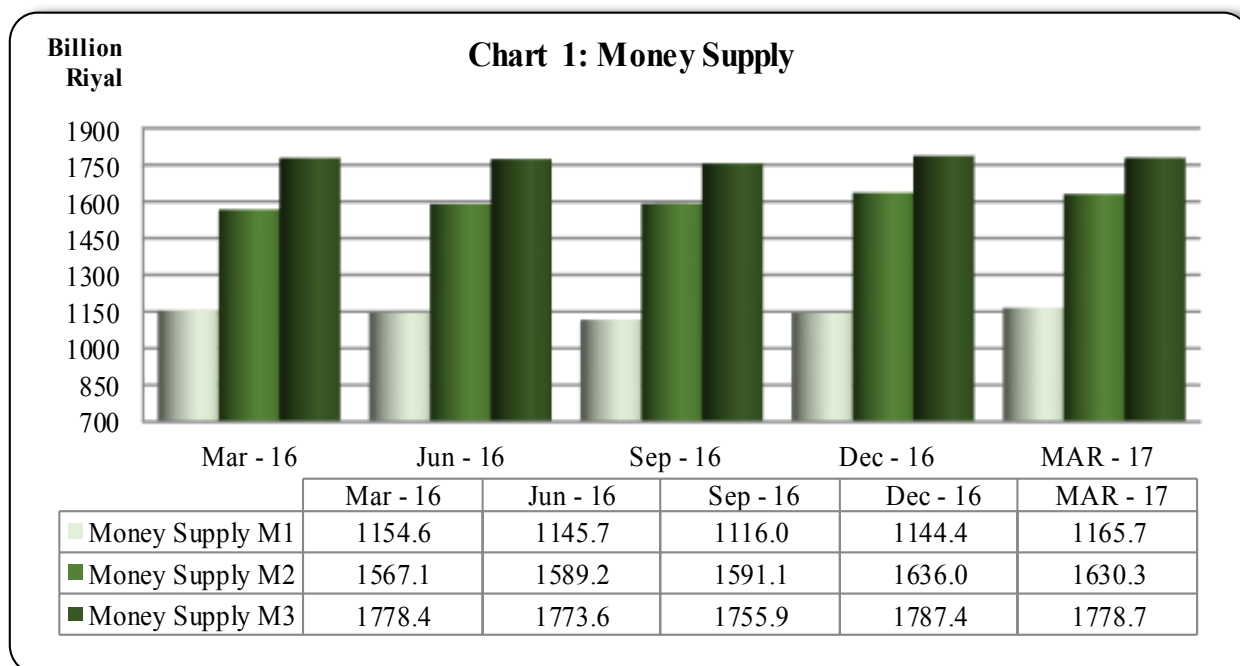
Second: Monetary Developments

2.1 Money Supply

M3 decreased by 0.5 percent (SAR 8.7 billion) to SAR 1,778.7 billion in Q1 2017, compared to an increase of 1.8 percent (SAR 31.5 billion) in the preceding quarter. It also recorded an annual rise of 0.02 percent (SAR 375.4 million) at end-Q1 2017 (Chart 1).

A breakdown of M3 components in Q1 2017 indicates that M1 rose by 1.9 percent (SAR 21.3 billion) to SAR 1,165.7 billion or 65.5 percent of M3, compared to an increase of 2.5 percent (SAR 28.4 billion) in the preceding quarter. It registered an annual rise of 1.0 percent (SAR 11 billion) at end-Q1 2017. M2, however, went down by 0.3 percent (SAR 6 billion) to SAR 1,630.3 billion or 91.7 percent of M3 in Q1 2017 against an increase of 2.8 percent (SAR 45 billion) in

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the preceding quarter. It registered an annual rise of 4.0 percent (SAR 63 billion) at end-Q1 2017.

2.2 Monetary Base

Monetary base rose by 0.1 percent (SAR 289 million) to SAR 302.7 billion in Q1 2017, compared to a decrease of 0.7 percent (SAR 2 billion) in the preceding quarter. It registered an annual rise of 1.5 percent (SAR 4.5 billion) at end-Q1 2017.

A breakdown of monetary base components indicates that currency in circulation outside banks decreased by 0.3 percent (SAR 556 million) to SAR 169.8 billion in Q1 2017, compared to a q/q decline of 1.8 percent (SAR 3.2 billion). It registered an annual rise of 0.3 percent (SAR 521 million) at end-Q1 2017.

Deposits with SAMA increased by 0.6 percent (SAR 624.2 million) to SAR 103.0

billion in Q1 2017, compared to an increase of 5.9 percent (SAR 5.7 billion) in the preceding quarter. They recorded an annual rise of 4.7 percent (SAR 4.6 billion) at end-Q1 2017. Cash in vault went up by 0.7 percent (SAR 221 million) to SAR 29.9 billion, compared to a decline of 13.2 percent (SAR 4.5 billion) in the preceding quarter. It registered an annual decline of 2.0 percent (SAR 614 million) at end-Q1 2017.

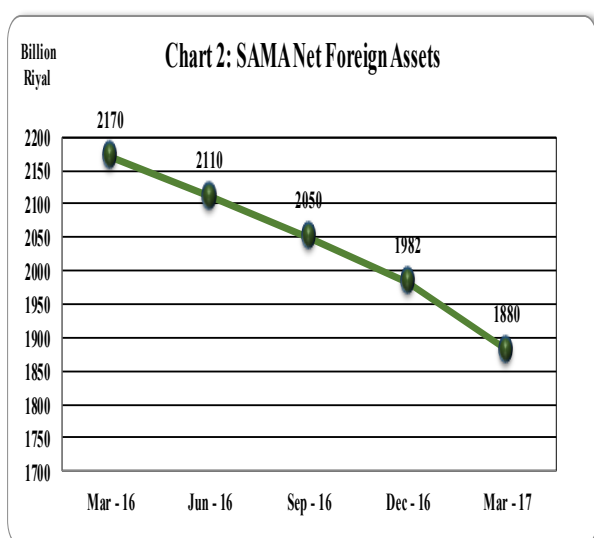
Third: Developments of SAMA's Balance Sheet

Preliminary data of SAMA's balance sheet indicates that total foreign assets fell by 5.1 percent (SAR 102 billion) to SAR 1,898.8 billion in Q1 2017, compared to a q/q decline of 3.3 percent (SAR 67.8 billion). They registered an annual decline of 13.2 percent (SAR 290 billion) at end-Q1 2017. Net foreign assets declined by 5.2 percent (SAR 102 billion) to SAR 1,880.3 billion in

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Q1 2017 against a decline of 3.3 percent (SAR 68 billion) in the preceding quarter, registering an annual decrease of 13.4 percent (SAR 290 billion) at end-Q1 2017 (Chart 2).

Total deposits in domestic currency for foreign entities increased by 0.3 percent (SAR 58 million) to SAR 18.5 billion in Q1 2017, compared to an increase of 0.2 percent

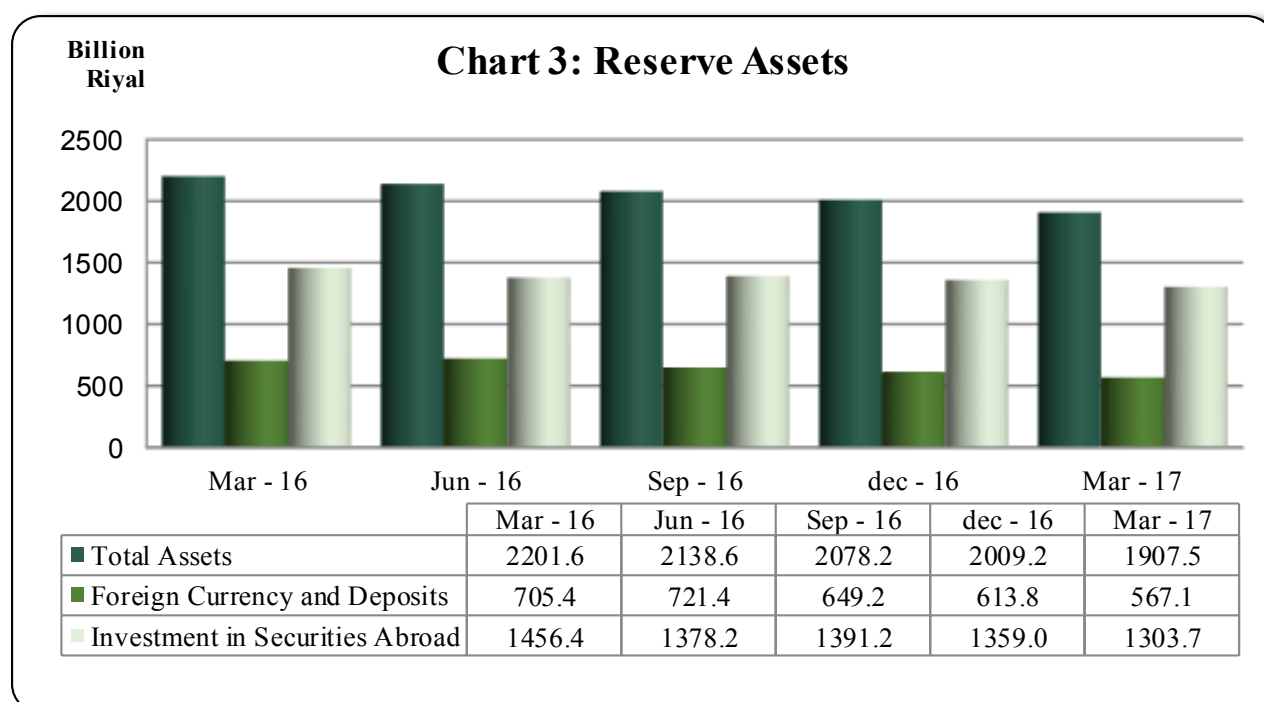


(SAR 30 million) during the preceding quarter, recording an annual rise of 0.5 percent (SAR 98 million) at end-Q1 2017.

3.1 Reserve Assets

SAMA's total reserve assets registered a decline of 5.1 percent (SAR 101.8 billion) to SAR 1,907.5 billion in Q1 2017 against a decline of 3.3 percent (SAR 69 billion) during the preceding quarter, recording an annual decrease of 13.4 percent (SAR 294.1 billion) at-end Q1 2017 (Chart 3).

A breakdown of the components of total reserve assets in Q1 2017 as compared to the preceding quarter indicates that the reserve position in the IMF dropped by 1.3 percent (SAR 93 million) to SAR 7.2 billion. Investments in securities abroad declined by 4.1 percent (SAR 55.3 billion) to SAR 1,303.7 billion. The balance of special drawing rights increased by 0.9



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percent (SAR 258 million) to SAR 27.9 billion. Deposits abroad decreased by 7.6 percent (SAR 46.7 billion) to SAR 567.1 billion, while gold reserve was stable at SAR 1,624 million. SAMA has not issued, on behalf of the Ministry of Finance, government development bonds or floating rate bonds during Q1 2017.

Fourth: Banking Developments

4.1 Bank Deposits

Total bank deposits recorded a decline of 0.5 percent (SAR 8.1 billion) to SAR 1,609 billion in Q1 2017 compared to a rise of 2.2 percent (SAR 34.6 billion) during the preceding quarter, recording an annual decline of 0.01 percent (SAR 146 million) at end-Q1 2017 (Chart 4).

A breakdown of deposit components by type in Q1 2017 indicates that demand deposits rose by 2.2 percent (SAR 21.8 billion) to SAR 995.9 billion compared to a rise of 3.4 percent (SAR 31.6 billion) during

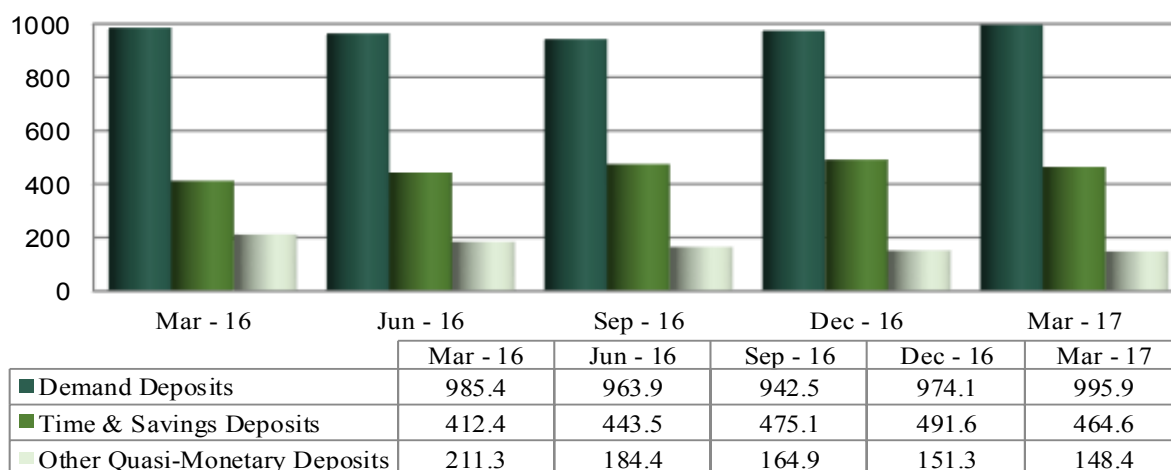
the preceding quarter, recording an annual rise of 1.1 percent (SAR 10.5 billion) at end-Q1 2017. Time and savings deposits decreased by 5.5 percent (SAR 27 billion) to SAR 464.6 billion compared to a rise of 3.5 percent (SAR 16.5 billion) during the preceding quarter, recording an annual rise of 12.7 percent (SAR 52.2 billion). Other quasi-monetary deposits decreased by 1.9 percent (SAR 2.9 billion) to SAR 148.4 billion compared to a decline of 8.2 percent (SAR 13.6 billion) during the preceding quarter, recording an annual decline of 29.7 percent (SAR 62.8 billion).

4.2 Assets and Liabilities of Commercial Banks

Total assets and liabilities of commercial banks stood at SAR 2,267.4 billion at end-Q1 2017, increasing by 0.5 percent (SAR 11 billion) compared to a q/q rise of 0.3 percent (SAR 7.3 billion). They registered an annual rise of 1.9 percent (SAR 42.3 billion) at end-Q1 2017.

Billion
Riyal

Chart 4: Bank Deposits by Type





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4.3 Commercial Banks' Foreign Assets and Liabilities

Total foreign assets of commercial banks increased by 1.8 percent (SAR 4.1 billion) to SAR 229.9 billion in Q1 2017 compared to a decrease of 9.3 percent (SAR 23.1 billion) during the preceding quarter. They registered an annual decline of 18.4 percent (SAR 51.9 billion), constituting 10.1 percent of commercial banks' total assets compared to 10.0 percent at the end of the preceding quarter (Chart 5).

Commercial banks' total foreign liabilities went up by 1.6 percent (SAR 1.3 billion) to SAR 81.4 billion in Q1 2017 against a decrease of 26.4 percent (SAR 28.7 billion) in the preceding quarter. They recorded an annual increase of 0.1 percent (SAR 0.1 billion), constituting 3.6 percent of commercial banks' total liabilities as in the end of the preceding quarter. Commercial banks' net foreign assets went up by 1.9 percent (SAR 2.8 billion) to SAR 148.5

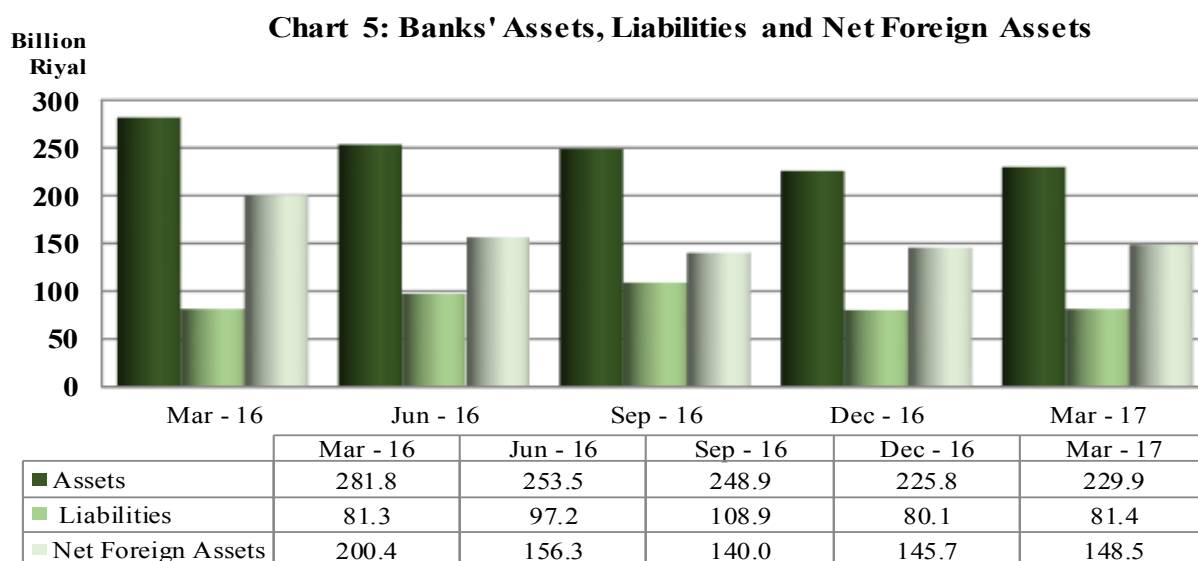
billion at end-Q1 2017 compared to an increase of 4.0 percent (SAR 5.7 billion) during the preceding quarter.

4.4 Commercial Banks' Claims on the Private and Public Sectors

Commercial banks' claims on the private and public (including government and quasi-government) sectors went up by 0.4 percent (SAR 6.5 billion) to SAR 1,639.4 billion in Q1 2017, compared to a decline of 1.4 percent (SAR 22.8 billion) in the preceding quarter, recording an annual rise of 3.9 percent (SAR 61.5 billion) at end-Q1 2017. The ratio of these claims increased, accounting for 101.9 percent of total bank deposits compared to 101.0 percent at the end of the preceding quarter.

4.4.1 Commercial Banks' Claims on the Private Sector

Commercial banks' claims on the private sector increased by 0.7 percent (SAR 9.5 billion) to SAR 1,415 billion in



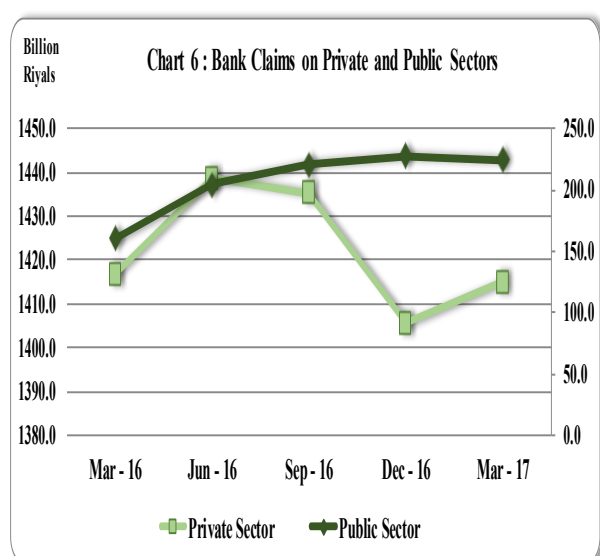
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Q1 2017, compared to a decline of 2.1 percent (SAR 29.7 billion) in the preceding quarter, registering an annual decrease of 0.1 percent (SAR 1.8 billion) at end-Q1 2017. The ratio of these claims to total bank deposits rose to 87.9 percent at end-Q1 2017 compared to 86.9 percent at the end of the preceding quarter (Chart 6).

4.4.2 Commercial Banks' Claims on the Public Sector

Commercial banks' claims on the public and quasi-public sectors decreased by 3.1 percent (SAR 3.0 billion) to SAR 224.4 billion in Q1 2017, compared to a rise of 3.2 percent (SAR 7.0 billion) in the preceding quarter, registering an annual increase of 39.3 percent (SAR 63.3 billion) at end-Q1 2017. Their ratio to total bank deposits stood at 13.9 percent at end-Q1 2017 compared to 14.1 percent at the end of the preceding quarter (Chart 6).

A breakdown of bank credit by maturity during the first quarter of 2017



indicates that long-term credit increased by 2.0 percent (SAR 8.8 billion) to SAR 442.0 billion, compared to a rise of 4.2 percent (SAR 17.4 billion) in the preceding quarter. Medium-term credit, however, went down by 0.8 percent (SAR 2.1 billion) to SAR 262.8 billion, compared to a decline of 3.2 percent (SAR 8.6 billion) in the preceding quarter. Short-term credit also decreased by 0.1 percent (SAR 0.8 billion) to SAR 701.5 billion compared to a decline of 5.1 percent (SAR 38 billion) in the preceding quarter.

4.4.3 Commercial Banks' Claims by Economic Activity

Total bank credit by economic activity increased by 0.4 percent (SAR 5.9 billion) to SAR 1,406.3 billion in Q1 2017 compared to a decline of 2.0 percent (SAR 29.2 billion) in the preceding quarter, recording an annual decline of 0.1 percent (SAR 1.6 billion) at end-Q1 2017. A breakdown of bank credit extended to economic activities in Q1 2017 indicates increases in bank credit extended to transport and telecommunication sector by 16.2 percent (SAR 6.5 billion); to water, electricity, gas and health services by 13.1 percent (SAR 5.4 billion); to services sector by 3.9 percent (SAR 2.7 billion); to agriculture and fishing sector by 2.7 percent (SAR 0.3 billion); and to commerce sector by 1.0 percent (SAR 2.9 billion). On the other hand, bank credit extended to mining and quarrying sector decreased by 11.7 percent (SAR 2.3 billion); to government and quasi-government sector by 6.7 percent (SAR 3.3 billion); to finance sector by 5.2



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percent (SAR 1.7 billion); to building and construction sector by 2.6 percent (SAR 2.9 billion); to other sectors by 0.3 percent (SAR 1.6 billion); and to manufacturing and production by 0.1 percent (SAR 0.2 billion).

4.5 Reserves, Capital, Profits and Branches of Commercial Banks

Capital and reserves of commercial banks increased by 11.3 percent (SAR 34 billion) to SAR 333 billion in Q1 2017, compared to a rise of 0.7 percent (SAR 2 billion) in the preceding quarter. Their ratio to total bank deposits was 20.7 percent at end-Q1 2017 compared to 18.5 percent at the end of the preceding quarter. The annual growth rate of commercial banks' capital and reserves went up by 7.2 percent (SAR 22.4 billion) in Q1 2017. Commercial banks' profits reached SAR 11.3 billion in Q1 2017 compared to SAR 7.6 billion in the preceding quarter, increasing by 48.7 percent (SAR 3.7 billion) compared to a y/y decrease of 2.8 percent (SAR 0.3 billion).

At end-Q1 2017, the number of commercial banks' branches operating in Saudi Arabia reached 2,044 with a q/q increase of six. They registered a y/y increase of 2.4 percent (48 branches).

4.6 Commercial Banks' Purchases and Sales of Foreign Exchange

4.6.1 Commercial Banks' Purchases of Foreign Exchange

Commercial banks' total purchases of foreign exchange fell by 2.6 percent (SAR 21.5 billion) to SAR 823.1 billion in Q1

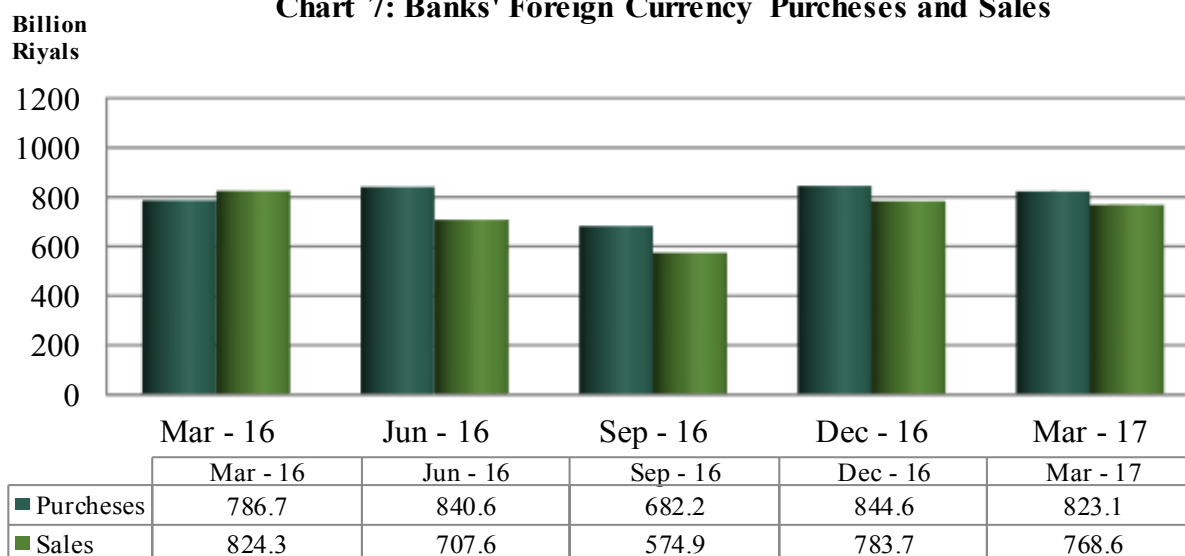
2017, compared to a q/q rise of 23.8 percent (SAR 162.4 billion). They recorded a y/y rise of 4.6 percent (SAR 36.4 billion). A q/q comparison of banks' total purchases of foreign exchange shows that purchases from other sources went down by 20.4 percent (SAR 14 billion); from SAMA by 9.1 percent (SAR 15.6 billion); and from banks abroad by 5.4 percent (SAR 19.6 billion). However, purchases from domestic banks rose by 12.3 percent (SAR 17.6 billion) and from customers by 10.2 percent (SAR 10.0 billion) (Chart 7).

4.6.2 Commercial Banks' Sales of Foreign Exchange

Commercial banks' total sales of foreign exchange decreased by 1.9 percent (SAR 15.0 billion) to SAR 768.6 billion in Q1 2017, compared to an increase of 36.3 percent (SAR 208.8 billion) during the preceding quarter. They recorded a y/y decline of 6.8 percent (SAR 55.7 billion). A q/q comparison of banks' total sales of foreign exchange indicates that the sales to other customers inside Saudi Arabia increased by 9.4 percent (SAR 19.7 billion). However, the sales to SAMA decreased by 58.5 percent (SAR 1.0 billion); to government entities by 55.6 percent (SAR 8.8 billion); to ministries and municipalities by 42.9 percent (SAR 0.1 billion); to banks abroad by 5.4 percent (SAR 18.5 billion); to other purposes by 4.0 percent (SAR 3.6 billion); to banks inside Saudi Arabia by 2.2 percent (SAR 2.6 billion); and to money changers by 0.02 percent (SAR 0.4 million) (Chart 7).

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Chart 7: Banks' Foreign Currency Purchases and Sales



Fifth: External Sector

Foreign Trade

Value of imports (CIF) recorded a y/y decrease of 28.1 percent to SAR 118.1 billion in Q4 2016, while it recorded a q/q increase of 3.6 percent.

Balance of Payments

5.1 Current Account:

Preliminary estimates suggest a deficit of SAR 4.5 billion in the current account balance in Q4 2016 compared to a y/y deficit of SAR 83.1 billion. This is attributed to projections of a surplus of SAR 24.9 billion in the balance of goods and services due to the increase in exported goods by 17.9 percent to SAR 194.2 billion compared to SAR 164.7 billion in Q4 2015, and the decline in imported goods by 28.0 percent to SAR 107.7 billion compared to SAR 149.6 billion in the corresponding quarter of the previous year as well as the decline in services deficit by 9.2 percent. The surplus of primary income balance decreased by 2.8 percent to SAR 14.4 billion compared to the

corresponding quarter of the previous year. The deficit in the secondary income balance also decreased by 2.9 percent to SAR 43.8 billion compared to the corresponding quarter of the preceding year.

5.2 Capital Account:

Capital account item registered outflows of SAR 639 million in Q4 2016 against SAR 937 million in the corresponding quarter of the previous year.

5.3 Financial Account:

Net direct investments fell by SAR 4.5 billion in Q4 2016 due to an increase in domestic net incurrence of liabilities of SAR 7.5 billion over the increase of net acquisition of financial assets abroad of SAR 3.0 billion. Net portfolio investments recorded a decline of SAR 46.0 billion against a rise of SAR 4.7 billion in the corresponding quarter of the preceding year. Net other investments recorded an increase of SAR 40.4 billion against an increase of SAR 13.7 billion y/y. Net



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reserve assets registered a decrease of SAR 69.0 billion in Q4 2016 against a decrease of SAR 143.0 billion y/y, owing to a decrease in other reserve assets by SAR 67.6 billion (due to the decline of SAR 35.4 billion in the currencies and deposits item and the decline of SAR 32.2 billion in the item of security investments). Moreover, the decline in the special drawing rights of SAR 1.1 billion contributed to the decline in reserve assets.

Sixth: Banking Technology Developments and Financial Inclusion:

6.1 Saudi Riyal Inter-bank Express System (SARIE)

Statistics of the Saudi Riyal Inter-bank Express System (SARIE) show that total value of its transactions in Q1 2017 went up by 24 percent (SAR 3,542.2 billion) to SAR 18,310.1 billion. The value of single payment transactions totaled SAR 17,786.7 billion, whereas the total value of bulk payment transactions stood at SAR 515.0 billion. Total customer payments reached SAR 1,360.2 billion, with a q/q decline of 10 percent. The total value of inter-bank payment transactions was SAR 16,941.5 billion, with a q/q increase of 29 percent.

6.2 Mada

Total number of ATM transactions in Q1 2017 was approximately 488.1 million, with cash withdrawals totaling SAR 179.4 billion, including transactions through banks' network and Mada. Total point of sale (POS) transactions was 155 million with sales totaling SAR 46.2 billion in Q1 2017. The number of ATMs totaled 18 thousand and the

number of ATM cards issued by domestic banks stood at 26.6 million at end- Q1 2017. The number of POS terminals reached 294.5 thousand at end-Q1 2017.

6.3 Clearing

Data on clearing in Q1 2017 shows that the number of bank checks (outgoing and incoming) cleared at the clearing houses totaled 1.3 million with a total value of SAR 128.6 billion. The number of individual and corporate checks totaled 1.2 million with a total value of SAR 95.1 billion, and the number of certified checks totaled 129 thousand with a total value of SAR 33.5 billion.

Seventh: Domestic Stock Market Developments

The general share price index fell by 2.9 percent to 7,001.6 points at end-Q1 2017 compared to a decrease of 28.2 percent in the preceding quarter, recording an annual increase of 12.5 percent. The number of traded shares decreased by 29.3 percent to 13.6 billion in Q1 2017 compared to a q/q increase of 94.0 percent, recording a y/y decline of 34.5 percent. Total value of shares traded in Q1 2017 went up by 16.0 percent to SAR 251.5 billion compared to a q/q rise of 77.1 percent, recording a y/y decline of 31.7 percent.

At end-Q1 2017, the stock market capitalization dropped by 2.6 percent to SAR 1,638 billion against a rise of 26.9 percent at the end of the preceding quarter.



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The stock market capitalization registered a y/y increase of 13.9 percent. Total number of transactions executed in Q1 2017 decreased by 3.4 percent to 6.9 million compared to a rise of 73.9 percent in the preceding quarter, recording a y/y fall of 22.0 percent (Chart 8).

Eighth: Investment Funds

Total assets of investment funds managed by investment companies went up by 19.0 percent (SAR 16.7 billion) to SAR 104.5 billion in Q1 2017 compared to a rise of 7.4 percent (SAR 6.0 billion) in the preceding quarter, recording a y/y rise of 14.6 percent (SAR 13.3 billion).

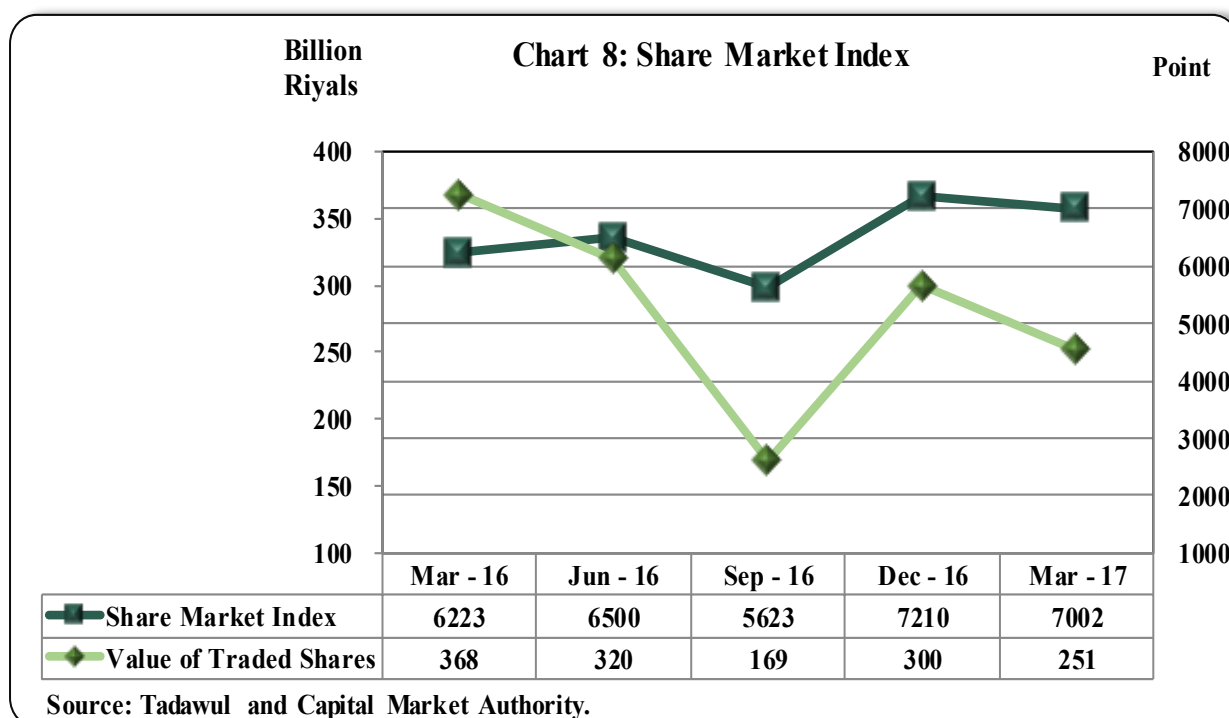
A breakdown of total assets of investment funds shows that domestic assets increased by 17.5 percent (SAR 12.4 billion) to SAR 83.0 billion in Q1 2017 compared to a rise of 6.0 percent (SAR 4.0 billion) in the previous quarter. Domestic assets also

registered a y/y increase of 26.2 percent (SAR 17.2 billion). Foreign assets rose by 25.0 percent (SAR 4.3 billion) to SAR 21.5 billion in Q1 2017 against a rise of 13.6 percent (SAR 2.0 billion) in the preceding quarter; however, they registered a y/y fall of 15.3 percent (SAR 3.9 billion).

The number of investment fund shareholders declined by 0.1 percent (167 shareholders) to 224.2 thousand in Q1 2017, compared to a decline of 0.6 percent (1,438 shareholders) in the preceding quarter, recording a y/y decrease of 4.2 percent (9,803 shareholders). Furthermore, the number of operating funds remained as in the preceding quarter (275 funds).

Ninth: Specialized Credit Institutions (SCIs)

According to the latest available data, the specialized credit institutions' total





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outstanding loans went down in Q3 2016 by 16.3 percent (SAR 58.5 billion) to SAR 300.5 billion, compared to an increase of 1.3 percent (SAR 4.7 billion) in the preceding quarter, recording an annual decline of 12.8 percent (SAR 44.1 billion) at end-Q3 2016.

Total actual disbursements of loans decreased by 52 percent (SAR 6 billion) in Q3 2016 compared to a decrease of 5.4 percent (SAR 0.6 billion) in the preceding quarter, recording an annual decline of 65 percent. Total repayments to specialized credit institutions (SCI) went down by 43 percent (SAR 3.4 billion) in Q3 2016 compared to a decline of 9.2 percent (SAR 0.8 billion) in the preceding quarter, registering an annual decrease of 3.4 percent. SCIs' net credit fell by 78 percent (SAR 2.1 billion) in Q3 2016, compared to a rise of 7 percent (SAR 179 million) in the preceding quarter, recording an annual decrease of 94 percent.

A breakdown of the loans extended by the SCIs in Q3 2016 indicates that the loans extended by the Saudi Industrial Development Fund (SIDF) went up by 44 percent (SAR 418 million) compared to a decrease of 39 percent (SAR 610 million) in the preceding quarter. Loans extended by the Real Estate Development Fund fell by 50.4 percent (SAR 1,951 million) in Q3 2016 against a rise of 19 percent (SAR 605 million) in the preceding quarter, and loans extended by the Agriculture Development Fund declined by 73 percent (SAR 227 million) compared to a rise of 203 percent (SAR 209 million) in the preceding quarter. Loans extended by the Public

Investment Fund went down by 78 percent (SAR 3,347 million) compared to a fall of 8.1 percent (SAR 340 million) in the preceding quarter, and loans extended by the Social Development Bank fell by 26 percent (SAR 451 million) compared to a decrease of 22 percent (SAR 488 million) in the preceding quarter.

As for credit repayments in Q3 2016, the volume of repayments to the Public Investment Fund went down by 63.2 percent (SAR 912 million) against a decline of 64 percent (SAR 2,536 million) in the preceding quarter. Repayments to the Social Development Bank declined by 26 percent (SAR 451 million) compared to a decrease of 22 percent (SAR 488 million) in the preceding quarter. However, repayments to the SIDF went up by 44 percent (SAR 418 million) against a decline of 39 percent (SAR 610 million) in the preceding quarter. Repayments to the Real Estate Development Fund fell by 50.3 percent (SAR 1,951 million) against an increase of 19 percent (SAR 605 million) in the preceding quarter, and repayments to the Agriculture Development Fund fell by 73 percent (SAR 227 million) compared to a rise of 203 percent (SAR 209 million) in the preceding quarter.

Tenth: Supervisory and Legislative Banking Developments during the First Quarter of 2017

- SAMA issued guidelines for remittance centers that belong to banks.
- SAMA has concluded on a consultation process with the banking sector for



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measuring counterparty credit risk and has also concluded on a consultation process with the banking sector related to the Interest Rate Risk in the Banking Book and Market Risk.

- SAMA has issued various standards and guidelines.
- SAMA has also concluded on a consultation process with the banking sector related to the Interest Rate Risk in the Banking Book and Market Risk and has issued the relevant final standards.
- SAMA has also issued various standards and guidelines as summarized below:
 1. LGD for unsecured corporate exposures has been reduced from 60% to 50%.
 2. New regulatory initiatives have been taken around capturing detailed information on rescheduling, restructuring and write offs
 3. New regulatory initiatives have been taken around introducing interest rate gap returns.
 4. New regulatory initiatives have been taken around introducing new SME dashboard along with modifying existing regulatory returns.

Eleventh: Prominent Regulatory Developments in the Saudi Economy during the First Quarter of 2017

- Approving the Unified Agreement for Value Added Tax (VAT) and the Unified

Agreement for Excise Tax for the GCC States.

- Approving the agreement between the Saudi Government and the US Government to improve international tax compliance and for the implementation of the Foreign Account Tax Compliance Act (FATCA).
- Approving the change of the name of the Saudi Vision 2030 program "*Qawam*" (for increasing government spending efficiency, using resources effectively and limiting wasteful consumption) to become "*Ittizan*" (the national program for increasing government spending efficiency through functional practice).
- Approving the establishment of the General Authority for Real Estate.
- Approving the restructuring of the Board of Directors of the Saudi Stock Exchange (Tadawul).
- Approving the addition of a representative of the Job Creation and Unemployment Control Authority to become a member of the Board of Directors of the Small and Medium Enterprises General Authority.
- Approving the addition of a provision prescribing the punishment of defamation for bad-check offenses.
- Specifying the tax base of taxpayers working in the oil and hydrocarbons industry in Saudi Arabia.