



Economic Developments

First Quarter, 2013

Research and Statistics Department
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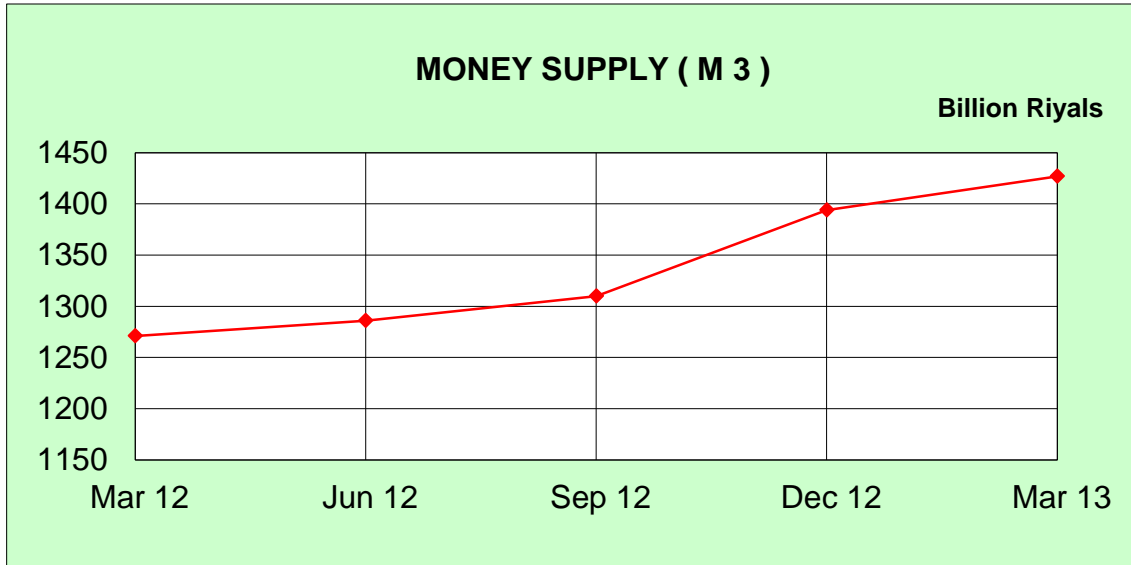
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First: Monetary Developments

Broad money (M3) rose by 2.4 percent (RIs 33.4 billion) to RIs 1,427.2 billion during the first quarter of 2013 compared to a rise of 6.4 percent (RIs 83.7 billion) in the previous quarter. It also registered an annual growth rate of 12.3 percent (RIs 156.6 billion) at the end of the first quarter of 2013.



An analysis of the components of money supply (M3) indicates that (M1) rose by 6.1 percent (RIs 53.8 billion) to RIs 941 billion, or 66.0 percent of total money supply (M3) during the first quarter of 2013 compared to a rise of 7.8 percent (RIs 64.0 billion) during the preceding quarter. Money supply (M1) registered an annual rise of 17.6 percent (RIs 140.8 billion) at the end of the first quarter of 2013. Money supply (M2) went up by 3.4 percent (RIs 41.5 billion) to RIs 1,253 billion, or 87.8 percent of total money supply (M3) during the first quarter of 2013 against an increase of 8.5 percent (RIs 94.6 billion) in the preceding quarter. Money supply (M2) registered an annual increase of 13.2 percent (RIs 145.8 billion) at the end of the first quarter of 2013.

Second: Monetary Policy

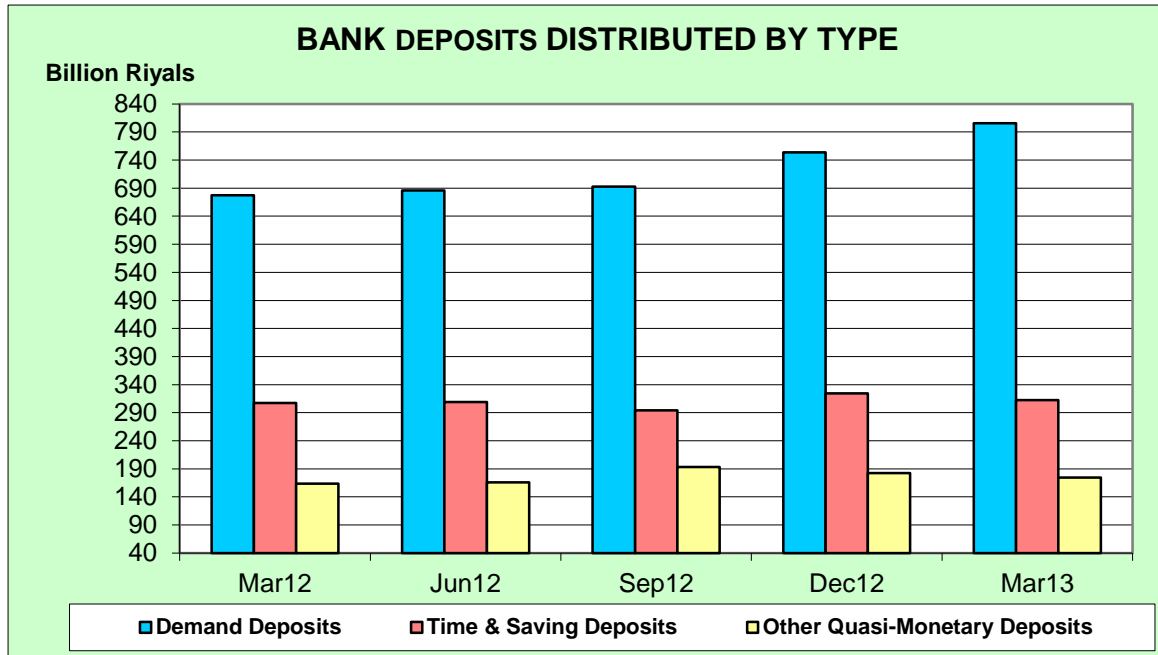
During the first quarter of 2013, SAMA continued to pursue monetary policy aimed at achieving financial and price stability by monitoring domestic and international economic developments and monetary liquidity developments and taking necessary measures in this respect. SAMA's daily average Repo transactions stood at RIs 43 million during the first quarter of 2013 against RIs 33 million in the previous quarter. Daily average Reverse Repo transactions totaled RIs 97,922 million in the same period compared to a daily average of RIs 9,172 million in the previous quarter.

Domestic inter-bank interest rates (SIBOR) on three-month deposits (Saudi inter-bank interest rate) remained stable on 0.99 percent at the end of the first quarter of 2013 compared to 1.0 percent in the preceding quarter. The differential between the Riyal and the Dollar deposits for a three-month period continued to be in favor of the Riyal, standing at 70 basis points at the end of the first quarter of 2013, compared to 69 basis points at the end of the preceding quarter. The Saudi Riyal exchange rate maintained its official rate at RIs 3.75 against the Dollar at the end of the first quarter of 2013.

Third: Banking Developments

3.1 Bank Deposits

Total bank deposits recorded a rise of 2.5 percent (Rls 31.2 billion) to Rls 1,291.8 billion during the first quarter of 2013 compared to a rise of 6.8 percent (Rls 80.7 billion) during the preceding quarter, recording an annual rise of 12.5 percent (Rls 144 billion) at the end of the first quarter of 2013. The ratio of total bank deposits to total broad money supply (M3) at the end of the first quarter of 2013 stood at 90.5 percent compared to 90.4 percent at the end of the preceding quarter.



A review of the components of deposits by type during the first quarter of 2013 indicates that demand deposits rose by 7 percent (Rls 51.7 billion) to Rls 805.6 billion compared to a rise of 8.8 percent (Rls 61.0 billion) during the preceding quarter. However, time and savings deposits went down by 3.8 percent (Rls 12.3 billion) to Rls 312.1 billion against a rise of 10.4 percent (Rls 30.6 billion) during the preceding quarter. Other quasi-monetary deposits also went down by 4.4 percent (Rls 8.1 billion) to Rls 174.1 billion compared to a decline of 5.6 percent (Rls 10.9 billion) during the preceding quarter. On an annual basis, demand deposits rose by 19.0 percent (Rls 128.2 billion), time and savings deposits by 1.7 percent (Rls 5.1 billion) and other quasi-monetary deposits by 6.6 percent (Rls 10.7 billion) at the end of the first quarter of 2013.

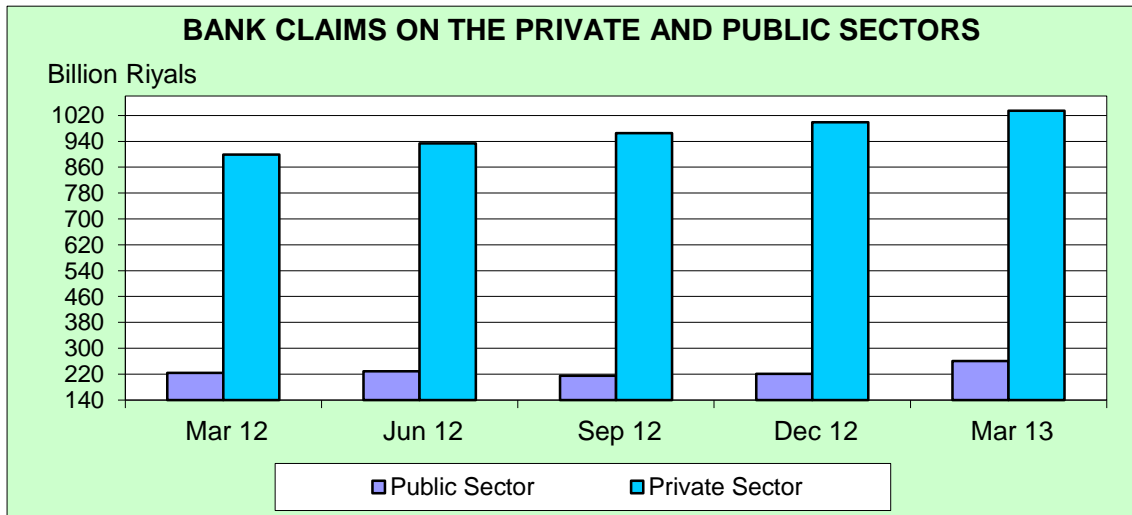
3.2 Credit and Investment Activity of Commercial Banks

Total claims of commercial banks on the private and government sectors (bank credit and investments) rose by 6.2 percent (Rls 75.2 billion) to Rls 1,295.1 billion during the first quarter of 2013, compared to a rise of 3.4 percent (Rls 40.0 billion) in the preceding quarter, recording an annual increase of 15.3

percent (Rls 172.1 billion) and constituting 100.2 percent of total bank deposits compared to 96.8 percent at the end of the preceding quarter.

Total claims of commercial banks on the private sector during the first quarter of 2013 went up by 3.5 percent (Rls 35.3 billion) to Rls 1,034.4 billion, compared to a rise of 3.5 percent (Rls 33.8 billion) during the preceding quarter, recording an annual rise of 15.1 percent (Rls 135.5 billion) at the end of the first quarter of 2013. The ratio of commercial banks' claims on the private sector to total bank deposits was 80.1 percent at the end of the first quarter of 2013, compared to 79.3 percent at the end of the previous quarter.

Total claims of commercial banks on the government and quasi-government sectors rose by 18.1 percent (Rls 39.8 billion) to Rls 260.6 billion during the first quarter of 2013 against an increase of 3.0 percent (Rls 6.2 billion) during the preceding quarter, registering an annual rise of 16.3 percent (Rls 36.5 billion). Their ratio to total bank deposits was 20.2 percent at the end of the first quarter of 2013, compared to 17.5 percent at the end of the previous quarter.



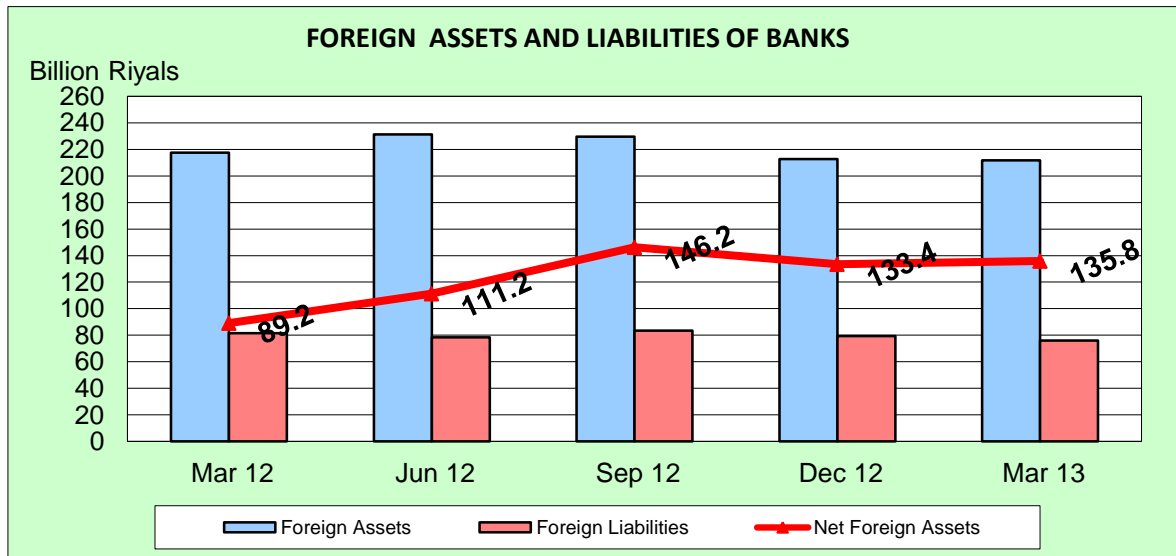
An analysis of bank credit by maturity (private and government sectors) during the first quarter of 2013 shows that short-term credit went up by 3.2 percent (Rls 17.1 billion) to Rls 553.8 billion compared to a decline of 3.4

percent (Rls 19.1 billion) during the preceding quarter. Long-term credit also increased by 10.9 percent (Rls 28.7 billion) to Rls 291.7 billion compared to a rise of 8.0 percent (Rls 19.4 billion) during the preceding quarter. However, medium-term credit went down by 3.1 percent (Rls 6.1 billion) to Rls 194.2 billion, compared to a rise of 15.3 percent (Rls 26.5 billion) during the preceding quarter.

Total bank credit extended by economic activity increased by 4.0 percent (Rls 39.6 billion) to Rls 1,039.7 billion during the first quarter of 2013, compared to a rise of 2.8 percent (Rls 26.8 billion) during the preceding quarter, recording an annual rise of 15.8 percent (Rls 142.1 billion) at the end of the first quarter of 2013. A breakdown of bank credit extended to economic activities during the first quarter of 2013 indicates that bank credit extended to “government and quasi-government sector” went up by 15.9 percent (Rls 6.3 billion), to “agriculture and fishing” by 15.1 percent (Rls 1.4 billion), to "other sectors" by 6.5 percent (Rls 24.0 billion), to “industry and production” by 5.9 percent (Rls 7.4 billion), to "mineral and mining" by 3.4 percent (Rls 0.4 billion), to “commerce” by 3.1 percent (Rls 6.5 billion) and to “services” by 0.3 percent (Rls 0.2 billion). In contrast, bank credit extended to “building and construction” decreased by 5.3 percent (Rls 4.0 billion), to "transport and communications" by 4.3 percent (Rls 1.6 billion), to “finance” by 2.8 percent (Rls 0.9 billion) and to “water, electricity, gas and health servicers” by 0.1 percent (Rls 0.04 billion) during the first quarter of 2013.

3.3 Commercial Banks' Foreign Assets and Liabilities

Total foreign assets of commercial banks during the first quarter of 2013 decreased by 0.5 percent (Rls 1.1 billion) to Rls 211.7 billion, compared to a decline of 7.3 percent (Rls 16.7 billion) during the preceding quarter. They registered an annual decrease of 2.7 percent (Rls 6 billion), constituting 11.9 percent of total commercial banks' assets compared to 12.3 percent at the end of the preceding quarter.



Commercial banks' total foreign liabilities also went down by 4.4 percent (Rls 3.5 billion) to Rls 75.9 billion during the first quarter of 2013 against an decline of 4.8 percent (Rls 4.0 billion) in the preceding quarter. The annual growth rate of total foreign liabilities dropped by 7.0 percent (Rls 5.7 billion), constituting 4.3 percent of commercial banks' total liabilities against 4.6 percent at the end of the preceding quarter. Net foreign assets went up by 1.8 percent (Rls 2.4 billion) to Rls 135.8 billion at the end of the first quarter of 2013 compared to a decline of 8.7 percent (Rls 1.3 billion) during the preceding quarter.

3.4 Commercial Banks' Capital and Reserves, Profits and Branches

The capital and reserves of commercial banks increased by 12.1 percent (Rls 25.3 billion) to Rls 234.7 billion during the first quarter of 2013 compared to a decrease of 0.2 percent in the previous quarter. The ratio of commercial banks' capital and reserves to total bank deposits at the end of the first quarter of 2013 stood at 18.2 percent compared to 16.6 percent in the previous quarter. Their annual growth rate rose by 8.6 percent (Rls 18.5 billion) in the first quarter of 2013.

Commercial banks' profits stood at Rls 9.3 billion during the first quarter of 2013 compared to Rls 7.5 billion in the preceding quarter, increasing by 23.8 percent (Rls 1.8 billion) and recording an annual negative growth rate of 0.1 percent (Rls 0.01 billion).

At the end of the first quarter of 2013, the number of commercial banks' branches operating in the Kingdom increased to 1,711, recording a growth rate of 0.9 percent (15 branches) compared to 1,696 at the end of the preceding quarter.

3.5 Commercial Banks' Assets and Liabilities

Total assets and liabilities of commercial banks stood at Rls 1,772.2 billion at the end of the first quarter of 2013, increasing by 2.2 percent (Rls 38 billion), compared to a rise of 5.0 percent (Rls 84.7 billion) in the preceding quarter. They recorded an annual growth rate of 11.0 percent (Rls 176.3 billion) at the end of the first quarter of 2013.

Fourth: Banking Technology Developments

Statistics of the Saudi Riyal Inter-bank Express System (SARIE) show that the value of transactions in the first quarter of 2013 totaled Rls 18,548.7 billion (nearly \$4,946.2 billion) through 1.8 million messages involving a total of 13.4 million transfers carried out through SARIE. The value of single payment transactions totaled Rls 17,459.1 billion, whereas the total value of gross payment transactions stood at Rls 359.9 billion*. Customers' payments stood at Rls 1,067.9 billion, increasing by 8.7 percent over the corresponding quarter of the preceding year. The total value of inter-bank payments transactions stood at Rls 17,473.6 billion.

As for SPAN developments, the number of transactions executed via ATMs in the first quarter of 2013 was about 340 million, with cash withdrawals

*Including total customers' and inter-bank payments.

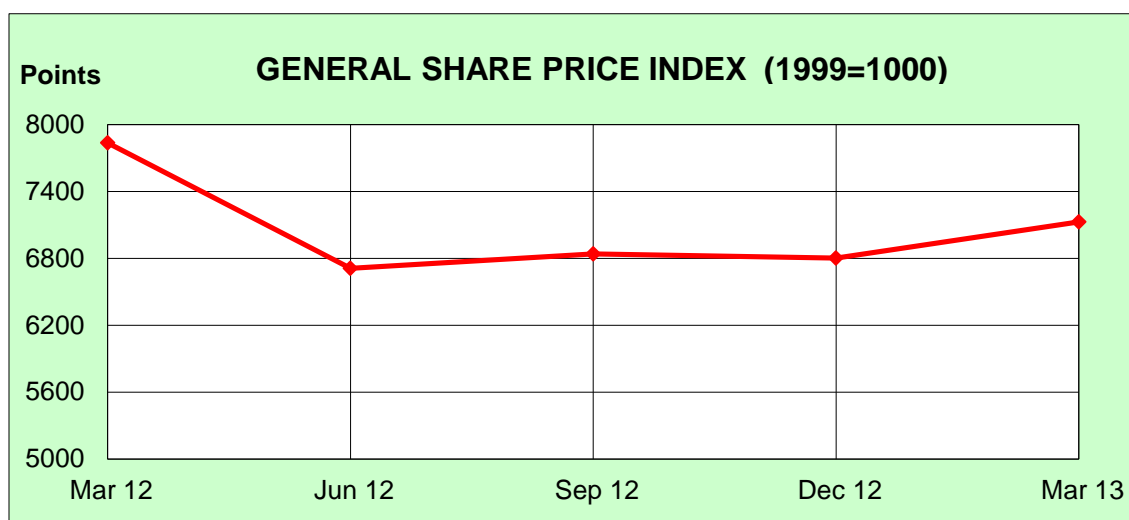
totaling Rls 163 billion, including transactions through banks' network and SPAN. Total transactions executed through POS terminals stood at 69.2 million with total sales of Rls 35.1 billion during the first quarter of 2013. The number of ATMs totaled 13,003 and the number of cards issued by domestic banks stood at about 16.5 million at the end of the first quarter of 2013. The number of POS terminals exceeded 94.9 thousand at the end of the same quarter.

The number of bank checks (outgoing and incoming) cleared at the clearing houses in the first quarter of 2013 totaled 1.8 million with a total value of Rls 235.8 billion. The number of household and business checks totaled 1.6 million with a total value of Rls 168.6 billion, and the number of certified checks totaled 234.8 thousand with a total value of Rls 67.2 billion during the same period.

Fifth: Domestic Share Market Developments

The general share price index went up at the end of the first quarter of 2013 by 4.8 percent to 7,125.7 compared to a decline of 0.6 percent in the preceding quarter, recording an annual decrease of 9.0 percent. The number of traded shares also rose by 20 percent to 13.3 billion compared to a decrease of 28.7 percent in the preceding quarter, recording an annual fall of 58.3 percent. Total value of traded shares increased by 17.9 percent to Rls 368.5 billion compared to a decline of 15.5 percent in the preceding quarter, with its annual growth rate decreasing by 46.2 percent.

At the end of the first quarter of 2013, the market capitalization of issued shares went up by 3.7 percent to Rls 1,452 billion against an increase of 2.0 percent in the preceding quarter, recording an annual decline of 5.7 percent. Total number of transactions executed in the first quarter of 2013 rose by 18.5 percent to 9.2 million compared to a decline of 8.7 percent in the preceding quarter. The annual growth rate of the total number of executed transactions went down by 32.0 percent.



Sixth: Investment Funds

Total assets of investment funds managed by investment companies went up by 5.0 percent (Rls 4.4 billion) in the first quarter of 2013 to Rls 92.5 billion compared to a decrease of 2.2 percent (Rls 2.0 billion) in the previous quarter, recording an annual growth rate of 2.5 percent (Rls 2.3 billion).

An analysis of the total assets of the funds indicates that their domestic assets increased by 0.58 percent (Rls 0.4 billion) to Rls 70.2 billion, compared to a decline of 1.4 percent (Rls 1.0 billion) in the preceding quarter. Domestic assets registered an annual decrease of 2.1 percent (Rls 1.5 billion). Foreign assets rose by 18.3 percent (Rls 4.1 billion) to Rls 22.3 billion during the first quarter of 2013 against a decline of 5.3 percent (Rls 1.0 billion) in the preceding quarter, recording an annual rise of 17 percent (Rls 3.8 billion).

The number of subscribers to investment funds dropped by 1.8 percent (4,760) to 270.8 thousand in the first quarter of 2013 compared to a decline of 1.5 percent (4,030) in the preceding quarter. The number of subscribers recorded an annual decrease of 6.8 percent (18,439). The number of operating funds was unchanged at 240 during the first quarter of 2013, the same as in the preceding quarter.

Seventh: Supervisory and Legislative Banking Developments:

SAMA issued a number of supervisory and legislative circulars during the first quarter of 2013, as follows:

- Circular No. 25408 dated 08/01/2013 (26/2/1434H) regarding addressing the observations relating to apply the anti-money laundering requests.
- Circular No. 26347 dated 10/01/2013 (28/02/1434H) regarding the consultative documents - amendments to the Basel Tawarruq Framework.
- SAMA's Circular No. 32556 dated 24/02/2013 (12/03/1434H) concerning the Prudential Return on the Information related to Consumer Loans.
- Circular No.33330 dated 27/02/2013 (15/03/1434H) pertaining to improve the transparency of the Saudi derivatives financial market.
- Circular No. 36442 dated 02/02/2013 (21/03/1434H) concerning Credit Risk Management rules.
- Circular No. 47687 dated 25/02/2013 (15/04/1434H) concerning BCBS's document on Eventual Banking Supervision, entitled: "Principles to Ensure the Effectiveness of Risk Data Collection and Reporting".
- Circular No. 52021 dated 06/03/2013 (24/04/1434H) regarding instructions on Internal Control on Banking Operations.
- Circular No. 55883 dated 14/03/2013 (02/05/1434H) concerning ceasing of dealing in Increasing Premium Finance.
- Circular No. 56407 dated 16/03/2013 (04/05/1434H) regarding the BCBS's press release issued on 15 February 2013 concerning its final instructions on risk management related to foreign exchange transactions.
- Circular No. 58316 dated 19/03/2013 (07/05/1434H) pertaining to SAMA's draft for the Prudential Return on following-up Basel III

standard for liquidity ratios based on the amendment of liquidity coverage rate issued in January 2013.

- Circular No. 59261 dated 23/03/2013 (11/05/1434H) on customer information issued by the Saudi Credit Information Company (SIMAH).
- Circular No. 62753 dated 31/03/2013 (19/05/1434H) concerning the BCBS's consultative document about the regulatory framework on the measurement of large exposures and ways to reduce them.

Eighth: Prominent Regulatory Developments in the Saudi Economy during the First Quarter of 2013

- Issuance of the Council of Ministers' Resolution dated 16/03/1434H (28/01/2013) approving the (Amended) Consolidated Law for Anti-Dumping and Countervailing and Preventive Measures for the Gulf Cooperation Council for the Arab Gulf States.
- Issuance of the Council of Ministers' Resolution dated 1/4/1434H (11/02/2013) approving the establishment of a stock-holding company for the development of the government-owned heritage buildings and the investment in them as heritage accommodations and hospitality.