

2018

Monetary and Banking Developments

First Quarter, 2018



Research and International Affairs Deputyship
Economic Research Department

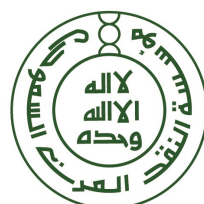


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Executive Summary

Executive Summary

In Q1 2018, SAMA decided to raise the reverse repo rate from 1.50 percent to 1.75 percent and the repo rate from 2 percent to 2.25 percent. The cash reserve ratio was maintained at 7 percent for demand deposits and at 4 percent for time and savings deposits. SAMA also continued to maintain the limit of weekly subscription to treasury bills for domestic banks at SAR 3 billion during the first quarter of 2018. The average three-month Saudi interbank offered rate (SAIBOR) went up to 1.9257 percent in Q1 2018.

Broad money supply (M3) decreased by 0.5 percent in Q1 2018, while the monetary base rose by 3.3 percent to SAR 311.9 billion during the same period. Preliminary data of SAMA's balance sheet indicates that total foreign assets fell by 0.7 percent to SAR 1,839.5 billion in Q1 2018. SAMA's total reserve assets also decreased by 0.6 percent to SAR 1,850.2 billion.

Total bank deposits decreased by 1.1 percent to SAR 1,600.8 billion in Q1 2018. Total assets and liabilities of commercial banks stood at SAR 2,262.4 billion at end-Q1 2018, decreasing by 1.9 percent. Commercial banks' claims on the private and public sectors went up by 1.7 percent to SAR

1,723.3 billion in Q1 2018.

Preliminary estimates indicate a surplus of SAR 29.4 billion in the current account balance in Q4 2017 compared to a deficit of SAR 5.9 billion in the corresponding quarter of the previous year.

Total value of the Saudi Riyal Inter-bank Express System (SARIE) transactions in Q1 2018 went up by 22.4 percent to SAR 16,226.3 billion. Total number of ATM transactions in Q1 2018 was approximately 528.6 million, with cash withdrawals totaling SAR 185.3 billion, including transactions through banks' network and Mada.

The general share price index went up by 8.9 percent to 7,870.9 points at end-Q1 2018. The market capitalization of shares rose by 10.7 percent to SAR 1,870 billion at end-Q1 2018 as compared to the end of the preceding quarter.

Total assets of investment funds managed by investment companies went up by 8.9 percent to SAR 120.1 billion in Q1 2018. According to the latest available data, actual disbursements of loans from government Specialized Credit Institutions (SCIs) increased by 127.3 percent, and total loan repayments to SCIs also increased by 23.8 percent in Q4 2017.

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.

1.1 Rate of Return and Cash Reserve

In Q1 2018, SAMA decided to raise the reverse repo rate from 1.50 percent to 1.75 percent and the repo rate from 2 percent to 2.25 percent.

SAMA's daily average repo transactions stood at SAR 45 million in Q1 2018 compared to SAR 288 million in Q4 2017, while daily average reverse repo transactions amounted to SAR 97 billion in Q1 2018 compared to SAR 70 billion in Q4 2017.

The cash reserve ratio was maintained at 7 percent for demand deposits and at 4 percent for time and savings deposits.

1.2 Interest Rates

To encourage domestic banks to increase lending, SAMA continued to maintain the limit of weekly subscription in treasury bills for domestic banks at SAR 3 billion in Q1 2018. The average three-month Saudi interbank offered rate (SAIBOR) rose to 1.9257 percent in Q1 2018. The average three-month interest rate differential between the riyal (SAIBOR) and the dollar (LIBOR) was about 3.1 basis points in favor of the dollar in Q1 2018, compared to 35.9 basis points in Q4 2017. As for the riyal exchange rate against the dollar, it remained unchanged at its official peg rate of SAR 3.75.

In light of the current developments and in

order to enhance monetary stability, SAMA has decided to suspend the use of 7-day, 28-day and 90-day repurchase agreements.

As regards foreign exchange swaps, SAMA did not make any swap transaction with domestic banks in Q1 2018.

Second: Monetary Developments

2.1 Money Supply

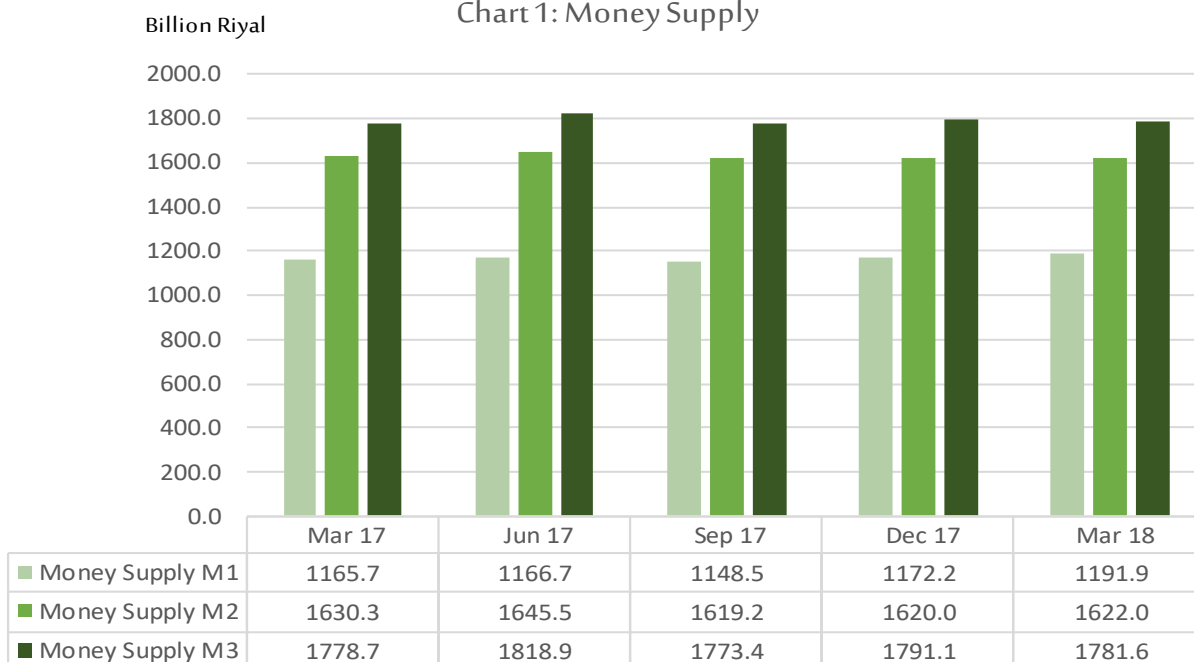
Broad money supply (M3) decreased by 0.5 percent (SAR 9.5 billion) to SAR 1,781.6 billion in Q1 2018, compared to a rise of 1.0 percent (SAR 17.7 billion) in the preceding quarter, recording a y/y increase of 0.2 percent (SAR 2.9 billion) (Chart 1).

A breakdown of the components of M3 in Q1 2018 indicates that narrow money supply (M1) rose by 1.7 percent (SAR 19.7 billion) to SAR 1,191.9 billion or 66.9 percent of M3, compared to a rise of 2.1 percent (SAR 23.7 billion) in the preceding quarter, recording a y/y rise of 2.2 percent (SAR 26.2 billion). On the other hand, money supply (M2) registered a slight rise of 0.1 percent (SAR 2.0 billion) to SAR 1,622 billion or 91.0 percent of M3 in Q1 2018, compared to an increase of 0.1 percent (SAR 0.9 billion) in the preceding quarter. It recorded a y/y decline of 0.5 percent (SAR 8.3 billion).

2.2 Monetary Base

The monetary base went up by 3.3 percent (SAR 10 billion) to SAR 311.9 billion in Q1 2018 compared to a decline of 2.3 percent (SAR 7 billion) in the previous quarter. It registered a y/y increase

Chart 1: Money Supply



of 3.0 percent (SAR 9.2 billion). A breakdown of the components of the monetary base indicates that deposits with SAMA rose by 0.8 percent (SAR 0.8 billion) to SAR 99.4 billion in Q1 2018 compared to a decrease of 6.7 percent (SAR 7.0 billion) in the preceding quarter, recording a y/y decline of 3.5 percent (SAR 3.7 billion). Cash in vault increased by 1.2 percent (SAR 0.4 billion) to SAR 31.7 billion, compared to a decline of 4.3 percent (SAR 1.4 billion) in the preceding quarter. It recorded a y/y increase of 6.0 percent (SAR 1.8 billion). Currency in circulation went up by 5.1 percent (SAR 8.8 billion) to SAR 180.8 billion, compared to a rise of 0.8 percent (SAR 1.4 billion) in the preceding quarter, recording a y/y increase of 6.5 percent (SAR 11.1 billion).

Third: Developments of SAMA's Balance Sheet

Preliminary data of SAMA's balance sheet indicates that total foreign assets decreased by 0.7 percent (SAR 12.3 billion) to SAR 1,839.5 billion in Q1 2018, compared to a rise of 2.3 percent (SAR 42.2 billion) in the preceding quarter. They registered a y/y decline of 3.1 percent (SAR 59.3 billion). Total net foreign assets went down by 0.7 percent (SAR 12.4 billion) to SAR 1,821 billion in Q1 2018, compared to a rise of 2.4 percent (SAR 42.2 billion) in the preceding quarter. They registered a y/y decrease of 3.2 percent (SAR 59.3 billion) (Chart 2).

Total deposits in domestic currency for foreign entities increased by 0.3 percent (SAR 50.1 million) to SAR 18.5 billion in Q1 2018, compared to a decline of 0.3 percent (SAR 48 million) in the preceding quarter. They recorded a y/y decline of 0.2 percent (SAR 29.8 million).

3.1 Reserve Assets

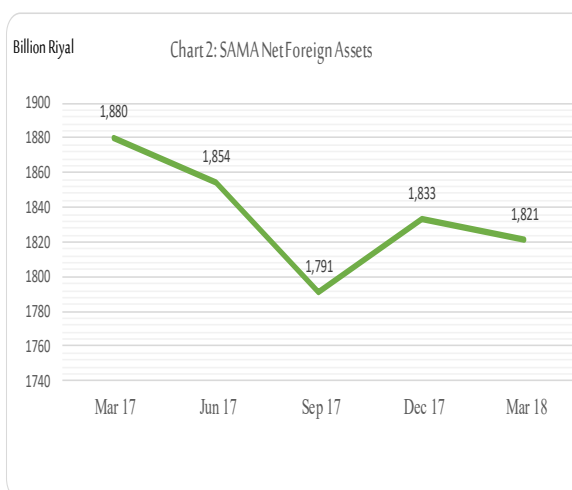
SAMA's total reserve assets decreased by 0.6 percent (SAR 11.4 billion) to SAR 1,850.2 billion in

Q1 2018, compared to an increase of 2.3 percent (SAR 42 billion) in the preceding quarter. They recorded a y/y decline of 3.0 percent (SAR 57.3 billion) (Chart 3). A breakdown of the components of total reserve assets in Q1 2018 as compared to the preceding quarter indicates that the reserve position with the IMF rose by 0.1 percent (SAR 2.8 million) to SAR 5.8 billion; investments in securities abroad fell by 2.7 percent (SAR 33.2 billion) to SAR 1,206.5 billion; and the balance of special drawing rights increased by 5.0 percent (SAR 1.5 million) to SAR 30.8 billion. In addition, the item of foreign exchange and deposits abroad increased by 3.5 percent (SAR 20.3 billion) to SAR 605.6 billion while gold reserve was stable at SAR 1,624 million.

Fourth: Banking Developments

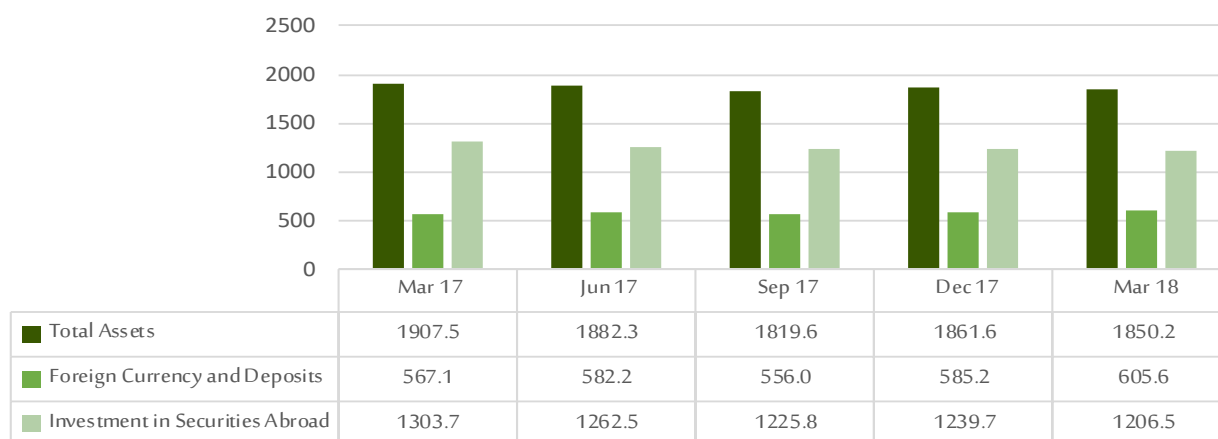
4.1 Bank Deposits

Total bank deposits decreased by 1.1 percent (SAR 18.3 billion) to SAR 1,600.8 billion in Q1 2018, compared to a rise of 1.0 percent (SAR 16.3 billion) in the preceding quarter. They recorded a y/y



Billion Riyal

Chart 3: Reserve Assets



decline of 0.5 percent (SAR 8.2 billion). A breakdown of the components of deposits by type in Q1 2018 indicates that demand deposits rose by 1.1 percent (SAR 10.9 billion) to SAR 1,011 billion, compared to a 2.3 percent (SAR 22.3 billion) rise in the preceding quarter, registering a y/y increase of 1.5 percent (SAR 15.1 billion). Time and savings deposits declined by 4.0 percent (SAR 17.7 billion) to SAR 430.1 billion, compared to a 4.9 percent (SAR 22.9 billion) decrease in the preceding quarter. They registered a y/y fall of 7.4 percent (SAR 34.5 billion). Other quasi-monetary deposits decreased by 6.7 percent (SAR 11.5 billion) to SAR 159.6 billion compared to a rise of 11.0 percent (SAR 16.9 billion) during the preceding quarter, recording a y/y rise of 7.5 percent (SAR 11.2 billion) (Chart 4).

4.2 Assets and Liabilities of Commercial Banks

Total assets and liabilities of commercial banks reached SAR 2,262.4 billion at end-Q1 2018, decreasing by 1.9 percent (SAR 43.4 billion) compared to a q/q rise of 1.0 percent (SAR 22.6 billion). They also registered an annual decline of 0.2 percent (SAR 5.0 billion).

4.3 Commercial Banks' Foreign Assets and Liabilities

Total foreign assets of commercial banks declined by 11.8 percent (SAR 28.5 billion) to SAR 213.8 billion in Q1 2018 compared to a decrease of 0.3 percent (SAR 0.6 billion) during the preceding quarter. They registered a y/y decline of 7.0 percent (SAR 16.1 billion), constituting 9.5 percent of commercial banks' total assets compared to 10.5 percent at the end of the preceding quarter. Commercial banks' total foreign liabilities went

down by 26.4 percent (SAR 25.0 billion) to SAR 69.6 billion in Q1 2018 against an increase of 8.4 percent (SAR 7.3 billion) in the preceding quarter. They registered a y/y decrease of 14.6 percent (SAR 11.9 billion), or 3.1 percent of total liabilities of commercial banks against 4.1 percent at the end of the preceding quarter. Commercial banks' net foreign assets went down by 2.4 percent (SAR 3.6 billion) to SAR 144.3 billion at end-Q1 2018 compared to a decrease of 5.1 percent (SAR 8.0 billion) during the preceding quarter. They recorded a y/y decline of 2.8 percent (SAR 4.2 billion) (Chart 5).

4.4 Commercial Banks' Claims on the Private and Public Sectors

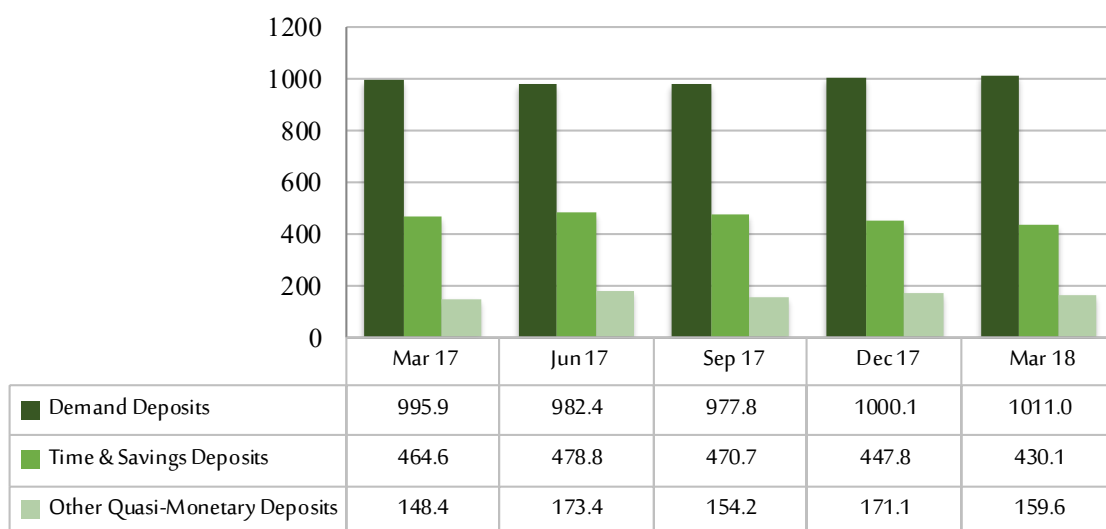
Commercial banks' claims on the private and public (including government and quasi-government) sectors went up by 1.7 percent (SAR 28.5 billion) to SAR 1,723.3 billion in Q1 2018, compared to a decrease of 0.1 percent (SAR 2.4 billion) in the preceding quarter. They registered an annual rise of 5.1 percent (SAR 84 billion). The ratio of these claims to total bank deposits rose to 107.7 percent up from 104.7 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 1.0 percent (SAR 13.8 billion) to SAR 1,407.5 billion in Q1 2018, compared to a decline of 1.5 percent (SAR 21.5 billion) in the preceding quarter. The claims on the private sector registered an annual decrease of 0.5 percent (SAR 7.5 billion). The ratio of these claims to total bank

Billion Riyal

Chart 4: Bank Deposits by Type



deposits went up to 87.9 percent at end-Q1 2018 compared to 86.1 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 sectors increased by 4.9 percent (SAR 14.7 billion) to SAR 315.9 billion in Q1 2018, compared to a rise of 6.8 percent (SAR 19.1 billion) in the preceding quarter. These claims registered a y/y increase of 40.8 percent (SAR 91.5 billion). The ratio of commercial banks' total claims on the public sector to total bank deposits increased to 19.7 percent at end-Q1 2018 from 18.6 percent at the end of the preceding quarter (Chart 6).

A breakdown of bank credit by maturity during Q1 2018 as compared to the previous quarter indicates that long-term credit increased by 0.4 percent (SAR 1.8 billion) to SAR 430.6 billion, compared to a rise of 0.2 percent (SAR 1.1 billion) in the preceding quarter. Medium-term credit also went up by 0.2 percent (SAR 0.6 billion) to SAR 266.2 billion, compared to a rise of 3.2 percent (SAR 8.3 billion) in the preceding quarter. Short-term credit also increased by 0.6 percent (SAR 4.3 billion) to SAR 696.5 billion compared to a decrease of 4.4 percent (SAR 31.7 billion) in the preceding quarter (Chart 6).

4.4.3 Commercial Banks' Claims by Economic Activity

Total extended bank credit by economic activity increased by 0.5 percent (SAR 6.7 billion) to SAR 1,393.3 billion in Q1 2018, compared to a decline of 1.6 percent (SAR 22.3 billion) in the preceding quarter, recording a y/y decrease of 0.9

percent (SAR 13.1 billion). A breakdown of bank credit extended to economic activities in Q1 2018 indicates decreases in bank credit extended to government and quasi-government sector by 9.7 percent (SAR 4.6 billion); to manufacturing and production by 2.1 percent (SAR 3.3 billion); to finance by 1.8 percent (SAR 0.6 billion); to transport and telecommunication by 0.7 percent (SAR 0.3 billion); to services by 0.6 percent (SAR 0.5 billion); and to water, electricity, gas and health services by 0.6 percent (SAR 0.3 billion). On the other hand, bank credit extended to agriculture and fishing increased by 13.1 percent (SAR 1.6 billion), to building and construction by 6.2 percent (SAR 5.5 billion), to mining and quarrying by 2.7 percent (SAR 0.4 billion), to other sectors by 1.3 percent (SAR 7.2 billion), and to commerce by 0.5 percent (SAR 1.7 billion).

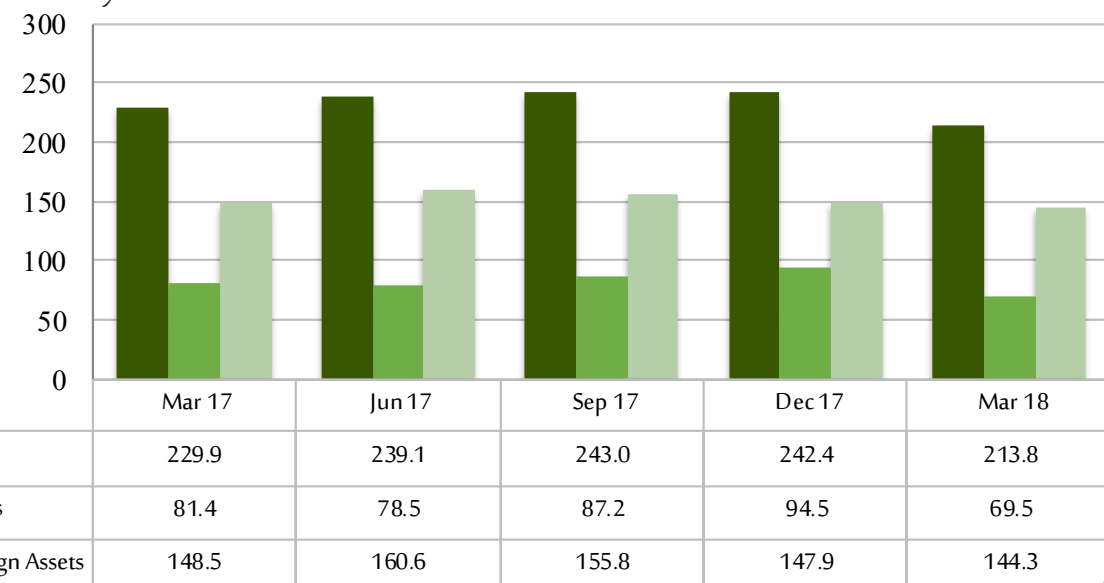
4.5 Reserves, Capital, Profits and Branches of Commercial Banks

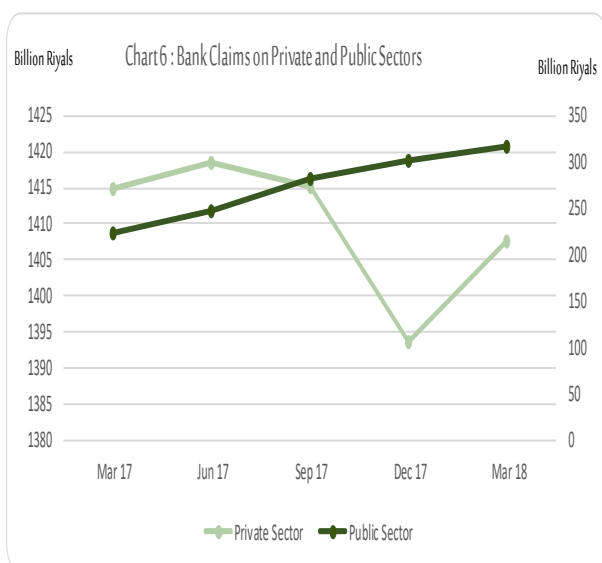
Capital and reserves of commercial banks increased by 6.9 percent (SAR 22 billion) to SAR 339.6 billion in Q1 2018, compared to an increase of 0.2 percent (SAR 0.8 billion) in the preceding quarter, recording a y/y rise of 2.1 percent (SAR 6.9 billion). Their ratio to total bank deposits rose to 21.2 percent at end-Q1 2018 from 19.6 percent in the preceding quarter. Commercial banks' profits stood at SAR 12.2 billion in Q1 2018 compared to SAR 10.3 billion in the preceding quarter, denoting a rise of 18.2 percent (SAR 1.9 billion) compared to a q/q decrease of 7.6 percent (SAR 0.9 billion).

At end-Q1 2018, the number of commercial banks' branches operating in Saudi Arabia

Chart 5: Banks' Assets, Liabilities and Net Foreign Assets

Billion Riyal





amounted to 2,076 with a q/q decrease of 3 and a y/y increase of 1.6 percent (32 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 went up by 0.7 percent (SAR 5.4 billion) to SAR 741.9 billion in Q1 2018, compared to a q/q rise of 6.7 percent (SAR 46.1 billion), recording a y/y decrease of 9.9 percent (SAR 81.2 billion). A q/q comparison of banks' total purchases of foreign exchange shows that purchases from other sources increased by 30.4 percent (SAR 14.6 billion), from customers by 16.8 percent (SAR 15.3 billion), and from SAMA by 0.4 percent (SAR 0.6 billion).

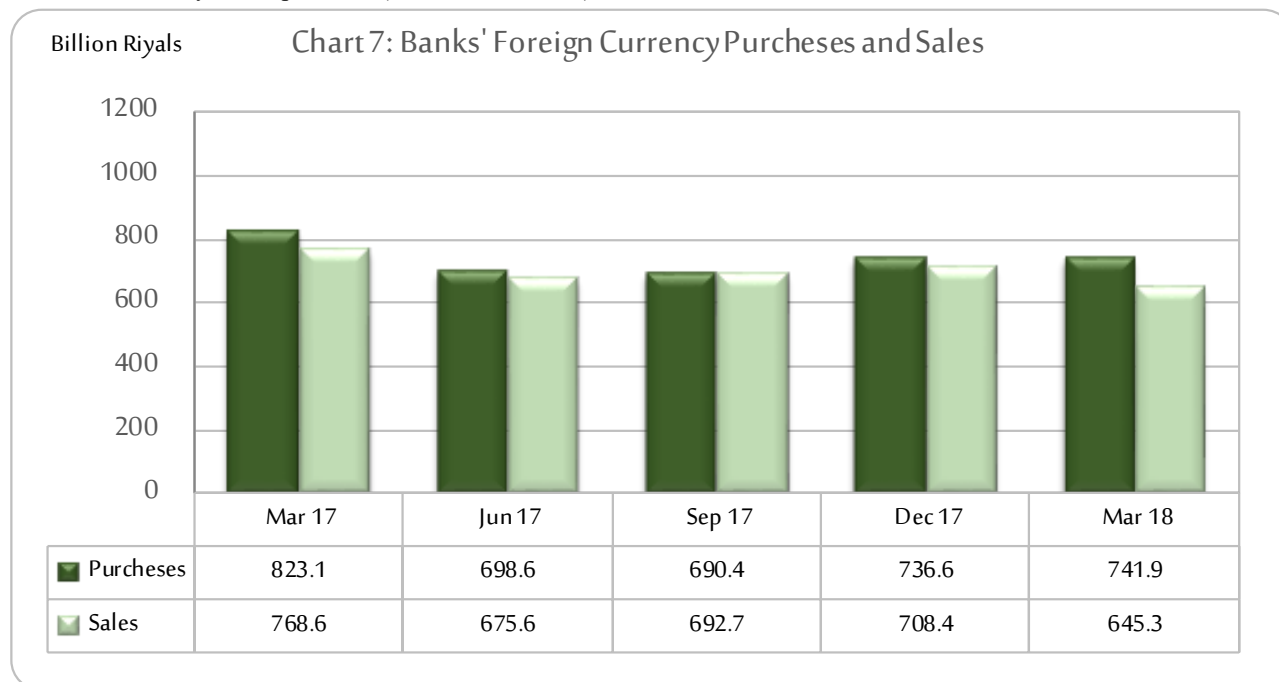
However, purchases from domestic banks declined by 15.8 percent (SAR 20.0 billion), and from foreign banks by 1.5 percent (SAR 5.1 billion) (Chart 7).

4.6.2 Commercial Banks' Sales of Foreign Exchange

Commercial banks' total sales of foreign exchange went down by 8.9 percent (SAR 63.0 billion) to SAR 645.3 billion in Q1 2018, compared to a q/q rise of 2.3 percent (SAR 15.7 billion), recording a y/y decline of 16.0 percent (SAR 123.3 billion). A q/q comparison of banks' total sales of foreign exchange indicates that sales to banks inside Saudi Arabia declined by 30.6 percent (SAR 28.5 billion); to ministries and municipalities by 24.1 percent (SAR 48 million); to banks abroad by 9.8 percent (SAR 27.7 billion); to other customers inside Saudi Arabia by 5.1 percent (SAR 11.9 billion); and other purposes (imports, foreign contractors, personal transfers, traveling abroad, investments abroad) by 3.2 percent (SAR 3.1 billion). However, no sales to money changers were recorded in Q1 2018. On the other hand, sales of foreign exchange to government entities rose by 241.5 percent (SAR 7.1 billion), and to SAMA by 52.3 percent (SAR 1.0 billion) (Chart 7).

Fifth: External Sector Foreign Trade

Total exports value went up by 21.0 percent (SAR 238.1 billion) during Q4 2017 as compared to SAR 196.8 billion in the corresponding quarter of the previous year. Total value of oil exports rose by



21.9 percent to SAR 182.8 billion and other exports by 17.9 percent to SAR 55.4 billion. In contrast, value of imports (CIF) recorded a y/y decrease of 2.8 percent to SAR 122 billion in Q4 2017.

Balance of Payments

5.1 Current Account:

Preliminary estimates indicate a surplus of SAR 29.4 billion in the current account balance in Q4 2017 compared to a deficit of SAR 5.9 billion in the corresponding quarter of 2016. This is attributed to a surplus of SAR 59.3 billion in the balance of goods and services against a y/y surplus of SAR 21.3 billion. The balance of goods recorded a surplus of SAR 125.4 billion due to a rise in exported goods by 20.5 percent to SAR 237.3 billion compared to SAR 196.9 billion in the corresponding quarter of the previous year and due to a decrease in imported goods (FOB) by 2.3 percent to SAR 111.9 billion compared to SAR 114.5 billion in the corresponding quarter of the preceding year, despite the rise in services deficit by 8.3 percent to SAR 66.1 billion compared to SAR 61.1 billion in the corresponding quarter of 2016. The surplus in the balance of primary income decreased by 37.4 percent to SAR 9.5 billion compared to the corresponding quarter of the previous year. In addition, the deficit in the secondary income balance fell by 7.1 percent to SAR 39.4 billion compared to the corresponding quarter of the previous year.

5.2: Capital Account

Capital account registered outflows of SAR 0.59 billion in Q4 2017 against SAR 0.64 billion in the corresponding quarter of the previous year.

5.3: Financial Account

Net direct investments increased by SAR 5.2 billion in Q4 2017 due to net acquisition of financial assets abroad (SAR 6.2 billion) being higher than domestic

net incurrence of liabilities (SAR 1.0 billion). Net portfolio investments went down by SAR 66 billion against a decrease of SAR 56.7 billion y/y, while net other investments rose by SAR 30.5 billion against an increase of SAR 35.5 billion y/y. Net reserve assets increased by SAR 42.0 billion in Q4 2017 against a y/y decrease of SAR 69.0 billion owing to a rise in other reserve assets by SAR 43.1 billion, which was the result of an increase in the item of investment in currency and deposits by SAR 29.2 billion and an increase in the item of investment in securities by SAR 13.9 billion.

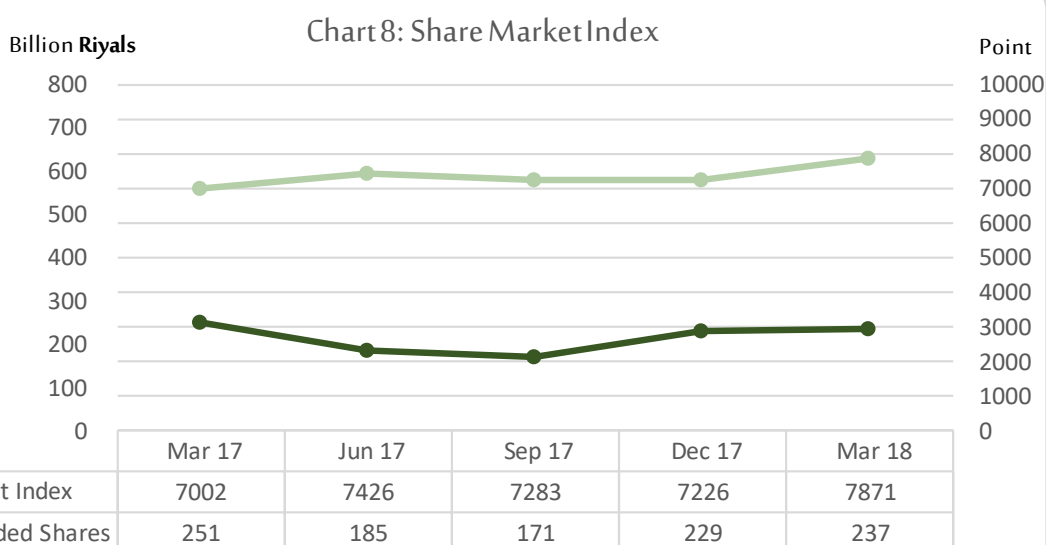
Sixth: Banking Technology Developments and Financial Inclusion:

6.1 Saudi Riyal Inter-bank Express System (SARIE)

In Q1 2018, total value of the Saudi Riyal Inter-bank Express System (SARIE) transactions went up by 22.4 percent (SAR 2,967.9 billion) to SAR 16,226.3 billion. The value of single-payment transactions totaled SAR 15,600 billion, whereas the total value of bulk-payment transactions amounted to SAR 622 billion. Total customer payments reached SAR 1,571.1 billion, with a q/q decline of 10.7 percent. The total value of inter-bank payments transactions stood at SAR 14,650.9 billion, with a q/q increase of 27.6 percent.

6.2 Mada

In 2017, total number of ATM transactions was approximately 528.6 million with cash withdrawals totaling SAR 185.3 billion, including transactions through banks' network and Mada. Total POS terminal transactions stood at 220.7 million with sales totaling SAR 51.4 billion in Q1 2018. Moreover, the number of ATMs totaled 18.4



Source: Tadawul and Capital Market Authority.

thousand and the number of ATM cards issued by domestic banks stood at 28.8 million at end-Q1 2018. The number of POS terminals stood at 310.6 thousand at end-Q1 2018.

6.3 Clearing

As for statistics on clearing in Q1 2018, the number of bank checks (outgoing and incoming) cleared at the clearing houses totaled 1 million with a total value of SAR 107 billion. The number of individual and corporate checks totaled 911 thousand with a total value of SAR 77.6 billion, and the number of interbank checks totaled 111 thousand with a total value of SAR 29.4 billion.

Seventh: Domestic Stock Market Developments

The general share price index rose by 8.9 percent to 7,870.9 points at end-Q1 2018 compared to a decrease of 0.8 percent in the preceding quarter, recording a y/y increase of 12.4 percent. The number of traded shares decreased by 8.4 percent to 11.1 billion in Q1 2018 compared to a q/q increase of 54.7 percent, recording a y/y decline of 18.3 percent. Total value of shares traded in Q1 2018 went up by 3.5 percent to SAR 237.3 billion compared to a q/q increase of 34.2 percent, registering a y/y decline of 5.6 percent.

At end-Q1 2018, the stock market capitalization rose by 10.7 percent to SAR 1,870 billion against a decline of 1.8 percent at the end of the preceding quarter. The stock market capitalization registered a y/y increase of 14.1 percent. In Q1 2018, the total number of transactions executed increased by 3.7 percent to 6.3 million compared to a q/q rise of 29.2 percent, recording a y/y decline of 8.6 percent (Chart 8).

Eighth: Investment Funds

Total assets of investment funds managed by investment companies recorded a q/q rise of 8.9 percent (SAR 9.9 billion) to SAR 120.1 billion in Q1 2018 compared to a decline of 2.1 percent (SAR 2.4 billion), recording a y/y increase of 14.9 percent (SAR 15.6 billion).

A breakdown of total assets of investment funds shows that domestic assets went up by 4.2 percent (SAR 3.8 billion) to SAR 95 billion in Q1 2018, compared to a rise of 3.7 percent (SAR 3.2 billion) in the previous quarter. Domestic assets also registered a y/y increase of 14.3 percent (SAR 11.9 billion). Foreign assets rose by 31.7 percent (SAR 6 billion) to SAR 25.1 billion in Q1 2018 against a decline of 22.8 percent (SAR 5.6 billion) in the preceding quarter, recording a y/y rise of 17.0 percent (SAR 3.7 billion).

The number of subscribers to investment funds

rose by 23.6 percent (56.3 thousand subscribers) to 294.8 thousand in Q1 2018, compared to a rise of 1.4 percent (3.2 thousand subscribers) in the preceding quarter. The number of subscribers recorded a y/y increase of 31.5 percent (70.6 thousand subscribers). As for the number of operating funds, it decreased by 11 over the preceding quarter, reaching a total of 262.

Ninth: Specialized Credit Institutions (SCIs)

According to the latest available data on SCIs, the SCIs' total outstanding loans went down by 0.1 percent (SAR 0.3 billion) to SAR 236.9 billion in Q4 2017, compared to a decrease of 0.8 percent (SAR 1.9 billion) in the preceding quarter. They registered a y/y decline of 1.2 percent (SAR 2.8 billion). Total actual disbursements of loans rose by 127.3 percent (SAR 3.6 billion) in Q4 2017, compared to a decrease of 32.8 percent (SAR 1.4 billion) in the preceding quarter, recording a y/y decline of 8.8 percent (SAR 0.6 billion). Total loan repayments to SCIs went up by 23.8 percent (SAR 1.1 billion) in Q4 2017 compared to a decline of 0.6 percent (SAR 28.6 million) in the preceding quarter, registering a y/y decrease of 6.3 percent (SAR 0.4 billion). Total net lending of SCIs stood at SAR 676 million at end-Q4 2017 as total actual loan disbursements from SCIs was larger than repayments to SCIs.

A breakdown of loans extended by SCIs in Q4 2017 indicates that the loans extended by the Saudi Industrial Development Fund (SIDF) increased by 453.5 percent (SAR 4 billion) compared to a decrease of 6.2 percent (SAR 58.2 million) in the preceding quarter. Loans extended by the Real Estate Development Fund (REDF) also rose by 25.6 percent (SAR 176.7 million) in Q4 2017 against a decline of 53.9 percent (SAR 0.8 billion) in the preceding quarter. On the other hand, loans extended by the Social Development Bank (SDB) decreased by 39.9 percent (SAR 0.5 billion) compared to a decline of 28.6 percent (SAR 0.5 billion) in the previous quarter. Those extended by the Agricultural Development Fund (ADF) also decreased by 30.2 percent (SAR 39 million) compared to a decrease of 33.1 percent (SAR 63.9 million) in the preceding quarter.

As for credit repayments in Q4 2017, the volume of repayments to the SIDF increased by 129.6 percent (SAR 1 billion) against a decline of 31.4 percent (SAR 0.4 billion) in the preceding quarter; repayments to the ADF by 68.3 percent (SAR 79.6 million) compared to a decline of 17.7 percent (SAR 25.1 million) in the preceding quarter; and repayments to the SDB by 43.4 percent (SAR 1

billion) compared to a rise of 20.1 percent (SAR 1 billion) in the preceding quarter. However, repayments to the REDF decreased by 67.6 percent (SAR 0.1 billion) compared to a 2.5 percent (SAR 37.5 million) decrease in the preceding quarter.

Tenth: Supervisory and Legislative Banking Developments during Q1 2018

- Banks were Instructed not to deduct any funds from the cost of living allowances and bonuses paid under Royal Decree No. (A/86) dated 18/4/1439.
- SAMA required banks to prepare to receive applications for prepaid salary cards of domestic workers and cooperate with the Ministry of Labor and Social Development in regulating the local recruitment market in order to protect the wages of these domestic workers.
- SAMA issued instructions on electronic documentation and record keeping of customers after ten years of manual record keeping.
- Requiring all banks engaging in OTC derivative activities with their customers in Saudi Arabia to comply with the instructions on forward purchase.
- SAMA issued updated instructions on net stable funding ratio (NSFR) to be in line with international best practices.
- SAMA issued updated instructions on large exposures to conform to international best practices.
- SAMA decided to allow banks to raise the POS transaction limit to SAR 200 thousand on the customer's request and at the bank's discretion.
- SAMA activated some technical settings on its Terminal Management System (TMS) in order to support the SME sector.
- SAMA stressed the need for all banks and finance companies operating in Saudi Arabia to monitor and oversee early repayments of customer loans intensively and constantly through periodic reports aimed at verifying the legality of money sources.
- SAMA cancelled Paragraph (e) under the situations in which independence of a board member cannot be attained, included in the first update of the Main Principles of Governance for Banks Operating in Saudi Arabia.
- SAMA amended Paragraph (13) under Rule (400-4) concerning the rules for opening and activating bank accounts of foreign financial institutions eligible to

invest in stocks listed in the Saudi Stock Exchange.

- SAMA introduced controls for calculating loan-to-deposit ratio (LDR) to encourage banks to develop savings products by placing higher weights for long-term deposits and to achieve Saudi Vision 2030 objective of promoting a savings culture in Saudi Arabia.
- SAMA instructed banks operating in Saudi Arabia to treat SADAD account according to the status of the main current account when applying the update requirements for the rules for opening bank accounts and the general rules for update of accounts, thus reducing burdens on customers and banks.

SAMA issued instructions on cases where banks and licensed money exchangers are prohibited from directly disclosing customer information to government and non-government bodies.

Eleventh: Prominent Regulatory Developments in the Saudi Economy During Q1 2018

- Approving the duties and powers of the Ministry of Interior and the Ministry of Labor and Social Development in combating begging.
- Approving the amendment of the regulation of the Martyrs, Wounded, Prisoners and Missing Persons Fund.
- Approving the necessary controls for fund allocation for individuals born to unknown parents.
- Approving the establishment of a deputyship at the Ministry of Labor and Social Development responsible for the employment of Saudis in the private sector to assume the duties and responsibilities of the (cancelled) Job Creation and Employment Commission.
- Approving the licensing of First Abu Dhabi Bank (FAB) to establish three branches in Saudi Arabia.
- Approving the conversion of “the Customs” into a general authority called “the Saudi Customs Authority” in addition to approving its regulation. Forming a committee to set principles, controls, requirements and mechanisms for the Ministry of Finance to compensate entities that have entered into contracts with the government or submitted project proposals, the envelopes of which have been opened.



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Saudi Arabian Monetary Authority

