

SAUDI ARABIAN MONETARY AGENCY

Economic Research Department

Monetary and Banking Developments

Second Quarter 2016



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Executive Summary

The repo rate remained unchanged at 2.0 percent and the reverse repo rate at 0.50 percent. The cash reserve ratio was also maintained at 7.0 percent for demand deposits and 4.0 percent for time and savings deposits. The average three-month Saudi interbank offered rate (SAIBOR) increased to 2.073 percent in Q2.

Broad money supply (M3) decreased by 0.3 percent to SAR 1,773.6 billion, whereas the monetary base increased by 7.8 percent to SAR 321.5 billion in the second quarter of 2016. Preliminary data of SAMA's balance sheet indicates that total foreign assets fell by 2.9 percent to SAR 2,125.3 billion in the second quarter of 2016. SAMA's total reserve assets also decreased by 2.9 percent to SAR 2,137.7 billion.

Total bank deposits decreased by 1.1 percent to SAR 1,591.8 billion in Q2 2016, compared to a q/q rise of 0.3 percent. Total assets and liabilities of commercial banks amounted to SAR 2,257.4 billion at end-Q2 2016, increasing by 1.5 percent. Commercial banks' claims on the private and public sectors went up by 4.1 percent to SAR 1,643.1 billion in Q2 2016.

Estimated figures indicate a deficit of SAR 67.4 billion in the current account of the Kingdom's balance of payments in Q1

2016 compared to a deficit of SAR 44.8 billion in the corresponding quarter of the previous year.

Total value of the Saudi Riyal Inter-bank Express System (SARIE) transactions in Q2 2016 went up by 2.7 percent to SAR 8,519.9 billion. Total number of ATM transactions in Q2 2016 was approximately 498.0 million, with cash withdrawals totaling SAR 202.7 billion, including transactions through banks' network and Mada.

The general share price index went down by 4.4 percent to 6,499.9 points in Q2 2016 compared to a decrease of 10.0 percent in the preceding quarter. The market capitalization of shares rose by 4.6 percent to SAR 1,504.0 billion at end-Q2 2016 as compared to the end of the preceding quarter.

In Q4 2015, total actual disbursements of loans from government Specialized Credit Institutions (SCIs) increased by 11.5 percent, and total loan repayments to SCIs also increased by 99.8 percent. Total assets of investment funds managed by investment companies went down by 11.4 percent to SAR 91.1 billion in Q1 2016.

First: Monetary Policy

1.1 Rate of Return and Cash Reserve

SAMA has continuously been pursuing a monetary policy that aims 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 second quarter of 2016, SAMA maintained the same measures taken during the previous quarter, which are as follows:

- Maintaining the repo rate unchanged at 2 percent as well as the reverse repo rate at 0.50 percent. SAMA's daily average repo transactions stood at SAR 1.248 billion in Q2 2016 against SAR 1,638 billion in Q1 2016, while daily average reverse repo transactions amounted to SAR 29.3 billion in Q2 2016 compared to SAR 26.3 billion in Q1 2016.
- Maintaining the cash reserve ratio 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 increase lending, SAMA continued to maintain the limit of weekly subscription in treasury bills for domestic banks at SAR 9 billion in Q2 2016. The average three-month Saudi interbank offered rate (SAIBOR) increased to 2.073 percent at Q2 2016. The spread in the average three-month rates on deposits in riyal and dollar was 145 basis points in favor of the riyal at Q2 2016, compared to approximately 109 basis points at Q1 of 2016. As for the riyal exchange rate against the dollar, it remained unchanged at its official peg rate of 3.75.

SAMA deposits with banks are among the instruments that provide sustainable and adequate liquidity, which accounted for nearly SAR 12 billion or less than one percent of total deposits at the end of the second quarter of 2016.

As regards foreign exchange swaps, SAMA did not make any swap transaction with domestic banks in Q2 2016.

Second: Monetary Developments

2.1 Money Supply

Broad money supply (M3) decreased by 0.3 percent (SAR 4.7 billion) to SAR 1,773.6 billion in Q2 2016, compared to a rise of 0.2 percent (SAR 4.3 billion) in the preceding quarter. It also recorded an annual decline of 2.6 percent (SAR 46.5 billion) at end-Q2 2016 (Chart 1).

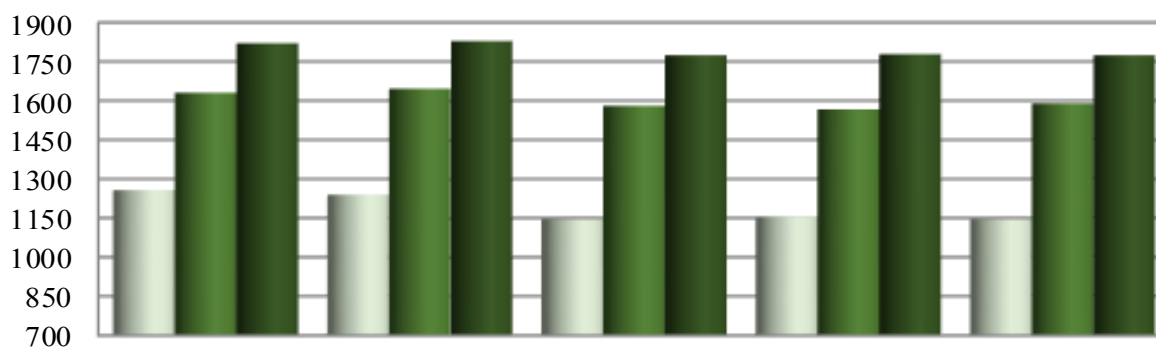
A breakdown of the components of M3 in Q2 2016 indicates that M1 declined by 0.8 percent (SAR 8.9 billion) to SAR 1,145.7 billion or 64.6 percent of M3, compared to a rise of 0.8 percent (SAR 9.1 billion) in the preceding quarter. It registered an annual decline of 8.9 percent (SAR 111.4 billion) at end-Q2 2016. M2 went up by 1.4 percent (SAR 22.2 billion) to SAR 1,589.2 billion or 89.6 percent of M3 in Q2 2016 against a decrease of 0.8 percent (SAR 13.0 billion) in the preceding quarter. It registered an annual decline of 2.5 percent (SAR 40.9 billion) at end-Q2 2016.

2.2 Monetary Base

Monetary base rose by 7.8 percent (SAR 23.3 billion) to SAR 321.5 billion in Q2 2016 against a decrease of 1.1 percent (SAR 3.3 billion) in the preceding

Chart 1: Money Supply

Billion Riyal



	Jun - 15	Sep - 15	Dec - 15	Mar - 16	Jun - 16
Money Supply M1	1257.1	1239.5	1145.6	1154.6	1145.7
Money Supply M2	1630.1	1646.2	1580.1	1567.1	1589.2
Money Supply M3	1820.2	1828.2	1774.1	1778.4	1773.6

quarter, registering an annual rise of 2.6 percent (SAR 8.2 billion) at end-Q2 2016.

A breakdown of the components of the monetary base indicates that currency in circulation outside banks increased by 7.4 percent (SAR 12.6 billion) to SAR 181.8 billion in Q2 2016, compared to a q/q decline of 0.04 percent (SAR 64.5 million). It registered an annual rise of 4.5 percent (SAR 7.8 billion) at end-Q2 2016.

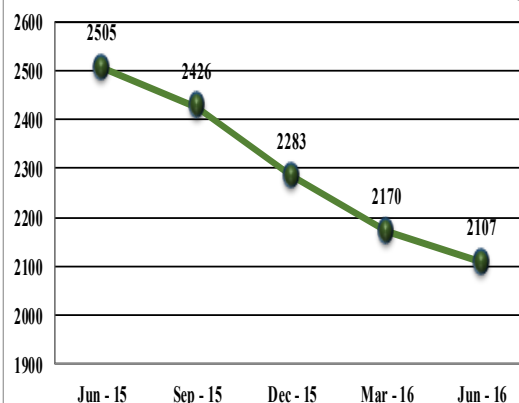
Deposits with SAMA decreased by 1.5 percent (SAR 1.4 billion) to SAR 97.0 billion in Q2 2016, compared to a decrease of 4.2 percent (SAR 4.4 billion) in the preceding quarter. They recorded an annual decrease of 9.7 percent (SAR 10.5 billion) at end-Q2 2016. Cash in vault increased by 40.1 percent (SAR 12.2 billion) to SAR 42.7 billion, compared to a rise of 3.7 percent (SAR 1.1 billion) in the preceding quarter, registering an annual rise of 34.1 percent (SAR 10.9 billion) at end-Q2 2016.

Third: Developments of SAMA's Balance Sheet

Preliminary data of SAMA's balance sheet indicates that total foreign assets fell by 2.9 percent (SAR 63.1 billion) to SAR 2,125.3 billion in Q2 2016, compared to a q/q decline of 4.6 percent (SAR 106.1 billion). They registered an annual decline of 15.5 percent (SAR 380.3 billion) at end-Q2 2016. Net foreign assets declined by 2.9 percent (SAR 63.2 billion) to SAR 2,106.8 billion in Q2 2016 against a decline of 5.0

Chart 2: SAMA Net Foreign Assets

Billion Riyal



Monetary and Banking Developments



percent (SAR 113.4 billion) in the preceding quarter, recording an annual decline of 15.9 percent (SAR 397.8 billion) at end-Q2 2016 (Chart 2).

Total deposits in domestic currency for foreign entities increased by 0.2 percent (SAR 45.0 million) to SAR 18.5 billion in Q2 2016, compared to a rise of 64.5 percent (SAR 7.2 billion) during the preceding quarter, recording an annual rise of 73.8 percent (SAR 7.8 billion) at end-Q2 2016.

3.1 Reserve Assets

SAMA's total reserve assets decreased by 2.9 percent (SAR 63.8 billion) to SAR 2,137.7 billion in Q2 2016, compared to a q/q decrease of 4.8 percent (SAR 110.0 billion). They recorded an annual decline of 15.6 percent (SAR 395.4 billion) at end-Q2 2016 (Chart 3).

A breakdown of the components of total reserve assets in Q2 2016 as compared

to the preceding quarter indicates that the reserve position with the IMF dropped by 2.1 percent (SAR 166 million) to SAR 7.6 billion. Investments in securities abroad also went down by 5.4 percent (SAR 79.4 billion) to SAR 1,377.0 billion. The balance of special drawing rights decreased by 2.0 percent (SAR 594.9 million) to SAR 29.8 billion. Deposits abroad increased by 2.3 percent (SAR 16.3 billion) to SAR 721.7 billion, while gold reserve was stable at SAR 1,624 million. SAMA issued, on behalf of the Ministry of Finance, government development bonds and floating rate bonds to local banks and institutions with a value of SAR 39.750 billion in Q2 2016.

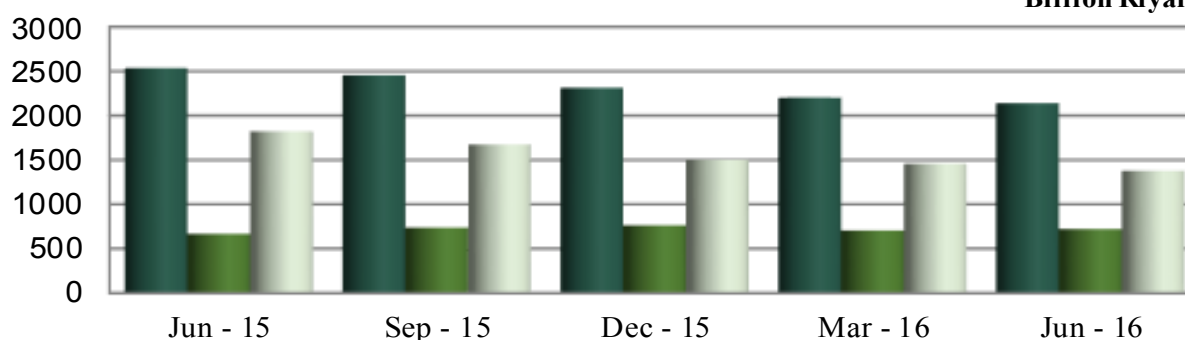
Fourth: Banking Developments

4.1 Bank Deposits

Total bank deposits decreased by 1.1 percent (SAR 17.3 billion) to SAR 1,591.8 billion in Q2 2016, compared to an increase of 0.3 percent (SAR 4.3 billion) in the

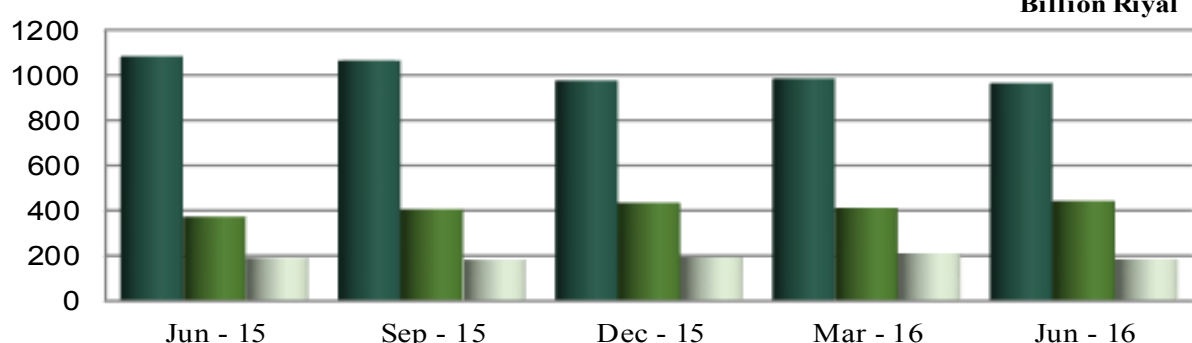
Chart 3: Reserve Assets

Billion Riyal



	Jun - 15	Sep - 15	Dec - 15	Mar - 16	Jun - 16
■ Total Assets	2533.2	2454.5	2311.6	2201.6	2137.7
■ Foreign Currency and Deposits	665.1	735.7	763.9	705.4	721.7
■ Investment in Securities Abroad	1821.2	1672.2	1501.0	1456.4	1377.0

Chart 4: Bank Deposits by Type



preceding quarter. These deposits registered an annual decline of 3.3 percent (SAR 54.3 billion) at end-Q2 2016. The ratio of total bank deposits to M3 amounted to 89.7 percent (Chart 4).

A breakdown of the components of deposits by type in Q2 2016 indicates that demand deposits went down by 2.2 percent (SAR 21.5 billion) to SAR 963.9 billion compared to a rise of 0.9 percent (SAR 9.1 billion) during the preceding quarter, recording an annual decline of 11.0 percent (SAR 119.2 billion) at end-Q2 2016. Time and savings deposits increased by 7.5 percent (SAR 31.1 billion) to SAR 443.5 billion compared to a decrease of 5.1 percent (SAR 22.1 billion) in the preceding quarter, recording an annual rise of 18.9 percent (SAR 70.5 billion). Other quasi-monetary deposits decreased by 12.7 percent (SAR 26.9 billion) to SAR 184.4 billion compared to a rise of 8.9 percent (SAR 17.2 billion) during the preceding quarter, recording an annual decline of 3.0 percent (SAR 5.7 billion).

4.2 Commercial Banks' Assets and Liabilities

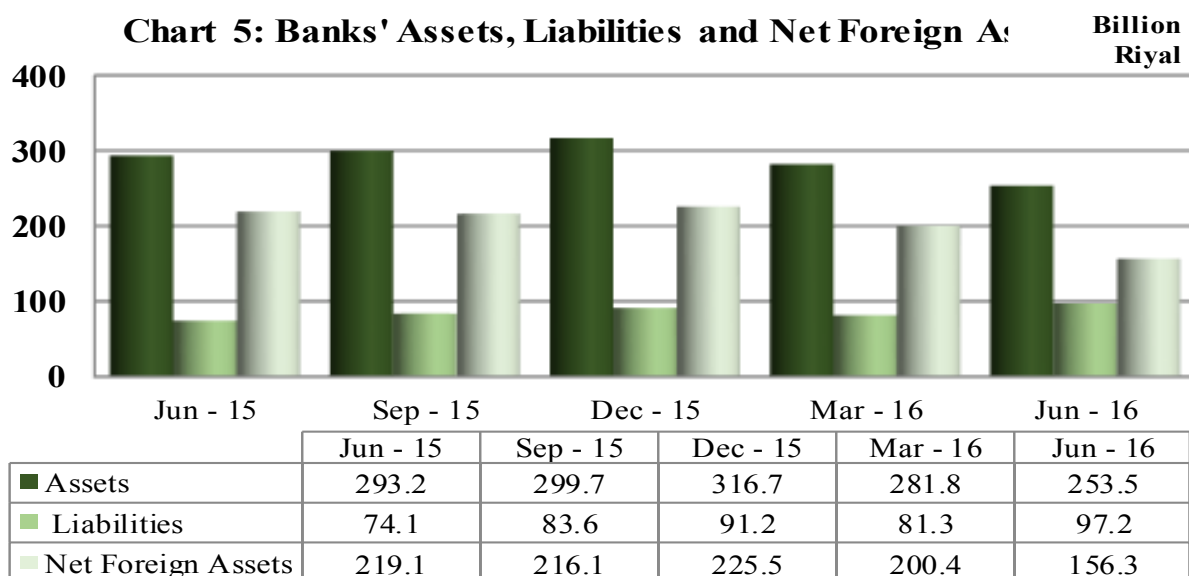
Total assets and liabilities of commercial banks reached SAR 2,257.4 billion at end-Q2 2016, increasing by 1.5 percent (SAR 32.3 billion) compared to a q/q rise of 0.7 percent (SAR 16.3 billion). They also registered an annual rise of 2.1 percent (SAR 47.3 billion) at end-Q2 2016.

4.3 Commercial Banks' Foreign Assets and Liabilities

Total foreign assets of commercial banks declined by 10.0 percent (SAR 28.3 billion) to SAR 253.5 billion in Q2 2016 compared to a decrease of 11.0 percent (SAR 34.9 billion) during the preceding quarter. They registered an annual decline of 13.6 percent (SAR 39.7 billion), constituting 11.2 percent of commercial banks' total assets compared to 12.7 percent at the end of the preceding quarter (Chart 5).

Commercial banks' total foreign liabilities went up by 19.4 percent (SAR

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



15.8 billion) to SAR 97.2 billion in Q2 2016 against a decrease of 10.8 percent (SAR 9.8 billion) in the preceding quarter, recording an annual increase of 31.1 percent (SAR 23.1 billion) and constituting 4.3 percent of commercial banks' total liabilities compared to 3.7 percent at the end of the preceding quarter. Commercial banks' net foreign assets went down by 22.0 percent (SAR 44.1 billion) to SAR 156.3 billion at end-Q2 2016 compared to a decrease of 11.1 percent (SAR 25.1 billion) during the preceding quarter.

4.4 Commercial Banks' Claims on the Private and Public Sectors

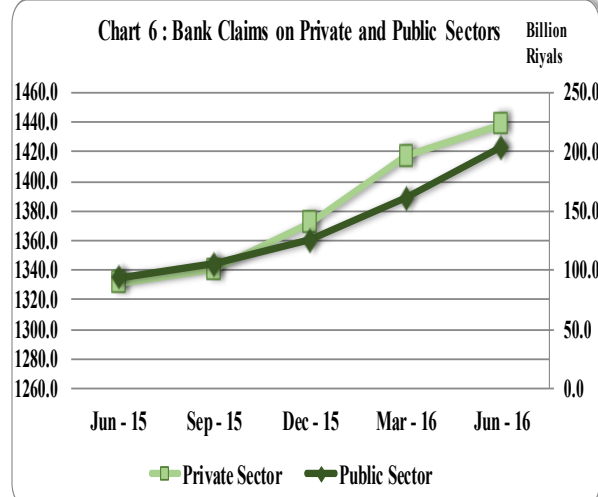
Commercial banks' claims on the private and public (including government and quasi-government) sectors went up by 4.1 percent (SAR 65.2 billion) to SAR 1,643.1 billion in Q2 2016, compared to an increase of 5.4 percent (SAR 81.0 billion) in the preceding quarter, recording an annual rise of 15.3 percent (SAR 217.9 billion) at end-Q2 2016. They accounted for 103.2 percent of total bank deposits compared to

98.1 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 1.5 percent (SAR 21.9 billion) to SAR 1,438.7 billion in Q2 2016, compared to a rise of 3.3 percent (SAR 44.9 billion) in the preceding quarter. The claims on the private sector registered an annual increase of 8.1 percent (SAR 107.6 billion) at end-Q2 2016. The

Chart 6: Bank Claims on Private and Public Sectors



ratio of these claims to total bank deposits rose to 90.4 percent at end-Q2 2016 compared to 88.1 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 and quasi-public sectors increased by 26.9 percent (SAR 43.3 billion) to SAR 204.4 billion in Q2 2016, compared to a rise of 28.9 percent (SAR 36.1 billion) in the preceding quarter, registering an annual increase of 117.4 percent (SAR 110.4 billion) at end-Q2 2016. The ratio of commercial banks' total claims on the public and quasi-public sectors to total bank deposits amounted to 12.8 percent at end-Q2 2016 compared to 10.0 percent at the end of the preceding quarter (Chart 6).

A breakdown of bank credit by maturity during Q2 2016 as compared to the previous quarter indicates that long-term credit increased by 5.8 percent (SAR 22.8 billion) to SAR 413.0 billion, compared to a decline of 10.3 percent (SAR 44.8 billion) in the preceding quarter. Medium-term credit, however, went down by 1.1 percent (SAR 3.2 billion) to SAR 280.7 billion, compared to a rise of 17.6 percent (SAR 42.4 billion) in the preceding quarter. Short-term credit went up by 1.1 percent (SAR 8.3 billion) to SAR 742.2 billion compared to an increase of 7.1 percent (SAR 48.7 billion) in the preceding quarter.

4.4.3 Commercial Banks' Claims by Economic Activity

The total extended bank credit by economic activity increased by 2.0 percent

(SAR 27.9 billion) to SAR 1,435.8 billion in Q2 2016 compared to a rise of 3.4 percent (SAR 46.3 billion) in the preceding quarter, recording an annual rise of 8.9 percent (SAR 117.1 billion) at end-Q2 2016. A breakdown of bank credit extended to economic activities in Q2 2016 indicates increases in bank credit extended to government and quasi-government sector by 18.0 percent (SAR 7.3 billion); to financing sector by 15.9 percent (SAR 5.2 billion); to agriculture and fishing sector by 11.6 percent (SAR 1.4 billion); to manufacturing and production sector by 7.1 percent (SAR 12.1 billion); to water, electricity, gas and health services sector by 3.7 percent (SAR 1.4 billion); to transport and telecommunication sector by 2.7 percent (SAR 1.2 billion); to services sector by 2.4 percent (SAR 1.8 billion); to building and construction sector by 1.3 percent (SAR 1.4 billion); and to other sectors by 0.2 percent (SAR 989.3 million). However, bank credit extended to mining and quarrying sector decreased by 3.9 percent (SAR 997.8 million), and to commerce sector by 1.3 percent (SAR 4.0 billion).

4.5 Commercial Banks' Reserves, Capital, Profits and Branches

Capital and reserves of commercial banks decreased by 2.1 percent (SAR 6.5 billion) to SAR 303.7 billion in Q2 2016, compared to an increase of 14.5 percent (SAR 39.3 billion) in the preceding quarter. Their ratio to total bank deposits stood at 19.1 percent at end-Q2 2016 compared to 19.3 percent at the end of the preceding quarter. The annual growth rate of commercial banks' capital and reserves

went up by 8.8 percent (SAR 24.6 billion) in Q2 2016. Commercial banks' profits reached SAR 11.4 billion in Q2 2016 compared to SAR 11.6 billion in the preceding quarter, denoting a decline of 1.2 percent (SAR 135.5 million). They registered a y/y decrease of 1.8 percent (SAR 213.7 million).

At end-Q2 2016, the number of commercial banks' branches operating in the Kingdom amounted to 2,005 with a q/q increase of 9. They registered a y/y increase of 2.6 percent (51 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 6.8 percent (SAR 53.8 billion) to SAR 840.5 billion in Q2 2016, compared to a q/q decline of 3.4 percent (SAR 27.8 billion), recording a y/y annual decrease of 14.4 percent (SAR 141.5 billion). A q/q comparison of banks' total purchases of foreign exchange shows that purchases from domestic banks increased by 29.1 percent (SAR 28.0 billion); from customers by 25.0 percent (SAR 28.0 billion); and from SAMA by 6.2 percent (SAR 6.4 billion). On the other hand, purchases from other sources fell by 23.9 percent (SAR 5.9 billion), and from foreign banks by 0.6 percent (SAR 2.7 billion) (Chart 7).

4.6.2 Commercial Banks' Sales of Foreign Exchange

Commercial banks' total sales of foreign exchange went down by 14.2 percent

(SAR 116.7 billion) to SAR 707.6 billion in Q2 2016, compared to a q/q decrease of 0.9 percent (SAR 7.2 billion), recording a y/y annual decline of 23.0 percent (SAR 210.8 billion). A q/q comparison of banks' total sales of foreign exchange indicates that sales to SAMA declined by 35.8 percent (SAR 1.0 billion); to banks inside the Kingdom by 14.5 percent (SAR 16.8 billion); to banks abroad by 27.0 percent (SAR 96.3 billion); to government entities by 53.4 percent (SAR 5.3 billion); and to other customers inside the Kingdom by 1.4 percent (SAR 3.2 billion). In contrast, sales of foreign exchange to money changers recorded a rise of 141.3 percent (SAR 1.1 billion) (Chart 7).

Fifth: External Sector Foreign Trade

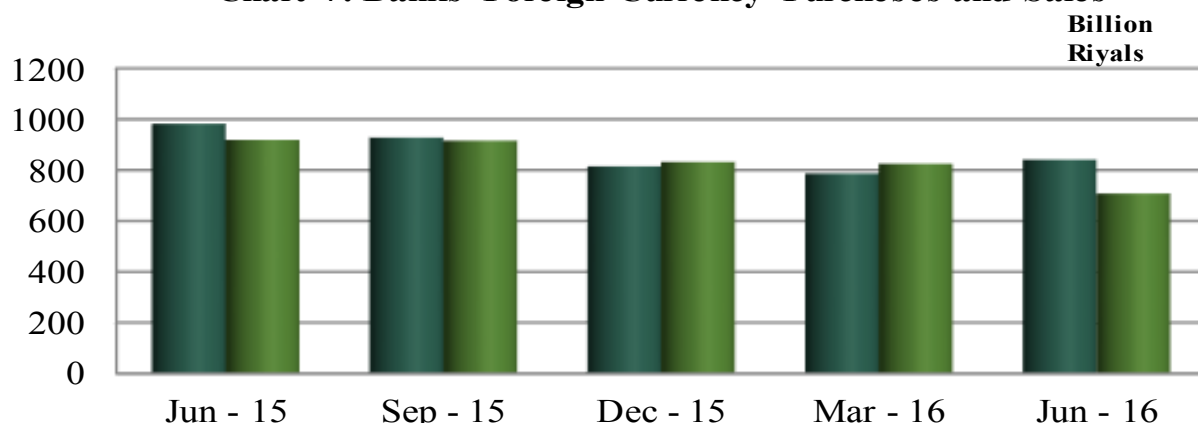
Value of imports (CIF) recorded a y/y decrease of 18.8 percent to SAR 133.1 billion in Q1 2016, compared to an increase of 7.8 percent during the corresponding period of 2015. It also decreased by 18.9 percent compared to Q4 2015.

Balance of Payments

5.1 Current Account

Preliminary estimations indicate a deficit of SAR 67.4 billion in the current account balance in Q1 2016 compared to a deficit of SAR 44.8 billion in the corresponding quarter of the previous year. This is attributed to projections of a deficit of SAR 42.4 billion in the balance of goods and services. The surplus of the balance of primary income is projected to increase by 1.3 percent to SAR 12.3 billion compared to the corresponding quarter of the previous year. The deficit in the secondary income

Chart 7: Banks' Foreign Currency Purchases and Sales



	Jun - 15	Sep - 15	Dec - 15	Mar - 16	Jun - 16
■ Purchases	982.0	927.5	814.5	786.7	840.6
■ Sales	918.4	915.6	831.5	824.3	707.6

balance is, however, projected to decrease by 4.3 percent to SAR 37.3 billion compared to the corresponding quarter of the previous year.

5.2 Capital Account

Capital account item is projected to register outflows of SAR 310 million in Q1 2016 against SAR 425 million in the corresponding quarter of the previous year.

5.3 Financial Account

Net direct investments are projected to decrease by SAR 2.1 billion in Q1 2016 due to an increase in domestic net incurrence of liabilities by SAR 7.1 billion over the increase of net acquisition of financial assets abroad estimated at SAR 4.9 billion. Net portfolio investments are expected to record a y/y decrease of SAR 4.2 billion against an increase of SAR 31.9 billion. Net other investments are expected to record a y/y increase of SAR 12.8 billion against an increase of SAR 38.2 billion. Net reserve assets are projected to register a y/y decrease

of SAR 110.0 billion in Q1 2016 against a decrease of SAR 128.9 billion as the item of investments in securities registered a y/y decline of SAR 44.7 billion against a decline of SAR 30.4 billion. The item of currencies and deposits is also projected to decline by SAR 58.5 billion against a decrease of SAR 94.2 billion in Q1 2015.

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 Q2 2016 went up by 2.7 percent (SAR 222.6 billion) to SAR 8,519.9 billion. The value of single payment transactions totaled SAR 7,946.7 billion, whereas the total value of bulk payment transactions amounted to SAR 570.1 Billion. Total customer payments reached SAR 1,456.1 billion, with a q/q rise of 9.8 percent. The total value of inter-

Monetary and Banking Developments



bank payments transactions stood at SAR 7,060.7 billion, with a q/q increase of 1.5 percent.

6.2 mada

Total number of ATM transactions in Q2 2016 was approximately 498 million, with cash withdrawals totaling SAR 202.8 billion, including transactions through banks' network and mada. Total point of sale (POS) terminal transactions were 139.4 million with sales totaling SAR 50.7 billion in Q2 2016. The number of ATMs totaled 17.3 thousand and the number of ATM cards issued by domestic banks stood at 24.6 million at end-Q4 2016. The number of POS terminals reached 258.3 thousand at end-Q2 2016.

6.3 Clearing

As for statistics on clearing in Q2 2016, the number of bank checks (outgoing and incoming) cleared at the clearing houses totaled 1.5 million with a total value of SAR 157.4 billion. The number of individual and corporate checks totaled 1.3 million with a total value of SAR 114.1 billion; and the number of certified checks totaled 149.7 thousand with a total value of SAR 43.3 billion.

Seventh: Domestic Stock Market Developments

The general share price index went up by 4.4 percent to 6,499.9 at end-Q2 2016 compared to a decrease of 10.0 percent in the preceding quarter, recording an annual decrease of 28.5 percent. The number of traded shares decreased by 12.4 percent to 18.1 billion in Q2 2016 compared to a q/q increase of 29.3 percent, recording a y/y rise of 8.8 percent. Total value of shares traded in

Q2 2016 decreased by 13.2 percent to SAR 319.9 billion compared to a q/q increase of 9.4 percent, recording a y/y decline of 32.3 percent.

At end-Q2 2016, the market capitalization of shares went up by 4.6 percent to SAR 1,504.3 billion against a decline of 9.0 percent at the end of the preceding quarter. The market capitalization of shares registered a y/y decrease of 25.3 percent. Total number of transactions in Q2 2016 decreased by 18.2 percent to 7.2 million compared to a q/q rise of 28.5 percent, recording a y/y decline of 11.8 percent (Chart 8).

Eighth: Investment Funds

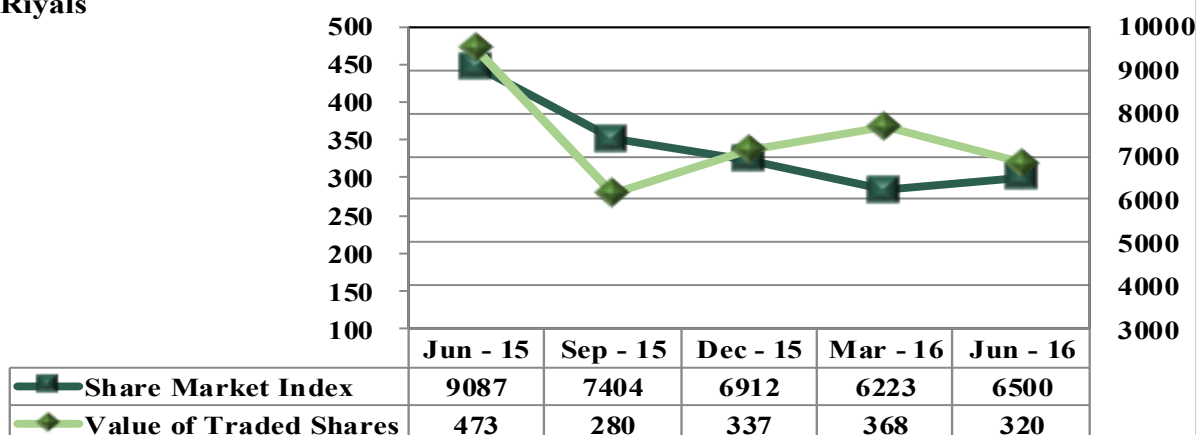
Total assets of investment funds managed by investment companies recorded a q/q decline of 11.4 percent (SAR 11.7 billion) to SAR 91.1 billion in Q1 2016 compared to a decline of 9.4 percent (SAR 10.6 billion), recording a y/y annual decline of 18.8 percent (SAR 21.1 billion).

A breakdown of total assets of investment funds shows that domestic assets went down by 13.3 percent (SAR 10.1 billion) to SAR 65.8 billion in Q1 2016 compared to a decline of 16.3 percent (SAR 14.8 billion) in the previous quarter. Domestic assets also registered a y/y decrease of 25.5 percent (SAR 22.5 billion). Foreign assets declined by 5.9 percent (SAR 1.6 billion) to SAR 25.4 billion in Q1 2016 against a rise of 18.5 percent (SAR 4.2 billion) in the preceding quarter. However, they registered a y/y rise of 5.7 percent (SAR 1.5 billion).

**Billion
Riyals**

Chart 8: Share Market Index

Point



Source: Tadawul and Capital Market Authority.

The number of investment fund shareholders declined by 1.2 percent (2,930 shareholders) to 234.0 thousand in Q1 2016, compared to a decline of 0.9 percent (2,205 shareholders) in the preceding quarter, recording a y/y decrease of 3.6 percent (8,755 shareholders). In addition, the number of operating funds rose by 2.6 percent (7 funds) to 277 in Q1 2016 compared to a rise of 1.5 percent (4 funds) in the preceding quarter.

Ninth: Specialized Credit Institutions (SCIs)

The SCIs' total outstanding loans went up by 2.1 percent (SAR 7.2 billion) to SAR 351.8 billion in Q4 2015, compared to an increase of 1.9 percent (SAR 6.3 billion) in the preceding quarter. They registered an annual rise of 13.1 percent (SAR 40.8 billion) at end-Q4 2015.

Total actual disbursements of loans rose by 11.4 percent (SAR 1.6 billion) in Q4 2015 compared to a decrease of 16.9 percent (SAR 3.0 billion) in the preceding quarter,

recording an annual rise of 0.3 percent. Total loan repayments to SCIs went up by 99.8 percent (SAR 4.7 billion) in Q4 2015 compared to a decline of 25.0 percent (SAR 1.5 billion) in the preceding quarter, registering an annual increase of 62.5 percent. SCIs' net credit recorded a q/q decline of 30.0 percent (SAR 3.0 billion) in Q4 2015, compared to a decrease of 12.5 percent (SAR 1.4 billion), registering an annual decline of 33.7 percent.

A breakdown of the loans extended by SCIs in Q4 2015 indicates that the loans extended by the Saudi Industrial Development Fund (SIDF) increased by 92.8 percent (SAR 934.3 million) compared to a decrease of 81.8 percent (SAR 4.5 billion) in the preceding quarter. Loans extended by the Real Estate Development Fund (REDF) also rose by 11.6 percent (SAR 646.0 million) in Q4 2015 against a decline of 25.5 percent (SAR 1.9 billion) in the preceding quarter, while loans extended by the Agriculture Development Fund (ADF) decreased by 6.6



percent (SAR 9.6 million) compared to a decline of 26.9 percent (SAR 53.5 million) in the preceding quarter. In addition, loans extended by the Public Investment Fund (PIF) decreased by 15.1 percent (SAR 844 million) compared to a rise of 458.7 percent (SAR 4.5 billion) in the previous quarter, whereas those extended by the Saudi Credit and Saving Bank (SCSB) rose by 38.7 percent (SAR 963.5 million) compared to a decrease of 31.5 percent (SAR 1.1 billion) in the preceding quarter.

As for credit repayments in Q4 2015, the volume of repayments to the SCSB increased by 59.7 percent (SAR 1.0 billion) against a decline of 13.6 percent (SAR 275.7 million) in the preceding quarter, repayments to the SIDF by 41.2 percent (SAR 370 million) compared to a decline of 65.1 percent (SAR 1.6 billion) in the preceding quarter, and repayments to the REDF by 181.6 percent (SAR 1.9 billion) compared to a rise of 7.7 percent (SAR 78.5 million) in the preceding quarter. Moreover, the volume of repayments to the ADF rose by 13.5 percent (SAR 24.5 million) against an increase of 1.7 percent (SAR 3.0 million) in the preceding quarter, and repayments to the PIF by 161.4 percent (SAR 1.3 billion) compared to an increase of 59.3 percent (SAR 297.1 million) in the preceding quarter.

Tenth: Supervisory and Legislative Banking Developments during Q2 2016

- SAMA Circular No. 371000091395 dated 17/08/1437H regarding the Applicability of Domestic Systemically Important Bank (D-SIB) Buffer in Saudi Arabia.
- SAMA Circular No. 371000101113 dated 15/09/1437H regarding the Framework

on Monitoring Tools for Intraday Liquidity Management.

- SAMA Circular No. 371000101108 dated 15/09/1437H regarding capital requirements for banks equity investments in funds.
- SAMA Circular No. 371000101114 dated 15/09/1437H regarding margin requirements for non-centrally cleared derivatives.
- SAMA Circular No. 371000101116 dated 15/09/1437H regarding capital requirements for bank exposures to central counterparties.
- SAMA Circular No. 371000101120 dated 15/09/1437H regarding the Standardized Approach for Measuring Counterparty Credit Risk.
- SAMA Circular No. 371000101259 dated 16/09/1437H regarding Draft Reporting Requirements – Foreign Branches.

Eleventh: Prominent Regulatory Developments in the Saudi Economy during the Second Quarter of 2016

- Dissolving the Ministry of Water and Electricity.
- Amending the name of the ministry of agriculture to become the Ministry of Environment, Water and Agriculture.
- Amending the name of the ministry of commerce and industry to become the Ministry of Commerce and Investment.
- Amending the name of the ministry of petroleum and mineral resources to become the Ministry of Energy, Industry and Mineral Resources.
- Amending the name of the ministry of Islamic affairs, Endowments, da'wah, and guidance to become the Ministry of

Monetary and Banking Developments



- Islamic Affairs, Da'wah, and Guidance.
- Amending the name of the ministry of haj to become the Ministry of Haj and Umra.
- Merging the ministry of labor and the ministry of social affairs into one ministry named the Ministry of Labor and Social Development.
- Converting the Department of Zakat and Income Tax into the "General Authority of Zakat and Tax".
- Establishing a general authority for entertainment and a general authority for culture.
- Approving the statute of the National Center for Evaluating the Performance of Public Agencies.
- Approving the National Transformation Program, which is one of the programs of Saudi Arabia's Vision 2030.
- Approving the statute of the National Center for Strategic and Development Studies.
- Approving the Implementing Regulations of the Law of Undeveloped Land Fees.