



مؤسسة النقد العربي السعودي

SAUDI ARABIAN MONETARY AGENCY



Monetary and Banking Developments

Fourth Quarter, 2015

Economic Research Department

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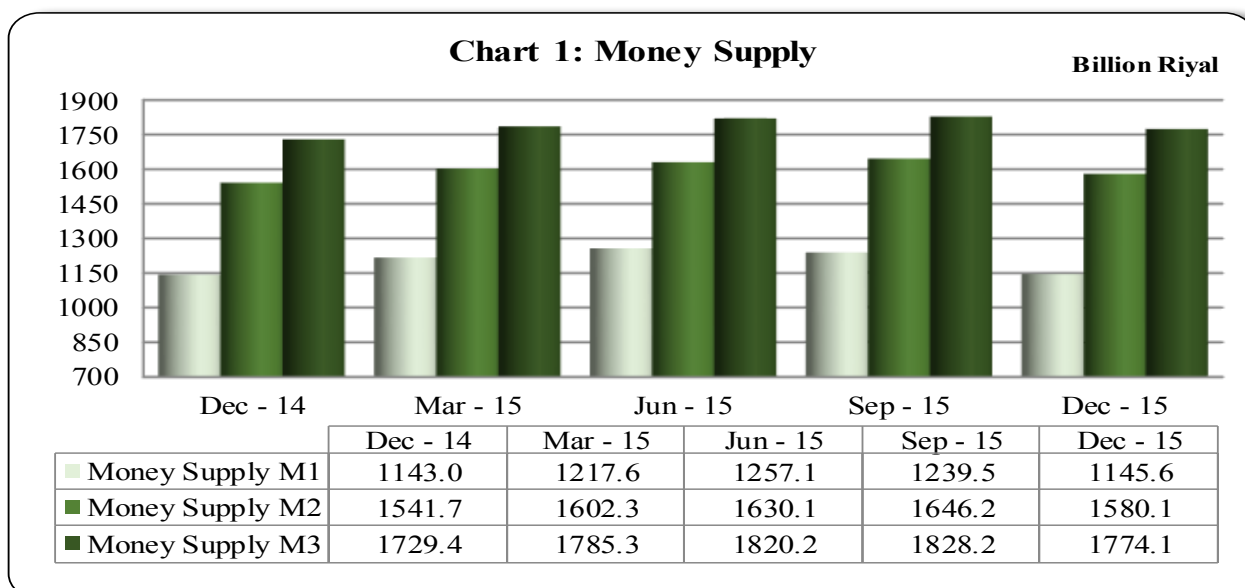
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First: Monetary Developments

1.1 Money Supply

Broad money supply (M3) decreased by 3.0 percent (SAR 54.1 billion) to SAR 1,774.1 billion in Q4 2015, compared to an increase of 0.4 percent (SAR 8.01 billion) in the preceding quarter. It also recorded an annual growth rate of 2.6 percent (SAR 44.7 billion) in Q4 2015 (Chart 1).



A breakdown of the components of M3 in Q4 2015 indicates that M1 fell by 7.6 percent (SAR 93.9 billion) to SAR 1,145.6 billion or 64.6 percent of M3, compared to a decrease of 1.4 percent (SAR 17.6 billion) in the preceding quarter. It also recorded an annual increase of 0.2 percent (SAR 2.6 billion) in Q4 2015. M2 fell by 4.0 percent (SAR 66.1 billion) to SAR 1,580.1 billion or 89.1 percent of M3 in Q4 2015 against an increase of 1.0 percent (SAR 16.1 billion) in the preceding quarter. It recorded an annual increase of 2.5 percent (SAR 38.4 billion) in Q4 2015.

1.2 Monetary Base

Monetary base fell by 6.0 percent (SAR 19.3 billion) to SAR 301.5 billion in Q4 2015, compared to an increase of 2.4 percent (SAR 7.5 billion) in the preceding quarter. It also recorded an annual increase of 6.6 percent (SAR 18.6 billion) in Q4 2015.

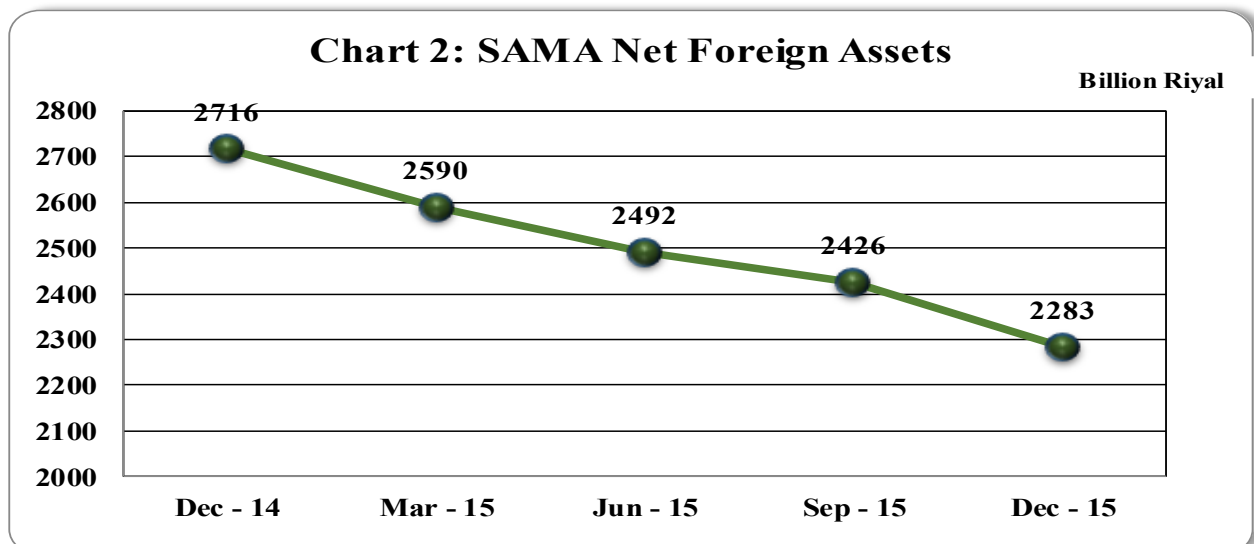


A breakdown of monetary base components indicates that currency in circulation decreased by 3.3 percent (SAR 5.8 billion) to SAR 169.3 billion in Q4 2015, compared to a rise of 0.6 percent (SAR 1.1 billion) in the preceding quarter. It also recorded an annual increase of 10.1 percent (SAR 15.6 billion) in Q4 2015.

Banks' deposits with SAMA decreased by 1.6 percent (SAR 1.6 billion) to SAR 98.1 billion in Q4 2015, compared to a decrease of 1.1 percent (SAR 1.1 billion) in the preceding quarter. They recorded an annual increase of 6.0 percent (SAR 5.6 billion) in Q4 2015. Public financial institutions' deposits with SAMA fell 46.9 percent (SAR 4.1 billion) to SAR 4.7 billion, compared to a rise of 32.9 percent (SAR 2.2 billion) in the preceding quarter. They recorded an annual decrease of 50.7 percent (SAR 4.8 billion) at the end of Q4 2015. Cash in vaults fell by 20.8 percent (SAR 7.7 billion) to SAR 29.4 billion, compared to an increase of 16.5 percent (SAR 5.3 billion) in the preceding quarter. It recorded an annual increase of 8.4 percent (SAR 2.3 billion) in Q4 2015.

1.3 SAMA's Balance Sheet

Preliminary data of SAMA's balance sheet indicate that total foreign assets fell by 5.8 percent (SAR 142.4 billion) to SAR 2,294.6 billion in Q4 2015, compared to a decline of 2.6 percent (SAR 65.5 billion) during the preceding quarter. They registered an annual decline of 15.8 percent (SAR 431.1 billion) in Q4 2015. Net foreign assets declined by 5.9 percent (SAR 142.7 billion) to SAR 2,283.4 billion in Q4 2015 against a decline of 2.6 percent (SAR 65.8 billion) in the preceding quarter. They recorded an annual decline of 15.9 percent (SAR 432.6 billion) in Q4 2015 (Chart 2).

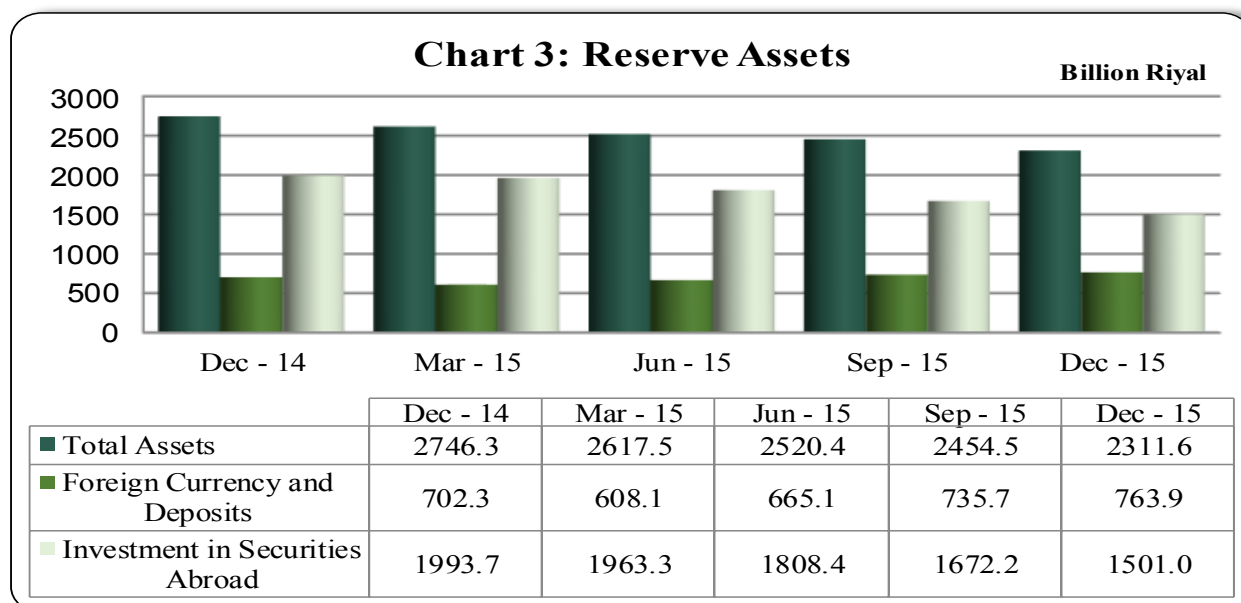




Total deposits in domestic currency for foreign entities increased by 3.1 percent (SAR 341.5 million) to SAR 11.2 billion in Q4 2015, compared to a rise of 2.1 percent (SAR 227.2 million) during the preceding quarter. They also recorded an annual increase of 15.7 percent (SAR 1.5 billion) in Q4 2015.

1.4 Reserve Assets

SAMA's total reserve assets decreased by 5.8 percent (SAR 143.0 billion) to SAR 2,311.6 billion in Q4 2015, compared to a decrease of 2.6 percent (SAR 65.9 billion) in the preceding quarter. They recorded an annual decline of 15.8 percent (SAR 434.8 billion) in Q4 2015 (Chart 3).



A breakdown of the components of total reserve assets in Q4 2015 as compared to the preceding quarter indicates that the reserve position with the IMF dropped by 4.2 percent (SAR 487.4 million) to SAR 11.2 billion. Investments in securities abroad went down by 10.2 percent (SAR 171.2 million) to SAR 1,501.0 billion. Special drawing rights increased by 1.7 percent (SAR 572.9 million) to SAR 33.8 billion. Deposits abroad increased by 3.8 percent (SAR 28.2 billion) to SAR 763.9 billion. Gold reserve was stable at SAR 1,624 million. Note that SAMA issued, on behalf of Ministry of Finance, government development bonds with a value of SAR 98 billion in Q4.



Second: Monetary Policy

SAMA has continuously been following a monetary policy that aims at achieving prices stability, supporting various economic sectors in line with domestic and international economic developments, and assisting domestic banks to fulfill their financing role in domestic economy. During Q4 2015, SAMA maintained the same measures taken earlier in Q3 2015 in addition to changing reverse repo rate. These measures are as follows:

1. Maintaining the repo rate unchanged at 2.0 percent and increasing the reverse repo rate from 0.25 to 0.50 percent. SAMA's daily average repo transactions stood at SAR 161 million in Q4 2015 against SAR 45 million in Q3 2015. Daily average reverse repo transactions stood at SAR 45.7 billion in Q4 2015 compared to SAR 51.3 billion in Q3 2015.
2. Maintaining the cash reserve ratio at 7.0 percent for demand deposits and 4.0 percent for time and savings deposits.
3. In order to encourage domestic banks to increase lending, SAMA continued to maintain the price of treasury bills unchanged at 80 percent of the Saudi inter-bank bid rate (SIBID) and the limit of weekly subscription in treasury bills for domestic banks at SAR 9 billion.
4. The three-month Saudi interbank offered rate (SIBOR) stabilized at 1.5488 percent in Q4 2015. The three-month interest rate difference between the riyal and the dollar was about 94 basis points in favor of the riyal in Q4 2015, compared to 57 basis points in Q3 2015. As for the riyal exchange rate against the dollar, it remained unchanged at its official peg rate of 3.75.
5. As regards foreign exchange swaps, SAMA did not make any swap transaction with domestic banks in Q4 2015.

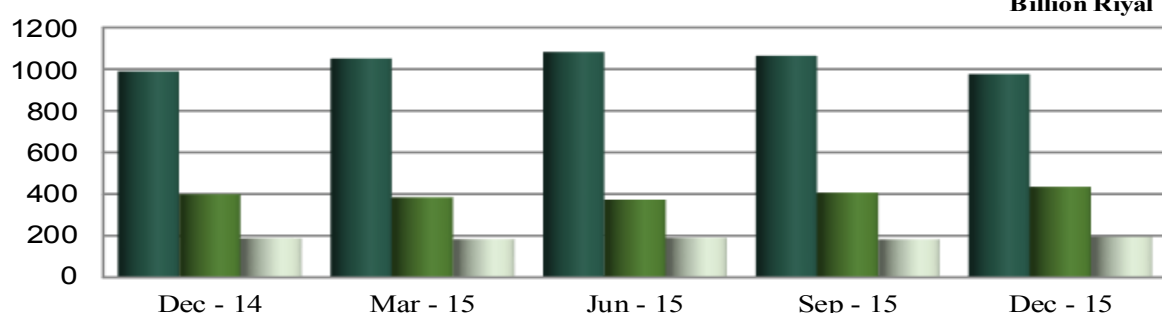
Third: Banking Developments

3.1 Bank Deposits

Total bank deposits decreased by 2.9 percent (SAR 48.2 billion) to SAR 1,604.8 billion in Q4 2015, compared to an increase of 0.4 percent (SAR 6.9 billion) in the preceding quarter. They registered an annual increase of 1.9 percent (SAR 29.2 billion) in Q4 2015. The ratio of total bank deposits to M3 stood at 90.5 percent (Chart 4).



Chart 4: Bank Deposits by Type



	Dec - 14	Mar - 15	Jun - 15	Sep - 15	Dec - 15
■ Demand Deposits	989.2	1050.9	1083.0	1064.3	976.2
■ Time & Savings Deposits	398.7	384.7	373.0	406.7	434.5
■ Other Quasi-Monetary Deposits	187.7	183.0	190.1	182.0	194.0

A breakdown of the components of deposits by type in Q4 2015 indicates that demand deposits fell by 8.3 percent (SAR 88.1 billion) to SAR 976.2 billion compared to a decrease of 1.7 percent (SAR 18.7 billion) during the preceding quarter. Demand deposits recorded an annual decrease of 1.3 percent (SAR 12.9 billion) in Q4 2015. Time and savings deposits increased by 6.8 percent (SAR 27.8 billion) to SAR 434.5 billion, compared to an increase of 9.0 percent (SAR 33.7 billion) in the preceding quarter, recording an annual rise of 9.0 percent (SAR 35.8 billion). Other quasi-monetary deposits increased by 6.6 percent (SAR 12.1 billion) to SAR 194.0 billion compared to a decline of 4.3 percent (SAR 8.1 billion) during the preceding quarter, recording an annual rise of 3.4 percent (SAR 6.4 billion).

3.2 Commercial Banks' Assets and Liabilities

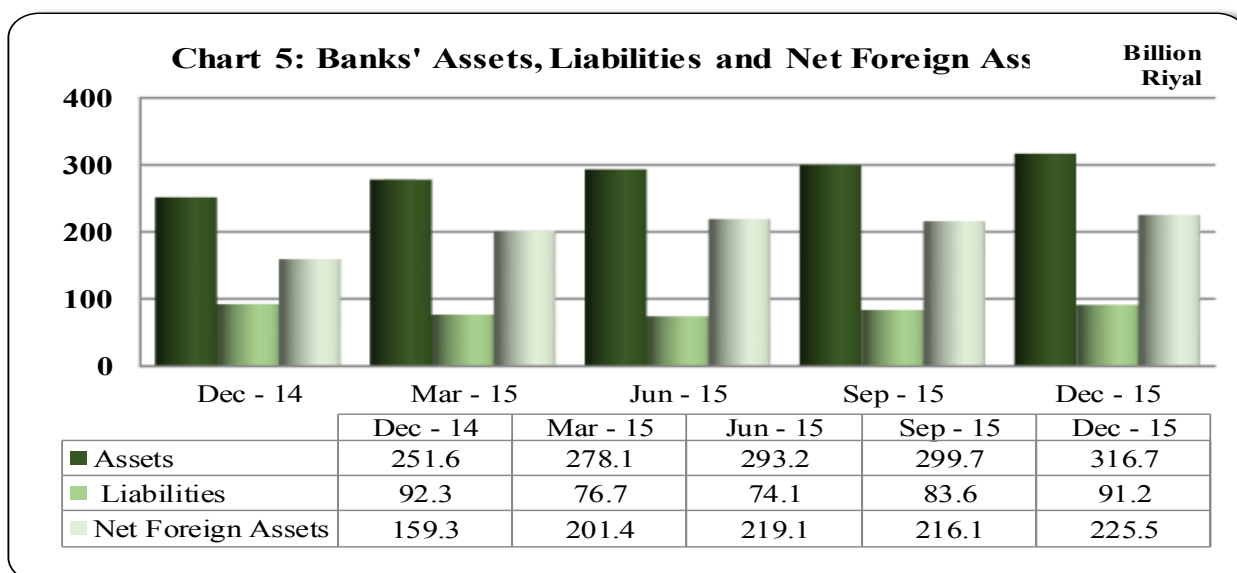
Total assets and liabilities of commercial banks stood at SAR 2,208.8 billion in Q4 2015, decreasing by 0.7 percent (SAR 15.2 billion) compared to a rise of 0.6 percent (SAR 13.8 billion) in the preceding quarter. They recorded an annual rise of 3.6 percent (SAR 76.2 billion) in Q4 2015.

3.3 Commercial Banks' Foreign Assets and Liabilities

Total foreign assets of commercial banks rose by 5.7 percent (SAR 17.0 billion) to SAR 316.7 billion in Q4 2015 compared to an increase of 2.2 percent (SAR 6.5 billion) during the preceding quarter. They registered an annual rise of 25.9 percent (SAR 65.1



billion), constituting 14.3 percent of commercial banks' total assets compared to 13.5 percent at the end of the preceding quarter (Chart 5).



Commercial banks' total foreign liabilities went up by 9.0 percent (SAR 7.5 billion) to SAR 91.2 billion in Q4 2015 against an increase of 12.9 percent (SAR 9.5 billion) in the preceding quarter, recording an annual decrease of 1.2 percent (SAR 1.1 billion) and constituting 4.1 percent of commercial banks' total liabilities against 3.8 percent at the end of the preceding quarter. Commercial banks' net foreign assets went up by 4.4 percent (SAR 9.5 billion) to SAR 225.5 billion in Q4 2015 compared to a decrease of 1.4 percent (SAR 3.1 billion) during the preceding quarter.

3.4 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 3.5 percent (SAR 50.5 billion) to SAR 1,496.9 billion in Q4 2015, compared to a rise of 1.5 percent (SAR 21.2 billion) in the preceding quarter, recording an annual rise of 10.5 percent (SAR 141.7 billion) in Q4 2015. They accounted for 93.3 percent of total bank deposits compared to 87.5 percent at the end of the preceding quarter.

3.4.1 Commercial Banks' Claims on the Private Sector

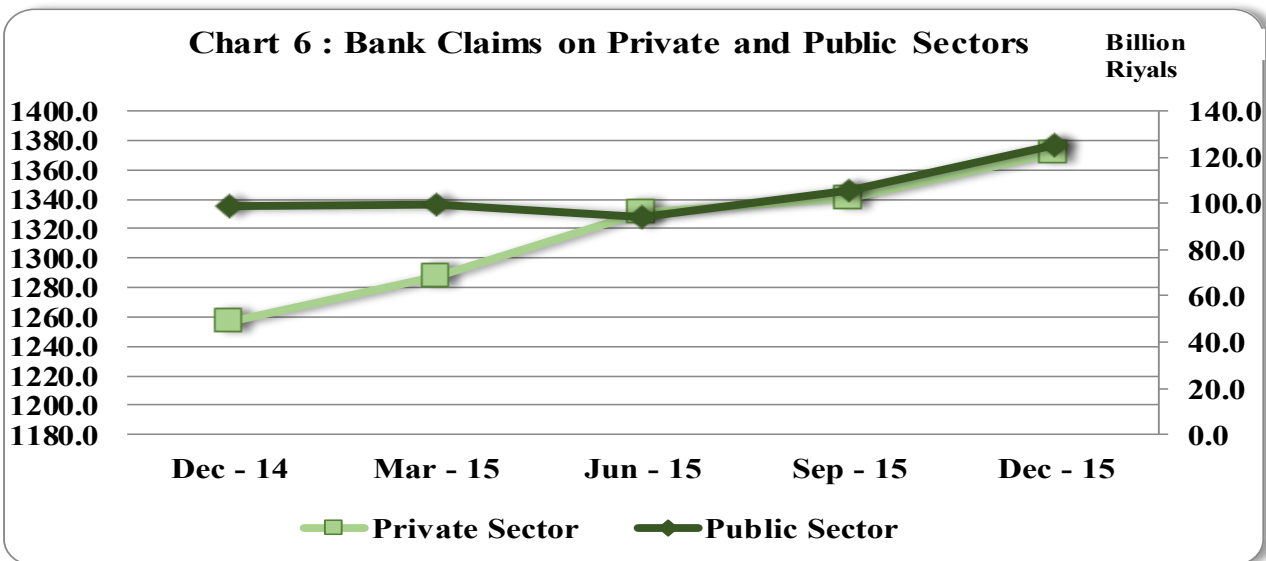
Commercial banks' claims on the private sector increased by 2.3 percent (SAR 31.1



billion) to SAR 1,371.9 billion in Q4 2015, compared to a rise of 0.7 percent (SAR 9.7 billion) in the preceding quarter. The claims on the private sector registered an annual increase of 9.2 percent (SAR 115.7 billion) in Q4 2015. The ratio of these claims to total bank deposits rose to 85.5 percent in Q4 2015 compared to 81.1 percent at the end of the preceding quarter (Chart 6).

3.4.2 Commercial Banks' Claims on the Public Sector

Banks' claims on the public sector went up by 18.4 percent (SAR 19.4 billion) to SAR 125.0 billion in Q4 2015 compared to an increase of 12.3 percent (SAR 11.6 billion) in the preceding quarter. They recorded an annual rise of 26.3 percent (SAR 26.0 billion) in Q4 2015. The ratio of banks' claims on the public and quasi-public sectors to total bank deposits stood at 7.8 percent in Q4 2015 compared to 6.4 percent at the end of the preceding quarter (Chart 6).



A breakdown of bank credit by maturity during Q4 2015 indicates that long-term credit increased by 5.0 percent (SAR 20.6 billion) to SAR 435.0 billion, compared to a rise of 1.7 percent (SAR 6.8 billion) in the preceding quarter. Also, medium-term credit went up by 5.3 percent (SAR 12.2 billion) to SAR 241.5 billion, compared to a decrease of 0.3 percent (SAR 0.7 billion) in the preceding quarter. While Short-term credit, went down by 0.2 percent (SAR 1.1 billion) to SAR 685.2 billion compared to an increase of 0.7 percent (SAR 5.1 billion) in the preceding quarter.



3.4.3 Commercial Banks' Claims by Economic Activity

Total bank credit extended by economic activity increased by 2.4 percent (SAR 31.7 billion) to SAR 1361.6 billion in Q4 2015 compared to a rise of 0.9 percent (SAR 11.2 billion) in the preceding quarter, recording an annual rise of 8.9 percent (SAR 111.0 billion) in Q4 2015. A breakdown of bank credit extended to economic activities in Q4 2015 indicates increases in bank credit extended to mining and quarrying sector by 13.8 percent (SAR 2.6 billion), to building and construction by 8.7 percent (SAR 8.5 billion), to commerce sector by 5.1 percent (SAR 14.0 billion), to water, electricity, gas and health services sector by 3.8 percent (SAR 1.5 billion), to transport and communication sector by 3.3 percent (SAR 1.4 billion), to services sector by 1.9 percent (SAR 1.3 billion); to manufacturing and production by 0.8 percent (SAR 1.3 billion), to public & quasi-public sector by 0.7 percent (SAR 226.8 million) and other sectors by 0.4 percent (SAR 1.9 billion). While bank credit extended to agriculture and fishing decreased by 5.3 percent (SAR 623.9 million) and to financing sector decreased by 1.3 percent (SAR 448.2 million).

3.5 Commercial Banks' Reserves, Capital, Profits and Branches

Capital and reserves of commercial banks decreased by 0.7 percent (SAR 1.8 billion) to SAR 271.0 billion in Q4 2015, compared to a decrease of 2.3 percent (SAR 6.4 billion) in the preceding quarter. Their ratio to total bank deposits stood at 16.9 percent in Q4 2015 compared to 16.5 percent in the preceding quarter. The annual growth rate of capital and reserves of commercial banks went up by 9.2 percent (SAR 22.9 billion) in Q4 2015. Banks' profits reached SAR 9.9 billion in Q4 2015 compared to SAR 10.3 billion in the preceding quarter, denoting a fall of 3.8 percent (SAR 394.4 million), registering a y/y increase of 5.3 percent (SAR 499.9 million).

At the end of Q4 2015, the number of commercial banks' branches operating in the Kingdom increased to 1,989 with a q/q increase of 26. They registered a y/y annual increase of 4.0 percent (77 branches).

3.6 Commercial Banks' Purchases and Sales of Foreign Exchange

3.6.1 Commercial Banks' Purchases of Foreign Exchange

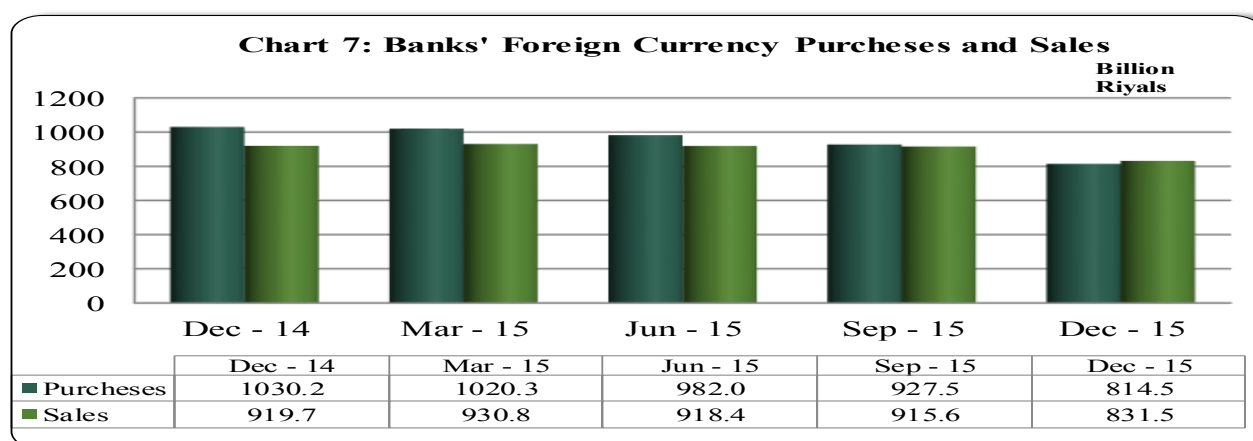
Commercial banks' total purchases of foreign exchange went down by 12.2 percent (SAR 113.0 billion) to SAR 814.5 billion in Q4 2015, compared to a q/q fall of 5.6 percent (SAR 54.5 billion), recording a y/y annual decline of 20.9 percent (SAR 215.8 billion). A



q/q comparison of banks' total purchases of foreign exchange shows that purchases from domestic banks decreased by 39.8 percent (SAR 73.8 billion), from other sources by 14.9 percent (SAR 6.0 billion), from SAMA by 11.0 percent (SAR 20.4 billion), from foreign banks by 3.2 percent (SAR 12.8 billion), and from clients by 0.3 percent (SAR 342.9 million) (Chart 7).

3.6.2 Commercial Banks' Sales of Foreign Exchange

Commercial banks' total sales of foreign exchange went down by 10 percent (SAR 84.1 billion) to SAR 831.5 billion in Q4 2015, compared to a q/q fall of 0.3 percent (SAR 2.8 billion), recording a y/y annual decline of 9.6 percent (SAR 88.2 billion). A q/q comparison of banks' total sales of foreign exchange indicates that sales to government entities rose by 126.5 percent (SAR 6.7 billion), to SAMA by 110.0 percent (SAR 657.8 million), to other customers inside the Kingdom by 0.5 percent (SAR 1.1 billion), However, sales of foreign exchange to money changers fell by 61.6 percent (SAR 1.9 billion), to banks inside the Kingdom by 35.7 percent (SAR 56.2 billion) and banks abroad by 9.2 percent (SAR 36.1 billion) (Chart 7).



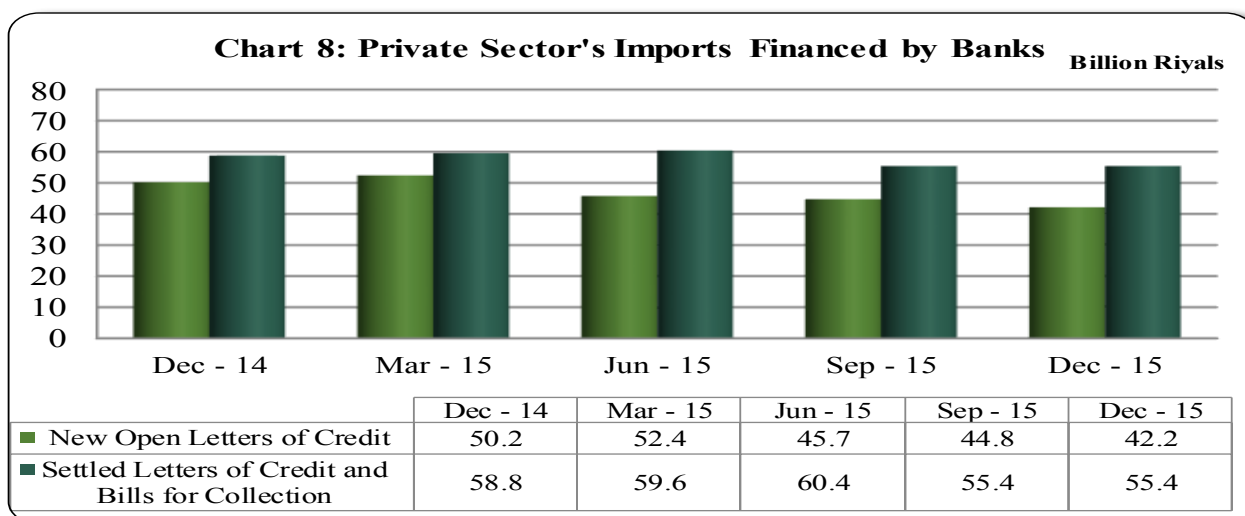
3.7 Private Sector Imports Financed by Commercial Banks

Private sector imports financed by commercial banks through settled letters of credit and bills for collection decreased by 0.01 percent (SAR 6.6 million) to SAR 55.4 billion in Q4 2015, compared to a q/q decrease of 8.2 percent (SAR 5.0 billion), recording a y/y decrease of 5.7 percent (SAR 3.4 billion). Q4 2015 results show that finance given to automobile imports increased by 23.4 percent (SAR 2.9 billion), On the other hand, finance given to food imports decreased by 7.4 percent (SAR 536.6 million), to textiles and clothing imports by 13.8 percent (SAR 85.8 million), to machinery imports by 1.0 percent



(SAR 31.8 million), to construction materials imports by 13.2 percent (SAR 632.3 million), to appliances imports by 33.5 percent (SAR 624.6 million) and to other goods imports by 3.8 percent (SAR 967.8 million).

As for private sector imports financed by commercial banks through new opened letters of credit in Q4 2015, such letters of credit declined by 5.8 percent (SAR 2.6 billion) to SAR 42.2 billion compared to a q/q fall of 2.1 percent (SAR 96.1 million), recording a y/y decline of 16.0 percent (SAR 8.0 billion). letters of credit to automobile imports fell by 35.7 percent (SAR 5.4 billion) and to appliances imports by 7.3 percent (SAR 103.0 million). In contrast, letters of credit to construction materials imports increased by 35.0 percent (SAR 1.1 billion), to machinery imports by 30.8 percent (SAR 709.2 million), to textiles and clothing imports by 19.4 percent (SAR 87.5 million), to food imports by 15.2 percent (SAR 618 million), and to other goods imports by 2.4 percent (SAR 438.0 million) (Chart 8).

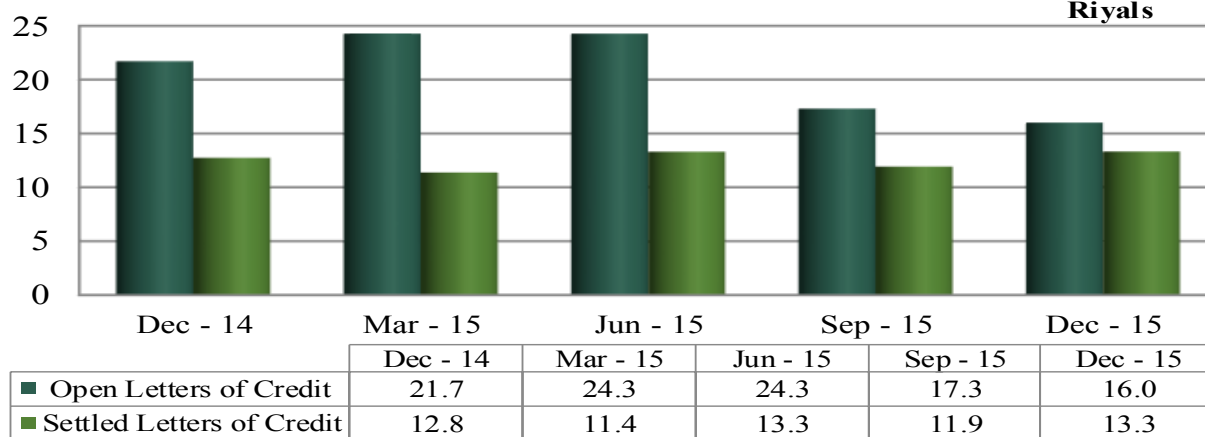


3.8 Private Sector Exports Financed by Commercial Banks

Private sector exports financed by commercial banks through open letters of credit decreased by 7.5 percent (SAR 1.3 billion) to SAR 16.0 billion in Q4 2015, compared to a q/q fall of 28.7 percent (SAR 7.0 million), recording a y/y decline of 26.2 percent (SAR 5.7 billion). Q4 2015 results show that finance given to exports of other industrial products went down by 12.9 percent (SAR 2.0 billion) while finance given to exports of chemicals and plastic materials increased by 54.6 percent (SAR 849.2 million). The exports of agriculture and livestock reached SAR 78 million compared to SAR 227 million in the preceding quarter (Chart 9).



Chart 9: Private Sector's Exports Financed by Banks Billion Riyals



A review of the geographical distribution of trends of open letters of credit for the finance given to exports by country of destination in Q4 2015 indicates a decrease in the finance of exports to GCC countries by 1.0 percent (SAR 93.3 million), to North America countries by 75.6 percent (SAR 90.2 million), to other countries by 31.2 percent (SAR 1.9 billion). While finance of exports to Latin America countries increased by 375.5 percent (SAR 345.2 million), to Arab countries by 23.5 percent (SAR 168.2 million), to Western Europe countries by 418.0 percent (SAR 235.5 million), and to other European countries by 9.1 percent (SAR 46.3 million).

Fourth: Banking Technology Developments

4.1 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 Q4 2015 went down by 3.2 percent (SAR 332.8 million) to SAR 10.1 billion. The value of single payment transactions totaled SAR 9.6 billion, whereas the total value of bulk payment transactions stood at SAR 480.8 million. Total customer payments stood at SAR 1.3 billion, with a q/q an increase of 6.2 percent. The total value of inter-bank payments transactions stood at SAR 8.7 billion with a q/q fall of 4.5 percent.

4.2 mada

As for mada developments, the total number of ATM transactions in Q4 2015 was approximately 471.6 million, with cash withdrawals totaling SAR 186.7 billion, including transactions through banks' network and Mada. Total transactions executed through POS terminals stood at 120.9 million with total sales of SAR 46.6 billion in Q4 2015. The



number of ATMs totaled 17.2 thousand and the number of ATM cards issued by domestic banks stood at 22.4 million in Q4 2015. The number of POS terminals stood at 225.4 thousand in Q4 2015.

4.3 Clearing

As for statistics on clearing in Q4 2015, the number of bank checks (outgoing and incoming) cleared at the clearing houses totaled 1.8 million with a total value of SAR 178.5 billion. The number of individual and corporate checks totaled 1.5 million with a total value of SAR 128.4 billion; and the number of certified checks totaled 299.5 thousand with a total value of SAR 49.9 billion.

Fifth: Saudi Stock Exchange Developments

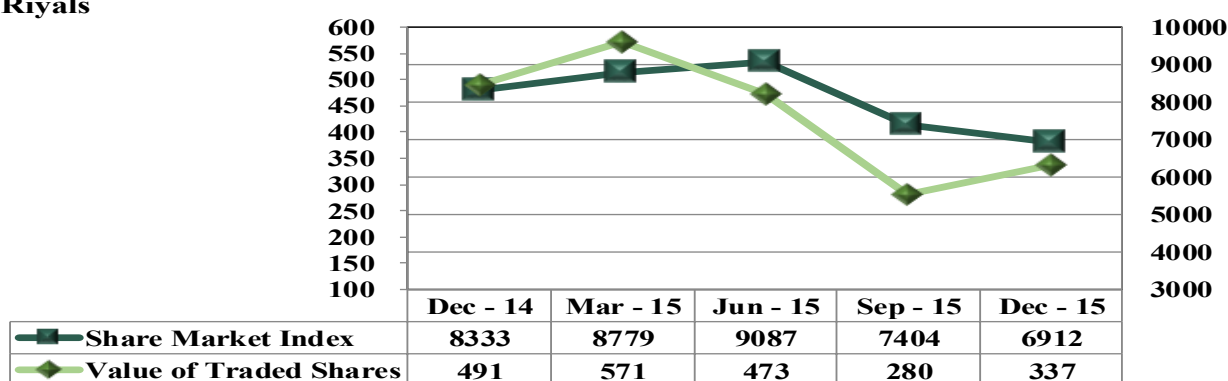
Tadawul All Share Index (TASI) fell by 6.7 percent to 6,911.7 in Q4 2015 compared to a q/q decline of 18.5 percent, recording an annual decline of 17.1 percent. The volume of shares traded increased by 43.2 percent to 15.9 billion in Q4 2015 compared to a q/q fall of 32.9 percent, recording a y/y decrease of 2.4 percent. Total value traded increased by 20.2 percent to SAR 336.7 billion in Q3 2015 compared to a q/q decline of 40.7 percent, recording a y/y decline of 31.3 percent.

Stock market capitalization went down by 5.3 percent to SAR 1.6 billion in Q4 2015 against a q/q decline of 17.2 percent, recording a y/y decline of 12.9 percent. Total number of trades in Q4 2015 increased by 19.9 percent to 6.8 million compared to a q/q decline of 30.0 percent, recording a y/y decline of 19.6 percent (Chart 10).

Billion
Riyals

Chart 10: Share Market Index

Point



Source: Tadawul and Capital Market Authority.



Sixth: Investment Funds

Total assets of investment funds managed by investment companies went down by 9.4 percent (SAR 10.6 billion) to SAR 102.8 billion in Q4 2015 compared to a q/q fall of 5.4 percent (SAR 6.4 billion), recording a y/y decline of 7.1 percent (SAR 7.8 billion).

A breakdown of the total assets of investment funds indicates that domestic assets fell by 16.3 percent (SAR 14.8 billion) to SAR 75.9 billion in Q4 2015, compared to a q/q decrease of 5.5 percent (SAR 5.3 billion). Domestic assets registered a y/y decrease of 7.3 percent (SAR 5.9 billion). Foreign assets went up by 18.5 percent (SAR 4.2 billion) to SAR 26.9 billion in Q4 2015 against a q/q decrease of 4.7 percent (SAR 1.1 billion), registering a y/y fall of 6.4 percent (SAR 1.9 billion).

Number of investment funds shareholders decreased by 0.9 percent (2205 shareholders) to 236.9 thousand in Q4 2015, compared to a q/q fall of 1.5 percent (3,636 shareholders). The number of shareholders recorded a y/y decrease of 3.7 percent (9,054 shareholders). The number of operating funds rose by 1.5 percent (4 funds) to 270 in Q4 2015 compared to 266 in the preceding quarter.

Seventh: Specialized Credit Institutions (SCIs)

SCIs total outstanding loans went up by 3.9 percent (SAR 12.6 billion) in Q2 2015 to SAR 338.2 billion compared to a q/q rise of 4.7 percent (SAR 14.7 billion). registering an annual rise of 17.0 percent (SAR 49.2 billion) in Q2 2015.

Total actual disbursements of loans decreased by 13.4 percent (SAR 2.7 billion) in Q2 2015 compared to an q/q increase of 25.2 percent (SAR 4.1 million), recording an annual rise of 19.0 percent. Total repayments to SCIs went up by 22.6 percent (SAR 1.1 billion) in Q2 2015 compared to a q/q decline of 11.6 percent (SAR 670.8 million), registering an annual increase of 24.9 percent. SCIs net credit declined by 25.3 percent (SAR 3.9 billion) in Q2 2015, compared to a q/q hike of 45.0 percent (SAR 4.8 billion), recording an annual rise of 16.1 percent.

A breakdown of the loans extended by SCIs in Q2 2015 indicates that loans extended by SIDF increased by 489.1 percent (SAR 4.5 billion) compared to a q/q decrease of 49.7 percent (SAR 923.7 million). Loans extended by REDF fell by 9.7 percent (SAR 798.9 million) in Q2 2015 against a q/q rise of 33.3 percent (SAR 2.1 billion). Loans extended by ADF fell by 45.2 percent (SAR 163.9 million) compared to a q/q rise of 17.5 percent (SAR



54.0 million). Loans extended by PIF declined by 86.3 percent (SAR 6.3 billion) compared to a q/q hike of 70.2 percent (SAR 3.0 billion). Loans extended by SCSB fell by 2.0 percent (SAR 76.0 million) compared to a q/q decrease of 2.3 percent (SAR 85.9 million).

As for credit repayments in Q2 2015, the volume of repayments to SCSB increased by 18.8 percent (SAR 320.5 million) against a q/q decrease of 4.9 percent (SAR 88.7 million). Repayments to SIDF increased by 140.2 percent (SAR 1.5 billion) compared to a q/q decrease of 25.4 percent (SAR 364.6 million). Repayments to REDF increased by 148 percent (SAR 606 million) against a q/q fall of 69.9 percent (SAR 948.1 million). In contrast, volume of repayments to ADF fell by 12.5 percent (SAR 25.5 million) against a q/q increase of 20.9 percent (SAR 35.2 million), and repayments to PIF fell by 71.3 percent (SAR 1.2 billion) compared to a q/q increase of 66.2 percent (SAR 695.5 million).

Eighth: Supervisory and Legislative Banking Developments during Q4 2015

SAMA has not issued any circulars to the banking sector in Q4 2015.

Ninth: Prominent Regulatory Developments in the Saudi Economy during Q4 2015

- Approving the agreement of transport of goods by road between Arab countries, with an emphasis on the Kingdom's following conditions: "Provisions of this agreement will be implemented without prejudice to the Common Customs Law of the GCC States on imported, exported and in transit goods."
- Approving a number of resolutions, including:
 - First: Changing energy product prices to be as follows:
 1. \$ 1.25/British thermal unit BTU Gas.
 2. \$ 1.75/British thermal unit BTU Ethane.
 3. \$/ton Propane $0.80 \times$ (Propane average rate in Japan for the preceding month less shipment and insurance costs from Ras Tanurah to Japan)
 4. \$/ton Butane $0.80 \times$ (Butane average rate in Japan for the preceding month less shipment and insurance costs from Ras Tanurah to Japan)



5. \$/ton Natural Gasoline $0.80 \times$ (Natural Gasoline average rate in Japan for the preceding month less shipment and insurance costs from Ras Tanurah to Japan).
6. \$ 28.70/barrel Kerosene
7. \$ 14.00/barrel Diesel fuel (Industry)
8. \$ 19.10/barrel Diesel fuel (Transport)
9. \$ 6.35/barrel Arabian light crude oil
10. \$ 4.40/barrel Arabian heavy crude
11. \$ 4.25/barrel Fuel oil 180
12. \$ 3.80/barrel Fuel oil 380
13. SAR 0.75/liter Gasoline 91 RON
14. SAR 0.90/liter Gasoline 95 RON

Second: Changing electricity consumption tariffs to be as follows:

Residential sector:

- ♦ First Category: 1-2000 (KW/hour/month) SAR 0.05.
- ♦ Second Category: 2001-4000 (KW/hour/month) SAR 0.10.
- ♦ Third Category: 4001-6000 (KW/hour/month) SAR 0.20.
- ♦ Fourth Category: <6001 (KW/hour/month) SAR 0.30.

Commercial sector:

- ♦ First Category: 1-4000 (KW/hour/month) SAR 0.16.
- ♦ Second Category: 4001-8000 (KW/hour/month) SAR 0.24.
- ♦ Third Category: <8001 (KW/hour/month) SAR 0.30.

Industrial sector:

- ♦ SAR 0.18 Average tariff

Agricultural sector, charitable and cooperative institutions and associations and the like:

- ♦ First Category: 1-2000 (KW/hour/month) SAR 0.10.
- ♦ Second Category: 2001-4000 (KW/hour/month) SAR 0.10.
- ♦ Third Category: 4001-5000 (KW/hour/month) SAR 0.12.
- ♦ Fourth Category: 5001-8000 (KW/hour/month) SAR 0.12.



- ♦ Fifth Category: <8001 (KW/hour/month) SAR 0.16.

Government sector:

- ♦ SAR 0.32 all consumption

Third: Changing water and sewage service tariffs for the residential, commercial and industrial sectors to be as follows:

- ♦ First Category: 1-15 (cubic meter/month) SAR 0.10 Water tariff and SAR 0.05 Sewage service tariff.
 - ♦ Second Category: 16-30 (cubic meter/month) SAR 1 Water tariff and SAR 0.50 Sewage service tariff.
 - ♦ Third Category: 31-45 (cubic meter/month) SAR 3 Water tariff and SAR 1.5 Sewage service tariff.
 - ♦ Fourth Category: 46-60 (cubic meter/month) SAR 4 Water tariff and SAR 2 Sewage service tariff.
 - ♦ Fifth Category: <61 (cubic meter/month) SAR 6 Water tariff and SAR 3 Sewage service tariff.
- Approving the Statute of Job Creation and Unemployment Control Authority. Under the above-mentioned Statute, a public authority that reports to the President of the Council of Economic and Development Affairs shall be established. Its mandate shall be creating jobs and combating unemployment in the Kingdom through concerting all government and private entities' efforts, directed to the labor market, enhancing their interactions in this regard, developing sectors that create new jobs and making use of the competitive advantage of the Kingdom's regions for this purpose. The Statute provides for the establishment of a board of directors for the Authority, formed of a chairman (to be appointed by an order of the Prime Minister), the Governor of the Authority (to be appointed by the Board of Directors) and representatives from a number of relevant government and semi-government entities and the private sector.
 - Approving the amendment of the name of "the Deputy Ministry of Commerce and Industry for Consumer Affairs" to be (Deputy Ministry for Consumer Protection) and delegating additional tasks to the Deputy Ministry, including the following:



1. Cooperating with domestic and international organizations to qualify and train administrative leaders in the field of consumer protection.
 2. Setting out the procedures, methods of filing complaints, claiming rights, and developing electronic systems.
 3. Receiving, considering and analyzing consumer complaints; and cooperating with competent authorities to address such complaints properly.
- Council of Ministers decided on 19/10/2015 corresponding to 6/1/1437 to Approve the following:
 1. Abolishing (the Center for Measuring Performance of the Government Agencies), established under the Council of Ministers' Resolution No. (187), issued on 04/07/1429H, and transferring its personnel, properties and documents to the Institute of Public Administration.
 2. Establishing a national center for measuring the performance of public agencies under the name: (the National Center for Measuring the Performance of Public Agencies) with a legal personality that is financially and administratively independent, and it shall report to the Prime Minister. A board of directors for the Centre shall be formed of His Royal Highness the President of the Council of Economic and Development Affairs (as the chairman), H.E. Minister of State, Member of Council of Ministers, Dr. Musaad bin Mohammed Al-Aiban, Minister of Economy and Planning, Minister of Civil Service and Minister of State, Member of Council of Ministers, Mr. Mohammed bin Abdulmalik Al Al-Sheikh (as members). The Center shall have a qualified and competent general director, who shall be appointed by the Board of Directors.
 - Approving a number of arrangements on the draft public policies for the real estate financing, some of which are as follows:
 1. Approving the public policies for real estate financing.
 2. Forming a committee composed of: Ministries of Finance, Housing, Justice, Commerce and Industry, Economy and Planning, Saudi Arabian Monetary Agency, and Capital Market Authority, with the following mandates: - Developing implementation plans to achieve the strategic goals set by public policies of the real estate financing. -Following up the implementation of these



plans and setting specific deadlines and performance measurement indicators for them. The implementation of those policies shall be accompanied with a real estate credit record and shall clearly pinpoint the targeted categories of real estate finance.

- Approving a number of organizational arrangements to add a number of departments to the approved organizational structure of the General Presidency of Scholarly Research and Ifta, including:
 1. Amending the title of (Vice President of the General Presidency of Scholarly Research and Ifta) to be (Vice President for Executive Affairs) who shall be directly reported to the President of Scholarly Research and Ifta.
 2. Adding organizational units to the approved organizational structure of the General Presidency of Scholarly Research and Ifta: Divorce Fatwas Office, Project Management and Maintenance, Inventory Control Unit and Procurement and Contract Management.
- Approving the formation of a permanent committee at the headquarters of the General Authority of Civil Aviation with the participation of delegates from a number of government agencies concerned with countering threats to civil aviation in areas of armed conflict. Some tasks of this committee shall be following up the works of the International Civil Aviation Organization, fulfilling its requirements for protecting the Saudi civil aircraft, registered in Saudi Arabia, and studying the best ways to provide a base of data and information on the risks related to conflict zones and the mechanism to deal with such threats.
- Approving the listing of lawyers to the categories, stated in item (II) of the Council of Ministers' Resolution No. (162), issued on 04/24/1435H, ordaining the establishment of the Judicial Training Centre at the Ministry of Justice, so that one of its objectives is to contribute to raising the competence and qualification of lawyers.
- Approving the regulatory arrangements of the General Authority for Small and Medium Enterprises. Some of these arrangements are as follows:
 1. A general authority shall be established, with the name: "General Authority for Small and Medium Enterprises" with a legal personality that enjoys financial and administrative independence and is chaired by Minister of Commerce and Industry.



2. The General Authority shall be intended to regulate, support, develop and supervise small and medium enterprises sector in the Kingdom in accordance with the best international practices to raise SME productivity, increase its contribution to GDP and enhance the absorptive capacity of the Saudi economy, in a way that would lead to job generation and creating job opportunities for the national workforce and domesticating technology.
 3. The activity of the small and emerging enterprises sponsorship in Saudi Credit and Saving Bank, the Secretariat of the Coordination Council for the Small and Medium Enterprises Sector in Saudi Credit and Savings Bank and the activity of the National Center for Small and Medium Enterprises in the Ministry of Commerce and Industry shall be transferred to the Authority.
 4. The Saudi Industrial Development Fund shall be responsible for financing SMEs instead of the Saudi Credit and Savings Bank. It shall be concerned with SME finance programs or guaranteeing such finance.
 5. The Saudi Credit and Savings Bank and other government agencies shall continue to exercise all their activities related to SMEs until the Authority is completely established and commences its tasks.
- Approving the unified administrative organization of the regions' Emirates, provided that the Ministry of Interior adds women's offices within the organizational structure of the regions' Emirates.
 - Approving converting the Central Department of Statistics and Information to a general authority to be called: "the General Authority for Statistics", that shall have a legal personality and shall report to the Minister of Economy and Planning.
 - Approving the regulation of the National Committee to Follow Up the Custodian of the Two Holy Mosques King Abdullah bin Abdul-Aziz's Initiatives (may Allah have mercy on him) for Dialogue Among Followers of Religions and Cultures.
 - Approving the organizational arrangements for the Center for Achievement and Rapid Intervention.

These arrangements stipulated that the Center shall report to the Minister of Economy and Planning, who acts as the Chairman of Committee for following up implementation of decisions related to the Council of Economic and Development Affairs. Such arrangements also stipulated that pursuing the accomplishment of the



initiatives according to their economic and developmental significance and priority through managing them efficiently, effectively and timely, and assisting competent authorities concerned with these initiatives to develop detailed plans with specific-objective tracks and identify obstacles early and come up with preventive and corrective solutions shall be among the tasks and objectives of the Center.

- Approving a new law for companies. The (new) companies law aims to establish a number of principles and concepts, including:
 1. Adopting the concept of a single person company, to encourage traders establish their own business in a legal form of a company instead of an individual establishment when commencing their business activities.
 2. Reducing the number of partners in a joint stock company to become two partners instead of five partners, and reducing the minimum capital of a joint stock company to become five hundred thousand instead of two million riyals.
 3. Imposing deterrent and gradual penalties, that may include, as a maximum, a five-year imprisonment and a fine of five million riyals, to confront crimes and violations made by companies.
- Approving the Ministry of Education to grant the guardian - or someone on behalf of him - of a handicapped student, studying on a scholarship abroad, if he desires to visit his son, who has been abroad for a minimum of one academic year, as follows:
 - ♦ One round-trip ticket if the student has been studying on a scholarship.
 - ♦ Two round-trip tickets if the student has been in a qualification center.
- The Council of Ministers approved a number of arrangements regarding the file submitted by the Grain Silos & Flour Mills Organization, including the following:
 1. Approving all necessary actions to establish four joint stock companies for Flour Mills, provided that the Public Investment Fund, in coordination with the Grain Silos & Flour Mills Organization, shall assume the responsibility of such an action.
 2. Approval of amending of the name “Grain Silos and Flour Mills Organization” to become the “Saudi Grains Organization (SAGO)”, and restructuring it according to a number of regulatory arrangements, among which are as follows:
 - a. SAGO shall undertake the management, operation, enhancement and



development of the activity of storage silos, as well as the tasks of regulating the activity of mills for the production, control and supervision of flour, and it shall have a legal entity. To this end, it shall assume a number of tasks and responsibilities, including the preparation of the activity of silos and that of mills for flour production so as to be an investment attractive element for national and foreign investors, encouraging investments in silos activity and flour production activity of mills, issuing of licensing necessary for operation -according to pertinent laws and provisions-, and setting quality and safety standards related to silos activity and flour production activity of mills- in coordination with relevant government ministries and commissions- and supervising the implementation of such standards.

- b. The mills shall be operated by a company (s) incorporated by the Public Investment Fund or by other companies licensed by SAGO.
- Approval of the appropriation of an annual amount of SAR 525,369,000 to be set aside in the budget of the General Authority of Civil Aviation (GACA), beginning as of the state's fiscal budget of the upcoming financial year 1437-1438H to support compulsory low-traffic lines determined by the GACA, provided that such amount shall be disbursed under its strategy of the development of civil aviation, in accordance with a mechanism to be agreed upon with the Ministry of Finance. The GACA shall assess the disbursement program each three years in the light of actual demand and traffic growth.
- Approval that the Higher Commission for Industrial Security shall supervise the railways and its facilities among cities, according to instructions issued by the Ministry of Interior regarding transgressions towards railways network, and it shall report the results to his Royal Highness after two years.
- Approval of the Law of Undeveloped Lands Fees
- Approval of the Implementing Regulations of the Law of Eminent Domain and Temporary Taking of Property.
- Approval of transferring a number of jobs relevant to public transport activity from the Ministry of Transportation to the Commission of Public Transportation, changing placement of occupied and vacant jobs from the salary scale of public employees to



the salary scale of the General Organization for Social Insurance, and transferring documents and studies related to public transport from the Ministry of Transportation to the Commission of Public Transport.

- The Council of Ministers approved a number of arrangements regarding the continuous waste of water, including the following:

Cessation of green feed agriculture within a period not exceeding three years.

The Ministry of Agriculture shall prepare a comprehensive study to determine the domain of cessation and all detailed provisions ensuring compliance therewith, including determining supervision and monitoring mechanisms and entities concerned with them, penalties imposed on violators to these provisions, and providing appropriate alternatives to ensure that cattle raisers are not affected by the cessation and making feedstock available at suitable prices. Furthermore, the Ministry shall report to his Royal Highness the conclusions of the study within a period not exceeding (90) days.

- Approval of the promulgation of the Private Health Institutions Law issued by Royal Decree No. M/40, dated 3/11/1423H and its Implementing Regulations, for charity associations that desire to establish charity health foundations.
- Approving that Ministry of Islamic Affairs, Endowments, Dawah and Guidance shall represent the Kingdom in regional and international conferences, forums and symposia related to endowments, and to carry on assuming the responsibility of administrative supervision of the mosques endowments activity where their dedicators have assigned overseers therefor. The law of the General Authority of Endowments -ratified by the Council of Ministers- sets forth the establishment of a general commission that has an independent, legal entity, enjoying both financial and administrative independence, with reporting relationship with the Prime Minister. The commission aims at regulating, maintaining, developing and enhancing endowments, in a means that would meet the conditions set by their dedicators and promote their role in economic and social growth and social solidarity. The commission, pursuant to this Law, shall also supervise all public, private (national) and joint endowments, as well the work of overseers assigned by dedicators to the



extent provided for by laws that does not breach the conditions placed by dedicators or contravene in the work of overseers. The commission shall have a board of directors chaired by a chairman appointed by order of the Prime Minister and shall have a governor appointed by the commission's board of directors.

- Amending the regulation of the Public Education Evaluation Commission. Its board of directors shall be chaired by a chairman appointed by order of the Prime Minister, with membership of the Commission's governor, two representatives of the Ministry of Education and one representative from each of: the Ministry of Labor, the National Commission for Academic Accreditation and Assessment, the National Center for Measurement Assessment in Public Education, the Technical and Vocational Training Corporation, the Saudi Educational and Psychological Association; as well as seven experts in the field of the commission's activity, and a representative from the private sector.
- Approving relocating the main headquarters of General Authority of Civil Aviation from Jeddah to Riyadh, and the transfer process shall be carried out gradually in a manner that does not affect workflow, within a maximum period of a year and a half.
- Approving a number of arrangements, including the following:
 1. Adding two tasks to the tasks of the Environment Council. The first of which is approving of the draft budget of the Council and submitting it to competent authorities, and the second is approving programs and plans related to environmental research.
 2. Adding a representative from King Abdullah City for Atomic & Renewable Energy to the Environment Council.
 3. Approval of the organizational structure of the General Secretariat of the Environment Council and its goals and objectives manual.
- Approving a number of resolutions, including:
 - I- Airline travel for civilian employees, military personnel and the like shall be as follows:
 1. Economy class for employees with grade (11) and lower, and its equivalent as for the military salary scale and all other civilian salary scales.



2. Business class for employees with grades (14), (13), (12) and their equivalent as for the military salary scale and all other civilian salary scales. In case this class is unavailable, the provisions of Paragraph (1) under this Item shall apply thereon.
 3. First class for employees with grade (15) and above, and its equivalent as for the military salary scale and all other civilian salary scales. In case this class is unavailable, the provisions of Paragraph (2) hereunder shall apply thereon.
- II- The provisions of Item (I) of this Resolution shall apply to all employees of government organs, public institutions, commissions, funds and the like, whether their budgets are included within the state's budget or not. It shall also apply to workers at companies which are wholly owned by the state.
- III- A committee at the Ministry of Finance shall be formed from representatives from the Ministry of Finance, the Ministry of Civil Service, the Ministry of Commerce and Industry and the Secretariat of the Military Service Council. Its task shall be to decide upon resolving any case or conflict arising from the implementation of the provisions of Items (I) and (II) under this Resolution.
- IV- Instructing supervisory entities to pursue the implementation of the provisions of this Resolution, and take all necessary actions required by law regarding any irregularity emerging therefrom.