



مؤسسة النقد العربي السعودي

SAUDI ARABIAN MONETARY AGENCY



Monetary and Banking Developments

First Quarter, 2015

Economic Research Department

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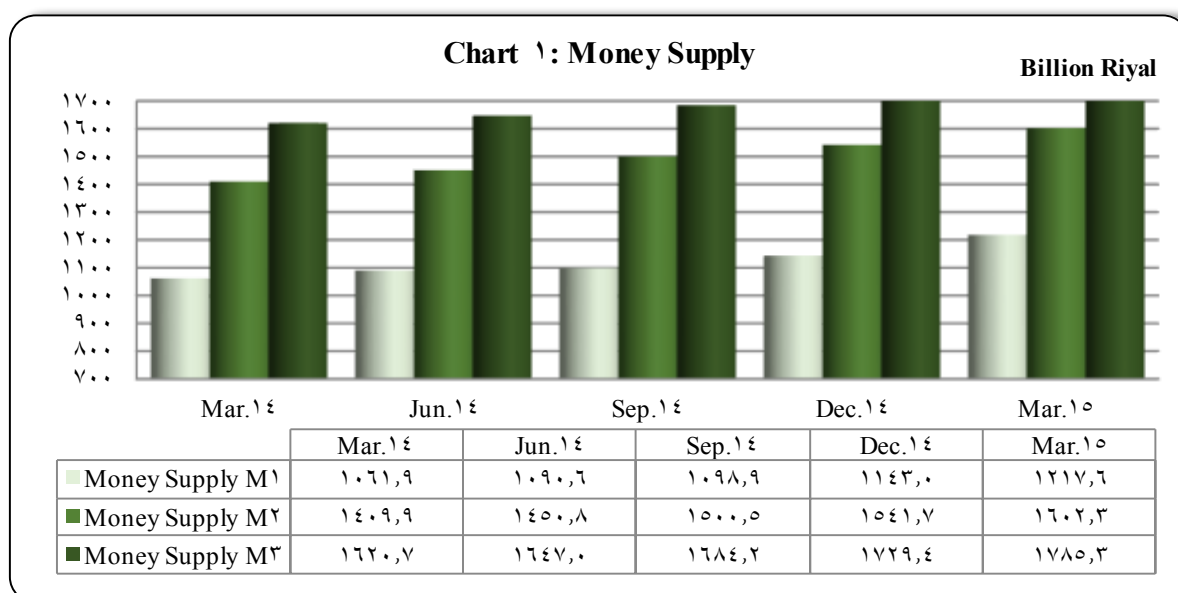
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First: Monetary Developments

1.1 Money Supply

Broad money supply (M3) increased by 3.2 percent (SAR 55.9 billion) to SAR 1,785.3 billion during the first quarter of 2015, compared to an increase of 2.7 percent (SAR 45.1 billion) during the preceding quarter. It also recorded an annual growth rate of 10.2 percent (SAR 164.6 billion) at the end of the first quarter of 2015 (Chart 1).



A breakdown of the components of M3 during the first quarter of 2015 indicates that M1 rose by 6.5 percent (SAR 74.6 billion) to SAR 1,217.6 billion or 68.2 percent of M3, compared to a rise of 4.0 percent (SAR 44.0 billion) during the preceding quarter. It also registered an annual rise of 14.7 percent (SAR 155.7 billion) at the end of the first quarter of 2015. Also, M2 went up by 3.9 percent (SAR 60.6 billion) to SAR 1,602.3 billion or 89.7 percent of M3 during the first quarter of 2015 against an increase of 2.7 percent (SAR 41.2 billion) in the preceding quarter. It registered an annual increase of 13.6 percent (SAR 192.4 billion) at the end of the first quarter of 2015.

1.2 Monetary Base

Monetary base rose by 6.3 percent (SAR 17.8 billion) to SAR 300.7 billion during the first



quarter of 2015, compared to a decrease of 3.1 percent (SAR 9.1 billion) during the preceding quarter. It also registered an annual rise of 11.3 percent (SAR 30.5 billion) at the end of the first quarter of 2015.

A breakdown of the components of the monetary base indicates that currency in circulation increased by 8.4 percent (SAR 12.8 billion) to SAR 166.6 billion during the first quarter of 2015, compared to a decline of 2.7 percent (SAR 4.3 billion) during the preceding quarter, registering an annual increase of 13.6 percent (SAR 19.9 billion) at the end of the first quarter of 2015.

Banks' deposits with SAMA increased by 4.6 percent (SAR 4.7 billion) to SAR 106.7 billion during the first quarter of 2015, compared to an increase of 0.7 percent (SAR 680 billion) during the previous quarter. They registered an annual increase of 8.2 percent (SAR 8.1 billion) at the end of the first quarter of 2015. Cash in vaults increased by 0.9 percent (SAR 0.2 billion) to SAR 27.4 billion, compared to a decline of 16.7 percent (SAR 5.4 billion) during the preceding quarter. It registered an annual increase of 10.1 percent (SAR 2.5 billion) at the end of the first quarter of 2015.

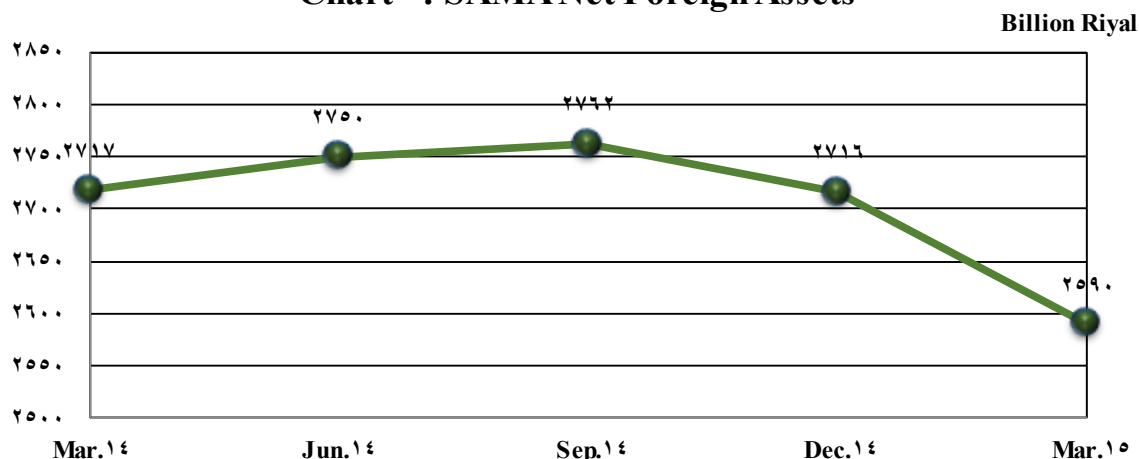
1.3 SAMA's Balance Sheet

Preliminary data of SAMA's balance sheet indicate that total foreign assets fell by 4.6 percent (SAR 125.3 billion) to SAR 2,600.4 billion during the first quarter of 2015, compared to a decline of 1.6 percent (SAR 44.1 billion) during the previous quarter. They registered an annual decline of 4.6 percent (SAR 124.1 billion) at the end of the first quarter of 2015. Net foreign assets declined by 4.7 percent (SAR 126.2 billion) to SAR 2,589.8 billion during the same period against a decline of 1.7 percent (SAR 45.8 billion) in the preceding quarter. It also registered an annual decrease of 4.7 percent (SAR 127.6 billion) at the end of the first quarter of 2015 (Chart 2).

Total deposits in domestic currency for foreign entities increased by 9.5 percent (SAR 0.9 billion) to SAR 10.6 billion during the first quarter of 2015, compared to a rise of 20.7 percent (SAR 1.7 billion) during the preceding quarter, recording an annual rise of 50.5 percent (SAR 3.6 billion) at the end of the first quarter of 2015.



Chart ٢: SAMA Net Foreign Assets

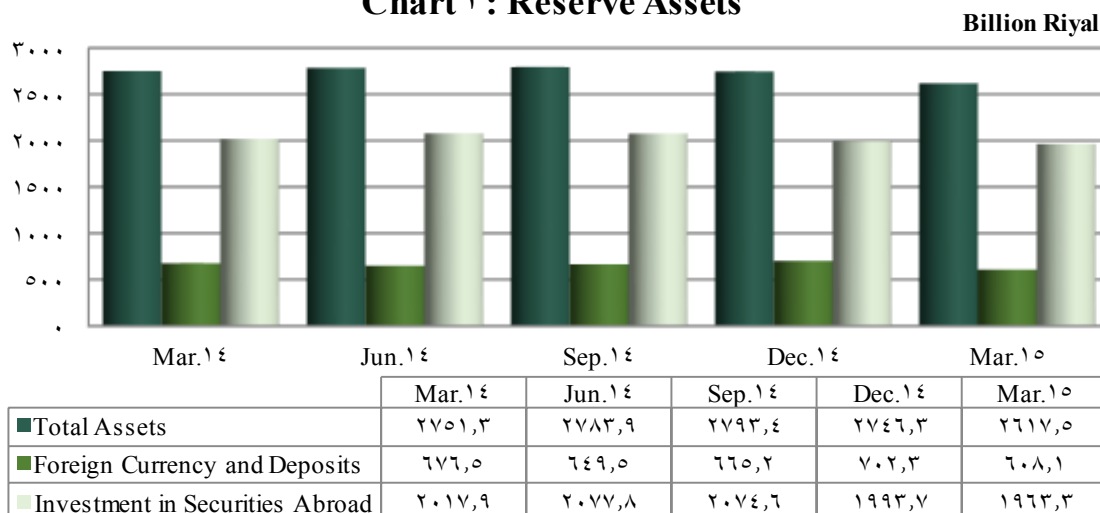


1.4 Reserve Assets

SAMA's total reserve assets registered a decline of 4.7 percent (SAR 128.9 billion) to SAR 2,617.5 billion during the first quarter of 2015 against a decline of 1.7 percent (SAR 47.1 billion) during the preceding quarter, recording an annual decrease of 4.9 percent (SAR 133.8 billion) at the end of the first quarter of 2015 (Chart 3).

A breakdown of the components of total reserve assets during the first quarter of 2015 as compared to the previous quarter indicates that the reserve position with the IMF declined by 17.9 percent (SAR 2.6 billion) to SAR 12.1 billion. Deposits abroad went down by 13.4 percent

Chart ٣: Reserve Assets





(SAR 94.2 billion) to SAR 608.1 billion. Investments in securities abroad decreased by 1.5 percent (SAR 30.4 billion) to SAR 1,963.3 billion. Special drawing rights decreased by 4.8 percent (SAR 1.6 billion) to SAR 32.4 billion. Gold reserve was stable at SAR 1,624 million.

Second: Monetary Policy

SAMA has been continuously pursuing a monetary policy that aims at achieving price stability, supporting the various economic sectors, so that they can cope with domestic and international economic developments and assisting domestic banks to perform their financing role in the domestic economy. During the first quarter of 2015, SAMA maintained the same measures taken earlier in the fourth quarter of 2014. They were as follows:

1. Maintaining the statutory repo rate unchanged at 2.0 percent and the reverse repo rate at 0.25 percent. SAMA's daily average repo transactions stood at SAR 112 million during the first quarter of 2015 against SAR 254 million in the fourth quarter of 2014. Daily average reverse repo transactions stood at SAR 92.9 billion at the first quarter of 2015 compared to SAR 68.1 billion in the fourth quarter of 2014.
2. Maintaining the cash reserve ratio for demand deposits at 7.0 percent and time and savings deposits at 4.0 percent.
3. To encourage domestic banks to increase lending, SAMA continued to maintain the price of treasury bills at 80.0 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 0.7725 percent at the end of the first quarter of 2015. The three-month interest differential between the riyal and the dollar was about 50 basis points in favor of the riyal at the end of the first quarter of 2015, compared to 60 basis points at the end of the fourth quarter of 2014. As for 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 during the first quarter of 2015.



Third: Banking Developments

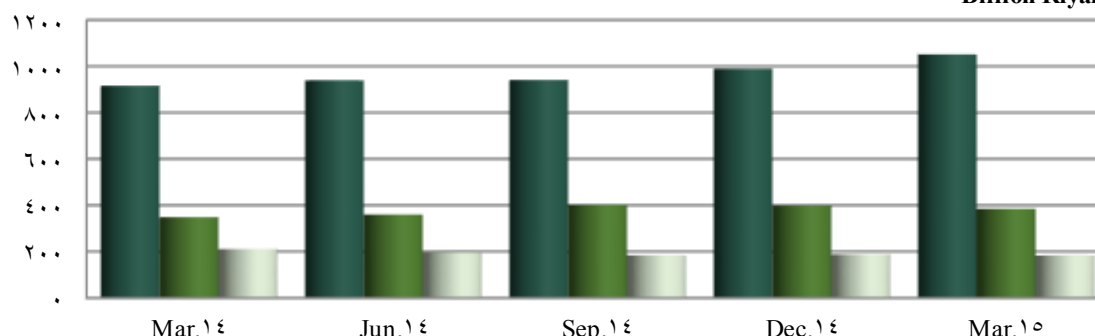
3.1 Bank Deposits

Total bank deposits recorded a rise of 2.7 percent (SAR 43.1 billion) to SAR 1,618.7 billion during the first quarter of 2015 compared to a rise of 3.2 percent (SAR 49.4 billion) during the preceding quarter, recording an annual rise of 9.8 percent (SAR 144.7 billion) at the end of the first quarter of 2015. The ratio of total bank deposits to M3 stood at 90.7 percent (Chart 4).

A review of the components of deposits by type during the first quarter of 2015 indicates that demand deposits rose by 6.2 percent (SAR 61.8 billion) to SAR 1.051 billion compared to a rise of 5.1 percent (SAR 48.3 billion) during the preceding quarter, recording an annual rise of 14.8 percent (SAR 135.8 billion) at the end of the first quarter of 2015. Time and savings deposits declined by 3.5 percent (SAR 14.0 billion) to SAR 384.7 billion compared to a decline of 0.7 percent (SAR 2.8 billion) during the preceding quarter, recording an annual rise of 10.5 percent (SAR 36.7 billion). Other quasi-monetary deposits went down by 2.5 percent (SAR 4.6 billion) to SAR 183.0 billion compared to an increase of 2.1 percent (SAR 3.9 billion) during the preceding quarter, recording an annual decrease of 13.2 percent (SAR 27.8 billion).

Chart ٤: Bank Deposits by Type

Billion Riyal



	Mar. ١٤	Jun. ١٤	Sep. ١٤	Dec. ١٤	Mar. ١٥
■ Demand Deposits	٩١٥,٢	٩٣٩,١	٩٤٠,٨	٩٨٩,٢	١٠٥٠,٩
■ Time & Savings Deposits	٣٤٨,٠	٣٦٠,٢	٤٠١,٦	٣٩٨,٧	٣٨٤,٧
■ Other Quasi-Monetary Deposits	٢١٠,٨	١٩٦,٢	١٨٣,٧	١٨٧,٧	١٨٣,٠

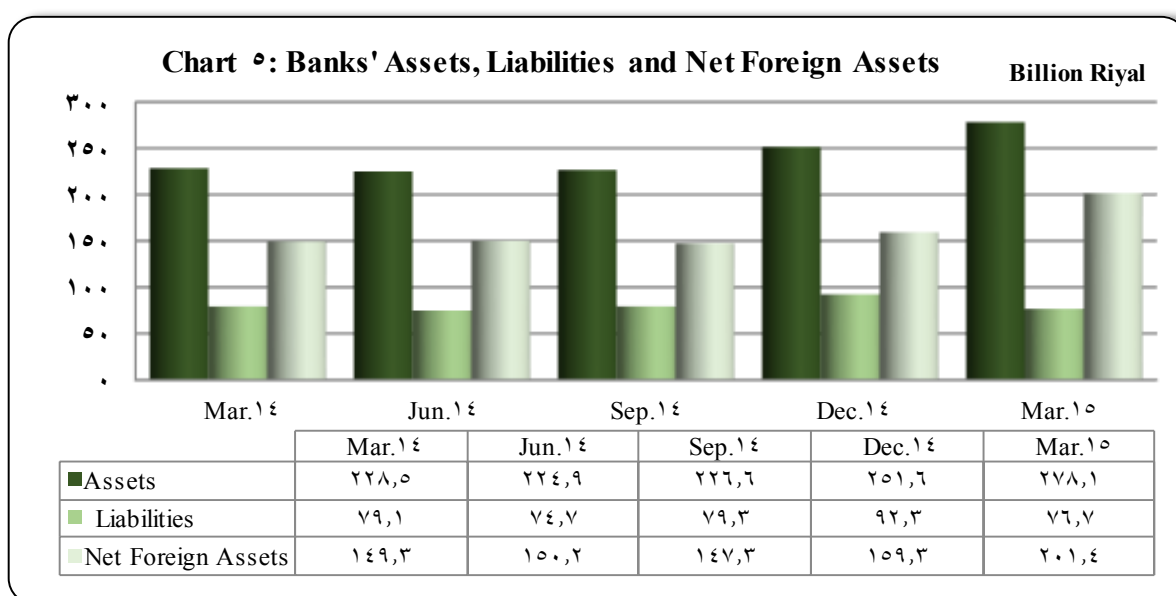


3.2 Commercial Banks' Assets and Liabilities

Total assets and liabilities of commercial banks stood at SAR 2,175.8 billion at the end of the first quarter of 2015, increasing by 2.03 percent (SAR 43.2 billion) compared to a rise of 3.1 percent (SAR 64.1 billion) in the preceding quarter. They recorded an annual rise of 9.3 percent (SAR 185.1 billion) at the end of the first quarter of 2015.

3.3 Commercial Banks' Foreign Assets and Liabilities

During the first quarter of 2015, total foreign assets of commercial banks rose by 10.5 percent (SAR 26.5 billion) to SAR 278.1 billion compared to an increase of 11.1 percent (SAR 25.0 billion) during the preceding quarter. They registered an annual rise of 21.7 percent (SAR 49.7 billion), constituting 12.8 percent of total commercial banks' assets compared to 11.8 percent at the end of the preceding quarter (Chart 5).



Commercial banks' total foreign liabilities went down by 16.9 percent (SAR 15.6 billion) to SAR 76.7 billion during the first quarter of 2015 against an increase of 16.4 percent (SAR 13 billion) in the preceding quarter, recording an annual decrease of 3.1 percent (SAR 2.4 billion), constituting 3.5 percent of commercial banks' total liabilities against 4.3 percent at the end of the preceding quarter. Commercial banks' net foreign assets went up by 26.4 percent (SAR 42.1



billion) to SAR 201.4 billion at the end of the first quarter of 2015 compared to a rise of 8.2 percent (SAR 12.1 billion) during the preceding quarter.

3.4 Commercial Banks' Claims on the Private and Public Sectors

Commercial banks' claims on the private and public sectors went up by 2.3 percent (SAR 31.6 billion) to SAR 1,386.8 billion in the first quarter of 2015, compared to a rise of 0.7 percent (SAR 9.0 billion) in the preceding quarter, recording an annual rise of 9.9 percent (SAR 124.6 billion) at the end of the first quarter of 2015. They accounted for 85.7 percent of total bank deposits compared to 86.0 percent at the end of the preceding quarter.

3.4.1 Commercial Banks' Claims on the Private Sector

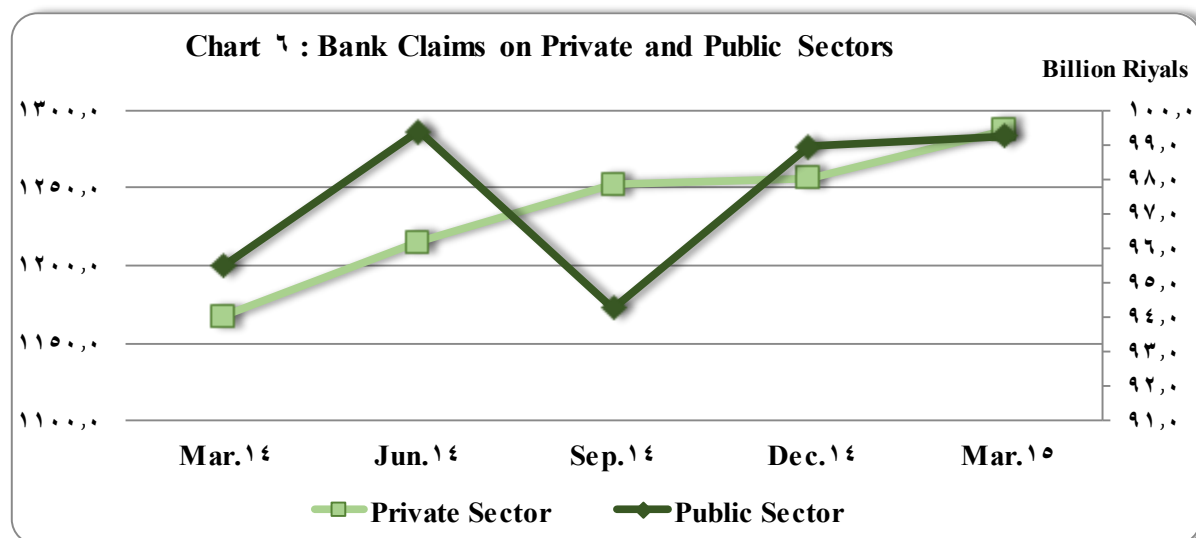
Banks' claims on the private sector increased by 2.5 percent (SAR 31.3 billion) to SAR 1,287.5 billion during the first quarter of 2015, compared to a rise of 0.3 percent (SAR 4.3 billion) in the preceding quarter. The claims on the private sector registered an annual increase of 10.4 percent (SAR 120.8 billion) at the end of the first quarter of 2015. The ratio of these claims to total bank deposits stood at 79.5 percent at the end of the first quarter of 2015, compared to 79.7 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 0.3 percent (SAR 0.32 billion) to SAR 99.3 billion during the first quarter of 2015 compared to an increase of 5.0 percent (SAR 4.7 billion) during the preceding quarter. They recorded an annual rise of 4.0 percent (SAR 3.8 billion). The ratio of banks' claims on the public and quasi-public sectors to total bank deposits stood at 6.1 percent at the end of the first quarter of 2015 compared to 6.3 percent at the end of the preceding quarter (Chart 6).

An analysis of bank credit by maturity during the first quarter of 2015 shows that short-term credit increased by 6.4 percent (SAR 39.9 billion) to SAR 661.3 billion, compared to a rise of 1.1 percent (SAR 6.8 billion) in the preceding quarter. Also, medium-term credit went up by 0.4 percent (SAR 0.97 billion) to SAR 238.7 billion, compared to a rise of 6.2 percent (SAR 13.9 billion) in the preceding quarter. Long-term credit, however, went down by 2.5 percent (SAR 9.9 billion) to SAR 381.7 billion compared to a decline of 2.3 percent (SAR 9.2 billion) in the

preceding quarter.



3.4.3 Commercial Banks' Claims by Economic Activity

Total bank credit classified by economic activity increased by 2.5 percent (SAR 31.0 billion) to SAR 1,281.7 billion during the first quarter of 2015 compared to a rise of 0.9 percent (SAR 11.5 billion) in the preceding quarter, recording an annual rise of 10.3 percent (SAR 120.1 billion) at the end of the first quarter of 2015. A review of bank credit extended to economic activities during the first quarter of 2015 shows decreases in the agriculture and fishing by 3.7 percent (SAR 0.4 billion); mining sector by 17.1 percent (SAR 3.5 billion); and public and quasi-public sector by 2.7 percent (SAR 1.2 billion). However, bank credit extended to transport and telecommunications rose by 1.8 percent (SAR 0.8 billion); water, electricity, gas and health services by 1.5 percent (SAR 0.5 billion); building and construction by 5.8 percent (SAR 4.8 billion); services sector by 11.8 percent (SAR 7.1 billion); manufacturing and production by 2.2 percent (SAR 3.5 billion); and commerce sector by 2.5 percent (SAR 6.4 billion); finance sector by 4.8 percent (SAR 1.7 billion); and other sectors by 2.3 percent (SAR 11.3 billion).

3.5 Commercial Banks' Reserves, Capital, Profits and Branches

Capital and reserves of commercial banks increased by 14.6 percent (SAR 36.3 billion) to SAR 284.4 billion during the first quarter of 2015, compared to a decrease of 1.1 percent



(SAR 2.8 billion) in the preceding quarter. Their ratio to total bank deposits stood at 17.6 percent at the end of the first quarter of 2015 compared to 15.7 percent at the end of the preceding quarter. The annual growth rate of capital and reserves of commercial banks went up by 10.1 percent (SAR 26.1 billion) in the first quarter of 2015. Banks' profits stood at SAR 10.8 billion in the first quarter of 2015 compared to SAR 9.4 billion in the preceding quarter, denoting a rise of 14.3 percent (SAR 1.4 billion). They registered an increase of 4.7 percent (SAR 0.5 billion) as compared to the first quarter of 2014.

At the end of the first quarter of 2015, the number of commercial banks' branches operating in the Kingdom stood at 1,937, increasing by 25 over the preceding quarter. They registered an annual increase of 5.6 percent (103 branches) as compared to the corresponding quarter of the preceding year.

3.6 Commercial Banks' Purchases and Sales of Foreign Exchange

3.6.1 Commercial Banks' Purchases of Foreign Exchange

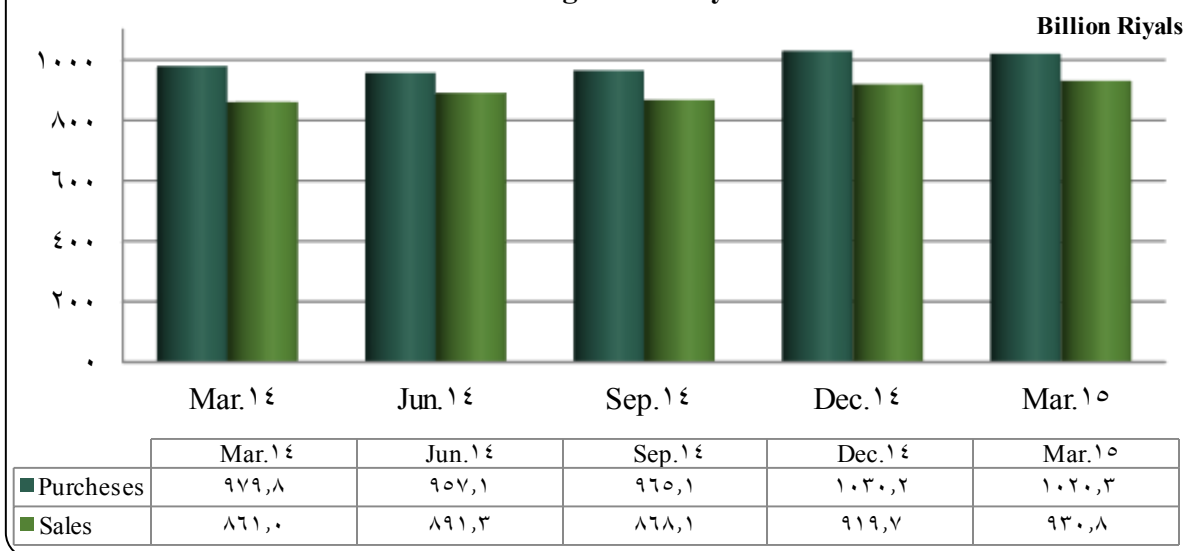
Commercial banks' total purchases of foreign exchange went down by 1.0 percent (SAR 9.9 billion) to SAR 1,020.3 billion during the first quarter of 2015, compared to a rise of 6.8 percent (SAR 65.1 billion) during the preceding quarter, recording a rise of 4.1 percent (SAR 40.6 billion) as compared to the corresponding quarter in the preceding year. A comparison between total purchases of foreign exchange with those in the preceding quarter shows that purchases from customers rose by 2.8 percent (SAR 2.9 billion), and from SAMA by 21.7 percent (SAR 37.5 billion). On the other hand, purchases from banks abroad decreased by 4.4 percent (SAR 19.5 billion), purchases from domestic banks by 6.9 percent (SAR 16.2 billion), and purchases from other sources by 19.8 percent (SAR 14.6 billion) (Chart 7).

3.6.2 Commercial Banks' Sales of Foreign Exchange

Commercial banks' total sales of foreign exchange rose by 1.2 percent (SAR 11.1 billion) to SAR 930.8 billion during the first quarter of 2015, compared to a rise of 5.9 percent (SAR 51.6 billion) during the preceding quarter. They recorded an annual increase of 8.1 percent (SAR 69.7 billion) as compared with that of the preceding quarter. A comparison between banks' total sales of foreign exchange with those during the preceding quarter indicates that sales to other customers



Chart ٧: Banks' Foreign Currency Purchases and Sales

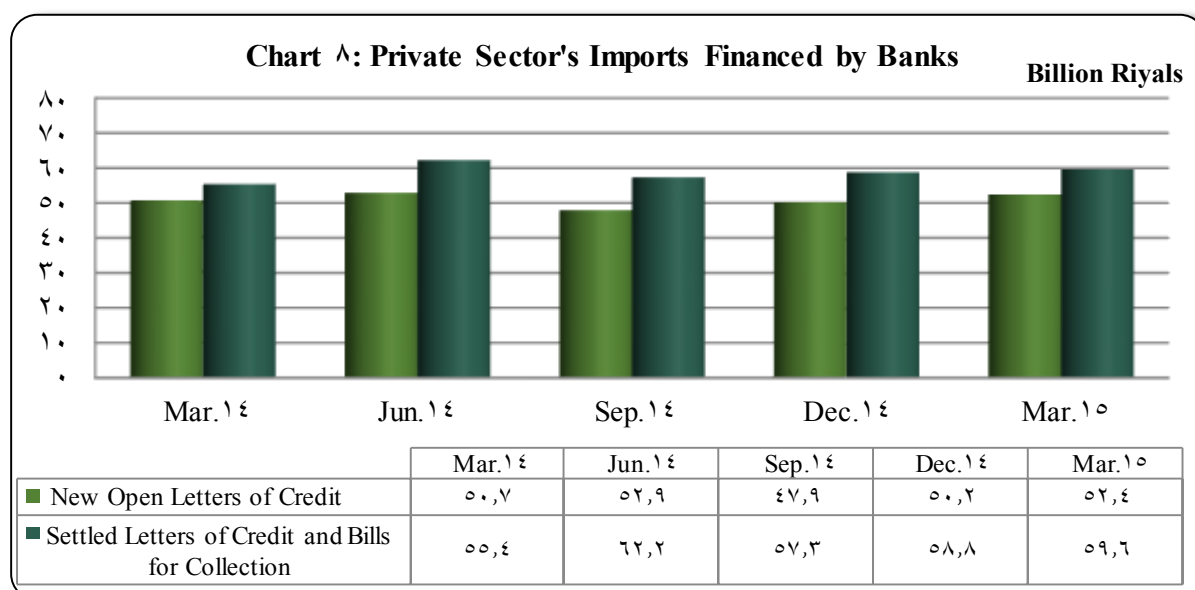


inside the Kingdom rose by 3.5 percent (SAR 5.2 billion), sales to government entities by 31.9 (SAR 2.1 billion), sales to SAMA by 949.6 percent (SAR 4.1 billion), and sales to banks inside the Kingdom by 10.0 percent (SAR 17.7 billion). In contrast, sales of foreign exchange to money changers went down by 29.7 percent (SAR 0.7 billion), and to banks abroad by 4.0 percent (SAR 18.5 billion). (Chart 7).

3.7 Private Sector Imports Financed by Commercial Banks

Imports of the private sector, that were financed by commercial banks through settled letters of credit and bills for collection, recorded a rise of 1.3 percent (SAR 0.8 billion) to SAR 59.6 billion during the first quarter of 2015, compared to an increase of 2.6 percent (SAR 1.5 billion) in the preceding quarter, recording an annual increase of 7.5 percent (SAR 4.2 billion) as compared to the corresponding quarter in the preceding year. The first quarter's findings show that finance given to vehicle imports increased by 3.5 percent (SAR 0.5 billion), to imports of other goods by 0.7 percent (SAR 0.2 billion), and to construction materials imports by 9.7 percent (SAR 0.6 billion). On the other hand, finance given to foodstuffs imports declined by 0.9 percent (SAR 0.1 billion), to appliances imports by 17.9 percent (SAR 0.3 billion), to machinery imports by 0.2 percent (SAR 9.8 billion), and to textiles and clothing imports by 3.9 percent (SAR 0.03 billion).

Imports of the private sector, that were financed by commercial banks through new opened letters of credit, rose by 4.4 percent (SAR 2.2 billion) to SAR 52.4 billion during the



first quarter of 2015, compared to a rise of 4.8 percent (SAR 2.3 billion) in the preceding quarter. They recorded an annual increase of 3.3 percent (SAR 1.7 billion) as compared to the corresponding quarter of the preceding year. Letters of credit to imports of foodstuffs increased by 3.3 percent (SAR 0.2 billion), and to vehicles imports by 37.3 percent (SAR 3.8 billion). In contrast, credit to appliances imports declined by 20.5 percent (SAR 0.5 billion), to construction materials imports by 3.0 percent (SAR 0.2 billion), to imports of other goods by 2.3 percent (SAR 0.5 billion), to textiles and clothing imports by 33.6 percent (SAR 0.3 billion), and to machinery imports by 7.2 percent (SAR 0.3 billion). (Chart 8).

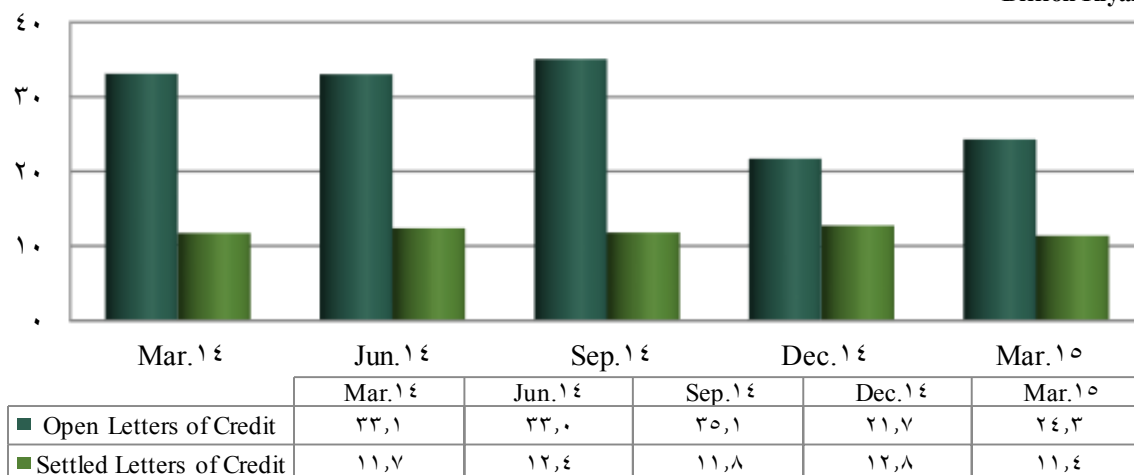
3.8 Private Sector Exports Financed by Commercial Banks

The private sector's exports, that were financed by commercial banks through open letters of credit, increased by 11.8 percent (SAR 2.6 billion) to 24.3 billion during the first quarter of 2015, compared to a decrease of 38.1 percent (SAR 13.4 billion) in the preceding quarter. They recorded an annual decrease of 26.6 percent (SAR 8.8 billion) as compared to the corresponding quarter of the preceding year. The first quarter's findings show that financing exports of other industrial products went up by 10.8 percent (SAR 2.2 billion) and financing exports of chemicals and plastic materials by 24.8 percent (SAR 0.4 billion), and financing exports of agriculture and livestock by 1.4 percent (SAR 0.3 million) (Chart 9).



Chart ٩: Private Sector's Exports Financed by Banks

Billion Riyals



A review of the geographical distribution of opened letters of credit during the first quarter of 2015 indicates an increase in the financing of exports to North America countries by 25.3 percent (SAR 0.03 billion), to other European countries by 175.8 percent (SAR 0.8 billion), to the GCC countries by 10.5 percent (SAR 0.8 billion), and to Latin America by 71.8 percent (SAR 0.2 billion), and to other countries by 20.0 percent (SAR 2 billion). However, the financing of exports to Arab countries declined by 37.9 percent (SAR 0.8 billion), and to Western European countries by 51.1 percent (SAR 0.4 billion).

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 the first quarter of 2015 went up by 19.7 percent (SAR 2.6 billion) to SAR 15.5 billion. The value of single payment transactions totaled SAR 14.1 billion, whereas the total value of bulk payment transactions stood at SAR 0.12 billion. Total customer payments stood at SAR 1.4 billion, decreasing by 5.5 percent over the preceding quarter. The total value of inter-bank payments transactions stood at SAR 14.1 billion, up by 22.9 percent over the preceding year.



4.2 Saudi Payments Network (SPAN)

As for SPAN developments, the total number of ATM transactions during the first quarter of 2015 was about 449 million, with cash withdrawals totaling SAR 200.3 billion, including transactions through banks' network and SPAN. Total transactions executed through POS terminals stood at 104.8 million with total sales of SAR 49.2 billion during the first quarter of 2015. The number of ATMs totaled 16.1 thousand and the number of ATM cards issued by domestic banks stood at 18.8 million at the end of the first quarter of 2015. The number of POS terminals stood at 156.8 thousand at the end of the quarter under review.

4.3 Clearing

According to clearing statistics for the first quarter of 2015, the number of bank checks (outgoing and incoming) cleared at the clearing houses totaled 1.6 million with a total value of SAR 204.1 billion. The number of individual and corporate checks totaled 1.5 million with a total value of SAR 150.6 billion; and the number of certified checks totaled 173.2 thousand with a total value of SAR 53.6 billion.

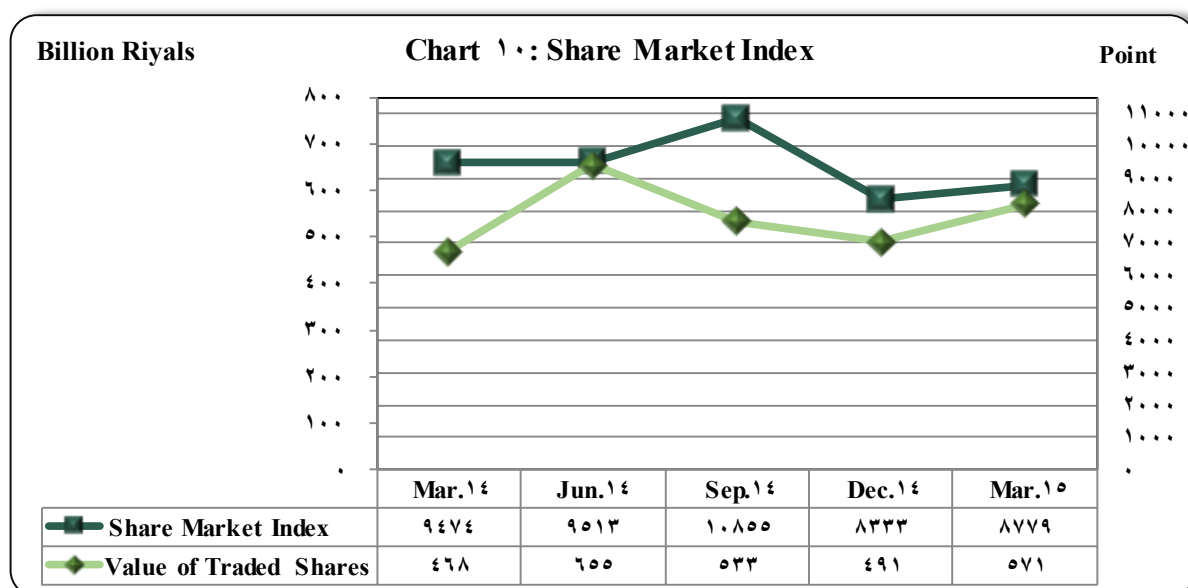
Fifth: Domestic Stock Market Developments

Tadawul All Share Index (TASI) went up by 5.4 percent to 8,778.9 at the end of the first quarter of 2015 compared to a decrease of 23.2 percent in the preceding quarter, recording an annual decline of 7.3 percent. The number of traded shares in the first quarter of 2015 increased by 36.1 percent to 22.2 billion compared to a rise of 4.6 percent in the preceding quarter, registering an increase of 29.0 percent as compared to the corresponding quarter of 2014. Total value of traded shares increased by 16.4 percent to SAR 571.2 billion in the first quarter of 2015 compared to a decrease of 7.9 percent in the preceding quarter, recording a rise of 22.0 percent as compared to the corresponding quarter of the preceding year.

At the end of the first quarter of 2015, the market value of shares went up by 4.7 percent to SAR 1,899 billion against the previous quarter in which it declined by 18.1 percent. The market value of shares recorded a decrease of 1.4 percent as compared to the end of the first quarter of



2014. Total number of transactions executed in the first quarter of 2015 increased by 13.2 percent to 9.7 million compared to a decline of 1.9 percent in the preceding quarter, recording a rise of 24.2 percent as compared to the corresponding quarter of the preceding year (Chart 10).



Source: Tadawul and Capital Market Authority.

Sixth: Investment Funds

Total assets of investment funds managed by investment companies went up by 1.5 percent (SAR 1.6 billion) to SAR 112.4 billion in the first quarter of 2015 compared to a decline of 8.9 percent (SAR 10.8 billion) in the previous quarter, recording a rise of 3.6 percent (SAR 3.9 billion) as compared to the corresponding quarter of the preceding year.

An analysis of the total assets of investment funds indicates that their domestic assets increased by 7.9 percent (SAR 6.5 billion) to SAR 88.3 billion in the first quarter of 2015, compared to a decline of 18.1 percent (SAR 18.1 billion) in the preceding quarter. Domestic assets registered a decrease of 0.01 percent (SAR 0.06 billion) as compared to the first quarter of 2014. Foreign assets went down by 16.8 percent (SAR 4.8 billion) to SAR 24.0 billion during the first quarter of 2015 against an increase of 33.5 percent (SAR 7.2 billion) in the preceding quarter. They also increased by 23.2 percent (SAR 4.5 billion) as compared to the corresponding



quarter of the preceding year.

The number of subscribers to investment funds fell by 1.3 percent (3,229 subscribers) to 242.8 thousand in the first quarter of 2015, compared to a decline of 2.3 percent (5,725 subscribers) in the preceding quarter. The number of subscribers recorded a decrease of 5.3 percent (13,638 subscribers) as compared to the corresponding quarter of the preceding year. The number of operating funds rose by 1.2 percent (three funds) to 255 during the first quarter of 2015 compared to 252 funds in the previous quarter.

Seventh: Specialized Credit Institutions

The specialized credit institutions' total outstanding loans went up during the fourth quarter of 2014 by 3.3 percent (SAR 9.9 billion) to SAR 310.9 billion, compared to an increase of 4.1 percent (SAR 12.0 billion) in the preceding quarter, recording an annual rise of 14.6 percent (SAR 39.7 billion) at the end of the fourth quarter of 2014.

Total actual disbursements rose by 5.9 percent (SAR 0.9 billion) in the fourth quarter of 2014 compared to an increase of 3.8 percent (SAR 0.6 billion) in the preceding quarter, recording an annual increase of 23.3 percent. Total repayments to the specialized credit institutions went up by 49.0 percent (SAR 1.9 billion) in the fourth quarter of 2014 compared to a decline of 22.7 percent (SAR 1.1 billion) in the preceding quarter, registering an annual decline of 43.5 percent. The specialized credit institutions' net credit went down by 8.6 percent (SAR 1.0 billion) in the fourth quarter of 2014, compared to a rise of 17.32 percent (SAR 1.7 billion) in the preceding quarter, recording an annual increase of 247.9 percent.

A breakdown of the loans extended by the specialized credit institutions in the fourth quarter of 2014 shows that the loans extended by the Saudi Industrial Development Fund went up by 18.5 percent (SAR 0.3 billion) compared to an increase of 91.6 percent (SAR 0.8 billion) in the preceding quarter. Loans extended by the Real Estate Development Fund rose by 52.2 percent (SAR 2.1 billion) in the fourth quarter of 2014 against a rise of 86.7 percent (SAR 1.9 billion) in the preceding quarter. Loans extended by the Agriculture Development Fund went up by 71.4 percent (SAR 0.1 billion) compared to a decline of 28.3 percent (SAR 0.07 billion) in the preceding quarter. On the other hand, loans extended by the Public Investment Fund also decreased by 23.4 percent (SAR 2.3 billion) compared to a rise of 71.5 percent (SAR 2.3 billion) in the preceding quarter. Loans extended by the Saudi Credit and Saving Bank decreased by 7.8 percent



(SAR 0.3 billion) compared to a decrease of 51.2 percent (SAR 4.3 billion) in the preceding quarter. As for credit repayments during the fourth quarter of 2014, the repayments to the Saudi Credit and Saving Bank increased by 28.4 percent (SAR 0.4 billion) against a decline of 4.5 percent (SAR 0.07 billion) in the preceding quarter. Repayments to the Industrial Development Fund went up by 29.8 percent (SAR 0.3 billion) compared to a decrease of 7.0 percent (SAR 0.08 billion) in the preceding quarter, to the Public Investment Fund by 398.6 percent (SAR 0.8 billion) compared to a decline of 72.9 percent (SAR 0.6 billion) in the preceding quarter, and to the Real Estate Development Fund by 39.0 percent (SAR 0.4 billion) against a decline of 30.2 percent (SAR 0.4 billion) in the preceding quarter. In contrast, repayments to the Agriculture Development Fund declined by 18.7 percent (SAR 0.004 billion) against a decrease of 1.6 percent (SAR 0.003 billion) in the preceding quarter.

Eighth: Supervisory and Legislative Banking Developments during the First Quarter of 2015

SAMA issued a number of circulars to the banking sector during the first quarter of 2015. The most prominent of which were as follows:

- Circular No. ٣٦١٠٠٠٠٦١٩٤٣ dated 27/04/1436H concerning BCBS Consultative Document entitled “Guidance on Accounting for Expected Credit Losses”.
- Circular No. ٣٦١٠٠٠٠٦١٩٤٧ dated 27/04/1436H concerning BCBS Consultative Document entitled “Development in Credit Risk Management Across Sectors: Current Practices and Recommendations”.
- Circular No. ٣٦١٠٠٠٠٨١٧٠٤ dated 09/06/1436H on banks’ commitment to take customers’ total salary into consideration when granting consumer finance.



Ninth: Prominent Regulatory Developments in the Saudi Economy during the First Quarter of 2015

To further regulate the Saudi Economy, the Council of Ministers has taken a number of resolutions and several Royal Orders were issued. The most significant of which are as follows:

- The Resolution, issued on 05/1/2015 (14/03/1436H), approved a number of procedures, some of which are:
 - A. Adding a new clause (with number 6) to Article 3 of the Regulations of the Human Resources Development Fund, which was issued by the Council of Ministers' Resolution No. (107) on 29/04/1421H, on the finance sources of the Fund's activities, stated as follows: "The financial charges, determined by the Council of Ministers, for services provided by the Human Resources Development Fund to the private sector are to be allocated to the qualification, training and employment of national labor force, so that they can take the place of expatriate labor force in the private sector".
 - B. The Saudization Certificate issued by the Ministry of Labor shall be a prerequisite and one of the key documents to be submitted by a private institution when:
 1. Renewing licenses for establishment and operation of institutions.
 2. Issuing Work Visit Visa to the Kingdom.
 3. Issuing a commercial register for opening an institution's branch that has failed to comply with the Saudization ratio required by Law.
 4. Renewing licenses required to practice professional or technical activities.
 5. Institutions, with 9 workers or less and no one among them is a Saudi, who is not registered in any other institution, when applying for electricity services.
- The Resolution, issued on 5/1/2015 (14/03/1436H), approved that the initial public offering of new companies' shares and their listing in the market shall be made in accordance with the controls and provisions set forth in the Capital Market Authority Law and its Implementing Regulation. If any concerned government entity deems to exclude any of such companies from



the provision of practicing its business for 3 years before listing, the entity shall submit a letter thereon to the Council of Ministers along with justifications for such exclusion.

- The Resolution, taken on 12/01/2015 (21/03/1436H), approved the Implementing Regulations of the Law of Criminal Procedures, issued by Royal Decree No. (M/2) on 22/01/1435H. It includes enforcement provisions on the procedures of arresting accused persons and looking for their abouts, inspection of persons and residences, investigation procedures, and other provisions relevant to the judicial process and its various procedures.
- The Resolution, issued on 19/01/2015 (28/03/1436H), approved to extend enforceability of Articles (7) and (8) of the Rules and Procedures for Addressing Delay in Implementing Government Projects, already approved by the Council of Ministers' Resolution No. (155) on 5/6/1429H, for another 3 years.
- A Royal Order was issued on 29/01/2015 (09/04/1436H), providing for the merger of the Ministry of Higher Education and the Ministry of Education into one ministry with the name (the Ministry of Education).
- A Royal Order was issued on 29/01/2015 (09/04/1436H) to reshuffle the Council of Ministers under the presidency of the Custodian of the Two Holy Mosques and to abolish the following government organs:
 1. Higher Committee for Education Policy.
 2. Higher Committee for Administrative Organization.
 3. Civil Service Council.
 4. Higher Commission of King Abdulaziz City for Science and Technology.
 5. Council of Higher Education and Universities.
 6. Supreme Council for Education.
 7. Supreme Council for Petroleum and Mineral Affairs.
 8. Supreme Economic Council.



9. National Security Council.
10. Supreme Council of King Abdullah City for Atomic and Renewable Energy.
11. Supreme Council for Islamic Affairs.
12. Supreme Council for Disabled Affairs.

The Royal Order also established the Council of Political and Security Affairs and the Council of Economic and Development Affairs.

- A Royal Order was issued on 29/1/2015 (09/04/1436H) to reform the General Secretariat of the Council of Ministers and dissolve its sub-committees.
- A Royal Order was issued on 29/1/2015 (09/04/1436H) to pay a bonus of two-month basic salary to all military and civil Saudi state employees, male and female public education students inside and outside the Kingdom, as well as retirees under the laws of the Public Pension Agency and the General Organization for Social Insurance.
- A Royal Order was issued on 29/1/2015 (09/04/1436H), amending the social security monthly salary scale, paying two-month bonus salary to the beneficiaries of the Social Security, a subvention, equaling two months subventions, to the disabled persons and approving to add persons on the waiting list to the disability subvention as of the date of this Royal Order. In addition, SAR 2 billion are to be disbursed, as a support, to societies licensed by the Ministry of Social Affairs, SAR 200 million to the Cooperative Societies Council, and SAR 10 millions to each licensed specialized technical associations.
- A Royal Order was issued on 29/1/2015 (09/04/1436H) to pay out SAR10 million for each officially registered literary clubs and sports clubs in the professional league; SAR 5 million for each sports club in the first division; and SAR 2 million for the rest of officially registered sports clubs in the Kingdom.
- A Royal Order was issued on 29/1/2015 (09/04/1436H), allocating SAR 20 billion for the implementation of water and electricity services, of which SAR 14 billion for providing electricity services, and SAR 6 billion for providing water services.



- A Royal Order was issued on 29/1/2015 (09/04/1436H), pardoning public right prisoners in accordance with the rules mentioned in the Ministry of Interior's telegram No. 46638 on 07/04/1436H. The pardoning shall include exempting prisoners of fines of no more than SAR 500,000.
- The Resolution, issued on 02/02/2015 (13/04/1436H), permitted the Ministry of Finance to lend hotels and touristic projects in accordance with certain controls that it will develop, provided that such controls shall take into consideration that lending shall be limited to projects being established in the least developed cities and provinces or in new tourist destinations. The loan shall not exceed 50 percent of the estimated cost, approved by the Ministry of Finance, for the whole project and the amount of SAR 100 million.
- The Resolution, issued on 09/02/2015 (20/04/1436H), approved the replacement of the phrase (Board of Directors) and (Council of Ministers) set out in paragraphs (1) and (2) of Article (23) of the National Water Company's Charter with the phrase (the Public Investment Fund), so that the Public Investment Fund shall assume the powers of the ordinary and extraordinary general assembly set out in the aforementioned Charter.
- The Resolution, issued on 09/02/2015 (20/04/1436H), approved the Kingdom's subscription to its reallocated additional shares (2,464) under the International Finance Corporation's selective capital increase, totaling USD 2,464 in cash.
- The Resolution, issued on 16/02/2015 (27/04/1436H), appointed SAMA's H.E. Vice-Governor as a member of the board of directors of the Saudi Stock Exchange (TADAWUL) to act as a representative of SAMA.
- The Resolution, issued on 09/03/2015 (18/05/1436H), approved the Implementing Regulation of the Saudi Badges of Honor Law.
- The Resolution, issued on 16/03/2015 (25/05/1436H), appointed that the chairman of the Public Transport Authority, or his representative, as a member of all committees supervising the current transport projects in Al-Madinah, Dammam urban areas, Jeddah governorate and Qatif province.
- The Resolution, issued on 23/03/2015 (03/06/1436H), approved regulating government organs supervised by, or reporting to, the Ministry of Finance, as follows:



١. The Saudi Savings and Credit Bank shall report to the Ministry of Social Affairs, and the Minister of Social Affairs shall be the chairman of its board of directors.
 ٢. The Public Pension Agency shall report to the Ministry of Civil Service, and the Minister of Civil Service shall be the chairman of its board of directors.
 ٣. The Saudi Industrial Development Fund shall report to the Ministry of Commerce and Industry, and the Minister of Commerce and Industry shall be the chairman of its board of directors.
 ٤. The Agricultural Development Fund shall report to the Ministry of Agriculture, and the Minister of Agriculture shall be the chairman of its board of directors.
 ٥. The Public Investment Fund shall report to the Council of Economic and Development Affairs, and the Chairman of the Council of Economic and Development Affairs shall be the chairman of its board of directors.
 ٦. Ensuring referral of any economy-related activity from the Ministry of Finance to the Ministry of Economy and Planning.
- The Resolution, issued on 23/03/2015 (03/06/1436H), authorized the Council of Economic and Development Affairs with preparing the regulatory mechanisms and arrangements for imposing fees on vacant lands within the urban boundaries of cities, provinces and centers.
 - The Resolution, issued on 23/03/2015 (03/06/1436H), approved amendments to the Saudi Labor Law, issued by Royal Decree No. (M/51) dated 23/08/1426H. Those amendments include the following:
 1. Granting the Minister of Labor the power to make decisions that would improve the labor market and regulate manpower movements, without prejudice to the provisions of the Saudi Labor Law and the relevant regulations; and giving the Ministry of Labor the power to reject renewing work license whenever the employer violates the Saudization criteria set by the Ministry.



2. According to the Labor Law, shutting down the work facility or terminating the activity in which the employee works shall be among the situations that terminate the work contract, unless otherwise agreed.
3. The Minister of Labor shall be given the power to grant a financial reward of no more than 25 percent of the collected fines to its administrative inspection employees or other employees who help in detecting any violations of the Labor Law's provisions and its Implementing Regulations.