



مؤسسة النقد العربي السعودي

SAUDI ARABIAN MONETARY AGENCY



Monetary and Banking Developments

Fourth Quarter, 2014

Economic Research Department

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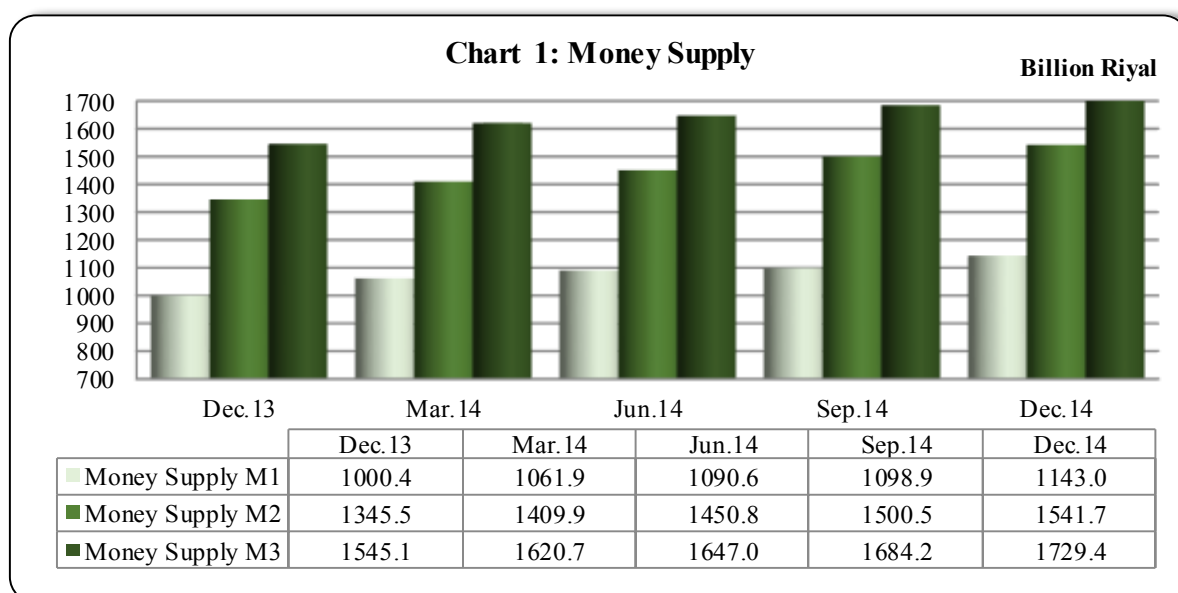
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First: Monetary Developments

1.1 Money Supply

Broad money supply (M3) increased by 2.7 percent (SAR 45.1 billion) to SAR 1,729.4 billion during the fourth quarter of 2014, compared to an increase of 2.3 percent (SAR 37.2 billion) during the preceding quarter. It also recorded an annual growth rate of 11.9 percent (SAR 184.2 billion) at the end of the fourth quarter of 2014 (Chart 1).



A breakdown of the components of M3 during the fourth quarter of 2014 indicates that M1 rose by 4.0 percent (SAR 44.0 billion) to SAR 1,143.0 billion or 66.1 percent of M3, compared to a rise of 0.8 percent (SAR 8.3 billion) during the preceding quarter. It also registered an annual rise of 14.2 percent (SAR 142.5 billion) at the end of the fourth quarter of 2014. Also, M2 went up by 2.7 percent (SAR 41.2 billion) to SAR 1,541.7 billion or 89.1 percent of M3 during the fourth quarter of 2014 against an increase of 3.4 percent (SAR 49.7 billion) in the preceding quarter. It registered an annual increase of 14.6 percent (SAR 196.2 billion) at the end of the fourth quarter of 2014.



1.2 Monetary Base

Monetary base rose by 10.8 percent (SAR 35.6 billion) to SAR 366.9 billion during the fourth quarter of 2014, compared to an increase of 2.2 percent (SAR 7.2 billion) during the preceding quarter. It also registered an annual rise of 6.8 percent (SAR 23.3 billion) at the end of the fourth quarter of 2014.

A breakdown of the components of the monetary base indicates that currency in circulation declined by 2.7 percent (SAR 4.3 billion) to SAR 153.8 billion during the fourth quarter of 2014, compared to an increase of 4.3 percent (SAR 6.5 billion) during the preceding quarter, registering an annual increase of 7.4 percent (SAR 10.6 billion) at the end of the fourth quarter of 2014.

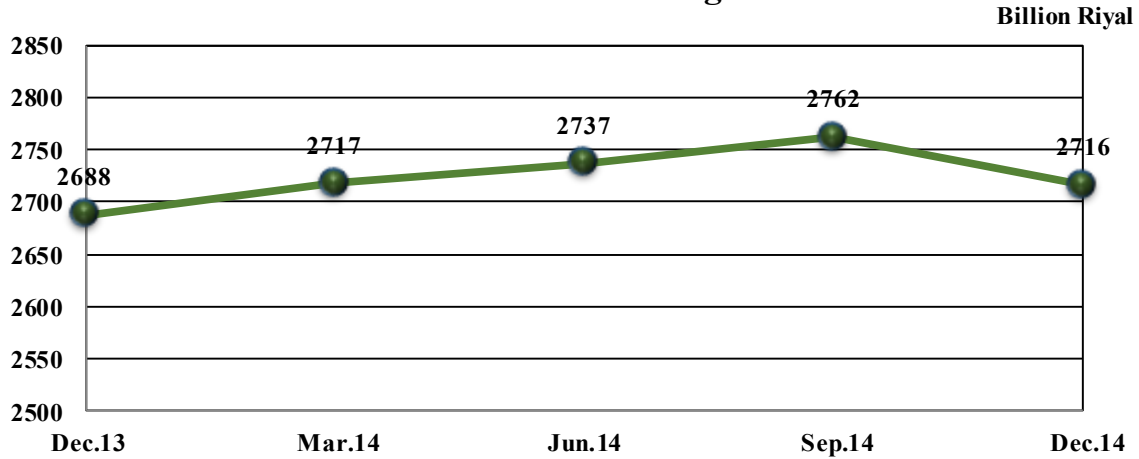
Banks' deposits with SAMA increased by 32.3 percent (SAR 45.4 billion) to SAR 186.0 billion during the fourth quarter of 2014, compared to a decline of 3.4 percent (SAR 4.9 billion) during the previous quarter. They registered an annual increase of 5.0 percent (SAR 8.8 billion) at the end of the fourth quarter of 2014. Cash in vaults declined by 16.7 percent (SAR 5.4 billion) to SAR 27.1 billion, compared to a rise of 20.5 percent (SAR 5.5 billion) during the preceding quarter. It registered an annual increase of 16.8 percent (SAR 3.9 billion) at the end of the fourth quarter of 2014.

1.3 SAMA's Balance Sheet

Preliminary data of SAMA's balance sheet indicate that total foreign assets fell by 1.5 percent (SAR 42.4 billion) to SAR 2,735.4 billion during the fourth quarter of 2014, compared to an increase of 0.9 percent (SAR 25.9 billion) during the previous quarter. They registered an annual rise of 1.3 percent (SAR 34.9 billion) at the end of the fourth quarter of 2014. Net foreign assets declined by 1.7 percent (SAR 45.8 billion) to SAR 2,716.0 billion against a rise of 0.9 percent (SAR 25.2 billion) in the preceding quarter. It registered an annual rise of 1.1 percent (SAR 28.2 billion) at the end of the fourth quarter of 2014 (Chart 2).



Chart 2: SAMA Net Foreign Assets



Total deposits in domestic currency for foreign entities increased by 20.7 percent (SAR 1.7 billion) to SAR 9.7 billion during the fourth quarter of 2014, compared to a rise of 4.9 percent (SAR 0.4 billion) during the preceding quarter, witnessing an annual rise of 52.5 percent (SAR 3.3 billion) at the end of the fourth quarter of 2014.

1.4 Reserve Assets

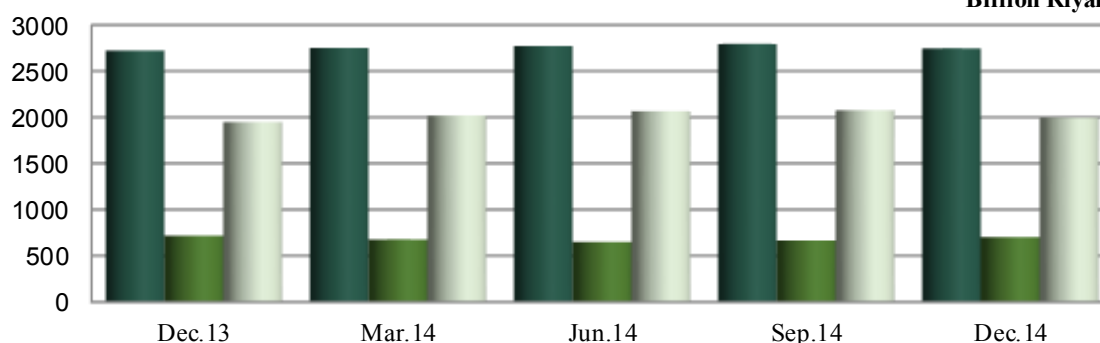
SAMA's total reserve assets registered a decline of 1.7 percent (SAR 47.1 billion) to SAR 2,746.3 billion during the fourth quarter of 2014 against a rise of 0.8 percent (SAR 22.8 billion) during the preceding quarter, recording an annual increase of 0.9 percent (SAR 24.9 billion) at the end of the fourth quarter of 2014 (Chart 3).

A breakdown of the components of total reserve assets during the fourth quarter of 2014 as compared to the previous quarter indicates that the reserve position with the IMF declined by 14.3 percent (SAR 2.5 billion) to SAR 14.7 billion. Deposits abroad went up by 5.6 percent (SAR 37.1 billion) to SAR 702.3 billion. Investments in securities abroad decreased by 3.9 percent (SAR 81.0 billion) to SAR 1,993.7 billion. Special drawing rights decreased by 2.3 percent (SAR 0.8 billion) to SAR 34.0 billion. Gold reserve was stable at SAR 1,624 million.



Chart 3: Reserve Assets

Billion Riyal



	Dec. 13	Mar. 14	Jun. 14	Sep. 14	Dec. 14
Total Assets	2721.5	2751.3	2770.6	2793.4	2746.3
Foreign Currency and Deposits	716.6	676.5	649.5	665.2	702.3
Investment in Securities Abroad	1947.7	2017.9	2064.5	2074.6	1993.7

Second: Monetary Policy

SAMA continued to pursue a monetary policy that aimed at achieving price stability, supporting the various economic sectors in line with domestic and international economic developments and supporting domestic banks to perform their financing role in the domestic economy. During the fourth quarter of 2014, SAMA maintained the same measures taken earlier in the third quarter of 2014. They were as follows:

1. Maintaining the 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 254 million during the fourth quarter of 2014 against SAR 101 million in the third quarter of 2014. Daily average reverse repo transactions stood at SAR 68.1 billion at the fourth quarter of 2014 compared to SAR 73.1 billion in the third 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



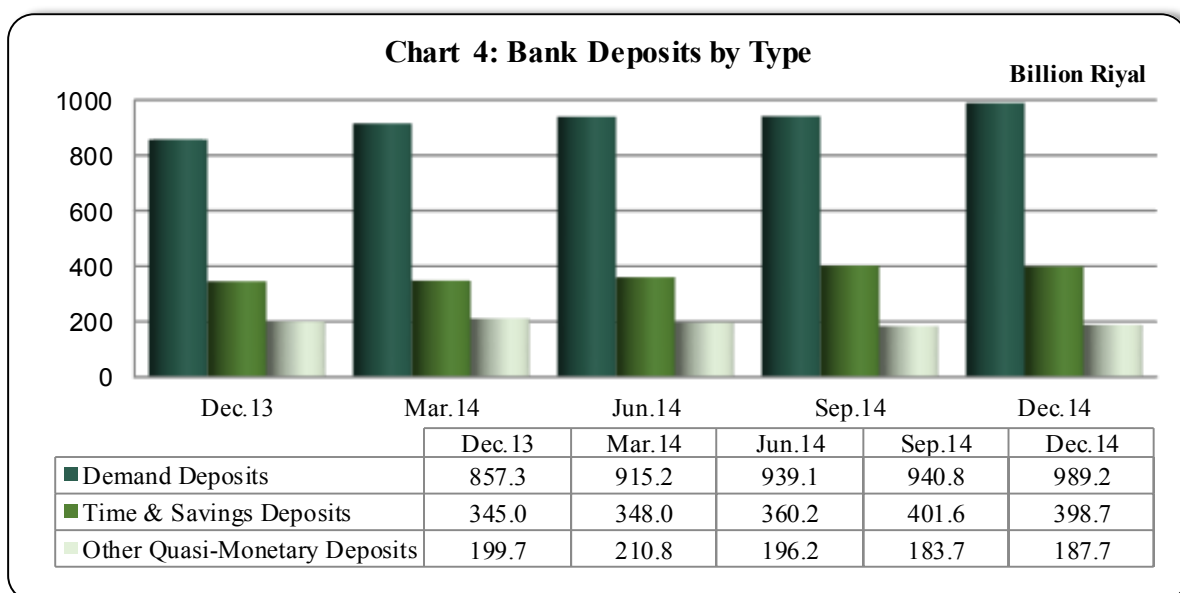
weekly subscription in treasury bills for domestic banks at SAR 9 billion.

4. The three-month Saudi interbank offered rate (SIBOR) stabilized at 0.8575 percent at the end of the fourth quarter of 2014. The three-month interest differential between the riyal and the dollar was about 60 basis points in favor of the riyal at the end of the fourth quarter of 2014, compared to 72 basis points at the end of the third 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 during the fourth quarter of 2014.

Third: Banking Developments

3.1 Bank Deposits

Total bank deposits recorded a rise of 3.2 percent (SAR 49.4 billion) to SAR 1,575.6 billion during the fourth quarter of 2014 compared to a rise of 2.1 percent (SAR 30.6 billion) during the preceding quarter, recording an annual rise of 12.4 percent (SAR 173.6 billion) at the end of the fourth quarter of 2014. The ratio of total bank deposits to M3 stood at 91.1 percent (Chart 4).





A review of the components of deposits by type during the fourth quarter of 2014 indicates that demand deposits rose by 5.1 percent (SAR 48.3 billion) to SAR 989.2 billion compared to a rise of 0.2 percent (SAR 1.8 billion) during the preceding quarter, recording an annual rise of 15.4 percent (SAR 131.9 billion). Time and savings deposits declined by 0.7 percent (SAR 2.8 billion) to SAR 398.7 billion compared to an increase of 11.5 percent (SAR 41.4 billion) during the preceding quarter, recording an annual rise of 15.6 percent (SAR 53.7 billion). Other quasi-monetary deposits went up by 2.1 percent (SAR 3.9 billion) to SAR 187.7 billion compared to a decline of 6.4 percent (SAR 12.5 billion) during the preceding quarter, recording an annual decrease of 6.0 percent (SAR 12.0 billion).

3.2 Commercial Banks' Assets and Liabilities

Total assets and liabilities of commercial banks stood at SAR 2,132.6 billion at the end of the fourth quarter of 2014, increasing by 3.1 percent (SAR 64.1 billion) compared to a rise of 1.8 percent (SAR 36.8 billion) in the preceding quarter. They recorded an annual rise of 12.6 percent (SAR 239.3 billion) at the end of the fourth quarter of 2014.

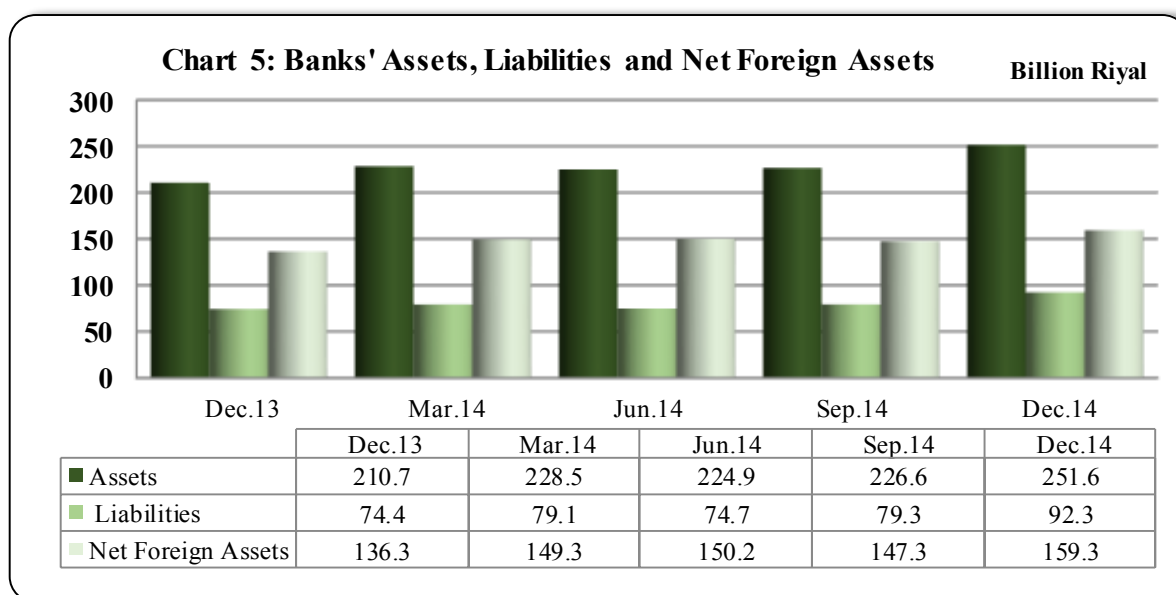
3.3 Commercial Banks' Foreign Assets and Liabilities

During the fourth quarter of 2014, total foreign assets of commercial banks rose by 11.1 percent (SAR 25.0 billion) to SAR 251.6 billion compared to an increase of 0.7 percent (SAR 1.6 billion) during the preceding quarter. They registered an annual rise of 19.4 percent (SAR 40.9 billion), constituting 11.8 percent of total commercial banks' assets compared to 11.0 percent at the end of the preceding quarter (Chart 5).

Commercial banks' total foreign liabilities went up by 16.4 percent (SAR 13.0 billion) to SAR 92.3 billion during the fourth quarter of 2014 against an increase of 6.1 percent (SAR 4.6 billion) in the preceding quarter, recording an annual increase of 24.0 percent (SAR 17.9 billion) and constituting 4.3 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 8.2 percent (SAR 12.1 billion)



to SAR 159.3 billion at the end of the fourth quarter of 2014 compared to a decline of 2.0 percent (SAR 2.9 billion) during the preceding quarter.



3.4 Commercial Banks' Claims on the Private and Public Sectors

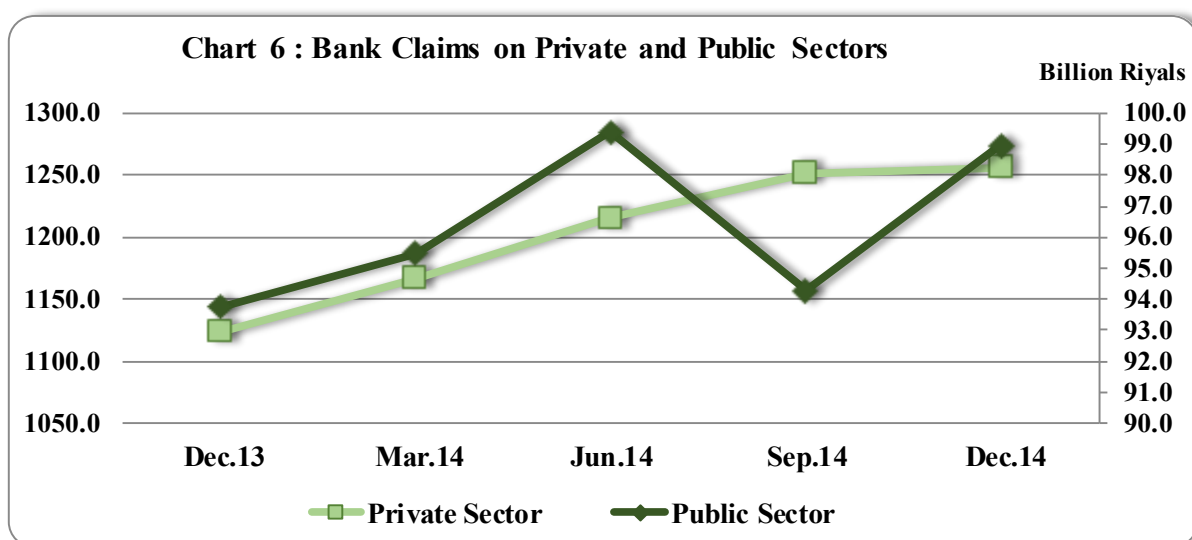
Commercial banks' claims on the private and public sector went up by 0.7 percent (SAR 9.0 billion) to SAR 1,355.2 billion in the fourth quarter of 2014, compared to a rise of 2.4 percent (SAR 31.6 billion) in the preceding quarter, recording an annual rise of 11.3 percent (SAR 137.8 billion) at the end of the fourth quarter of 2014. They accounted for 86.0 percent of total bank deposits compared to 88.2 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 0.3 percent (SAR 4.3 billion) to SAR 1,256.2 billion during the fourth quarter of 2014, compared to a rise of 3.0 percent (SAR 36.7 percent) in the preceding quarter. The claims on the private sector registered an annual increase of 11.8 percent (SAR 132.6 billion) at the end of the fourth quarter of 2014. The ratio of these claims to total bank deposits stood at 79.7 percent at the end of the fourth quarter of 2014, compared to 82.0 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 5.0 percent (SAR 4.7 billion) to SAR 98.9 billion during the fourth quarter of 2014 compared to a decline of 5.2 percent (SAR 5.1 billion) during the preceding quarter. They recorded an annual rise of 5.5 percent (SAR 5.2 billion). The ratio of banks' claims on the public and quasi-public sector to total bank deposits stood at 6.3 percent at the end of the fourth quarter of 2014 compared to 6.2 percent at the end of the preceding quarter (Chart 6).



An analysis of bank credit by maturity during the fourth quarter of 2014 shows that short-term credit increased by 1.1 percent (SAR 6.8 billion) to SAR 621.3 billion, compared to a decline of 4.1 percent (SAR 26.3 billion) in the preceding quarter. Also, medium-term credit went up by 6.2 percent (SAR 13.9 billion) to SAR 237.7 billion, compared to a decline of 0.7 percent (SAR 1.6 billion) in the preceding quarter. Long-term credit, however, went down by 2.3 percent (SAR 9.2 billion) to SAR 391.6 billion compared to a rise of 16.3 percent (SAR 56.2 billion) in the preceding quarter.



3.4.3 Commercial Banks' Claims by Economic Activity

Total bank credit classified by economic activity increased by 0.9 percent (SAR 11.5 billion) to SAR 1,250.6 billion during the fourth quarter of 2014 compared to a rise of 2.3 percent (SAR 28.3 billion) in the preceding quarter, recording an annual rise of 11.6 percent (SAR 130.1 billion) at the end of fourth quarter of 2014. A review of bank credit extended to economic activities during the fourth quarter of 2014 shows decreases in the agriculture and fishing by 7.0 percent (SAR 0.9 billion); transport and telecommunications by 6.6 percent (SAR 3.1 billion); water, electricity, gas and health services by 2.8 percent (SAR 1.0 billion); building and construction by 2.0 percent (SAR 1.7 billion); services by 1.9 percent (SAR 1.2 billion); manufacturing and production by 0.9 percent (SAR 1.4 billion); and commerce by 0.5 percent (SAR 1.3 billion). However, bank credit extended to the public and quasi-public sector rose by 13.9 percent (SAR 5.6 billion); finance sector by 13.1 percent (SAR 4.1 billion); mining sector by 6.2 percent (SAR 1.2 billion); and other sectors by 2.3 percent (SAR 11.2 billion).

3.5 Commercial Banks' Reserves, Capital, Profits and Branches

Capital and reserves of commercial banks declined by 1.1 percent (SAR 2.8 billion) to SAR 248.1 billion during the fourth quarter of 2014, compared to a decrease of 1.3 percent (SAR 3.3 billion) in the preceding quarter. Their ratio to total bank deposits stood at 15.7 percent at the end of the fourth quarter of 2014 compared to 16.4 percent at the end of the preceding quarter. The annual growth rate of capital and reserves of banks went up by 9.9 percent (SAR 22.3 billion) in the fourth quarter of 2014. Banks' profits stood at SAR 9.4 billion in the fourth quarter of 2014 compared to SAR 9.7 billion in the preceding quarter, denoting a decline of 9.2 percent (SAR 0.3 billion). They registered an annual rise of 25.0 percent (SAR 1.9 billion) as compared to the fourth quarter of 2013.

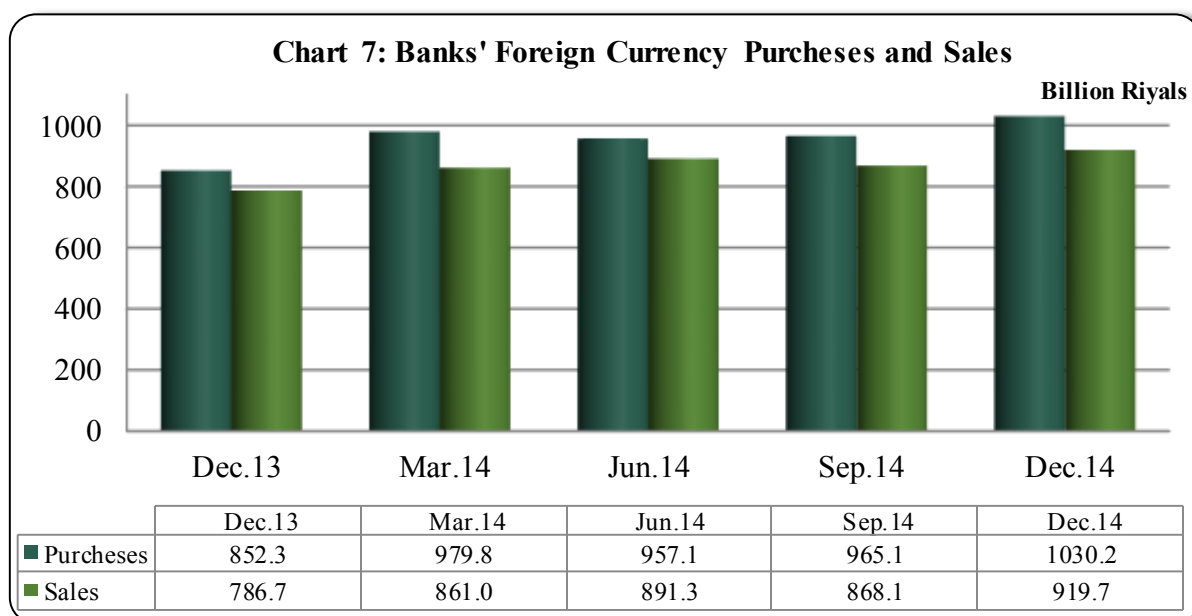
At the end of the fourth quarter of 2014, the number of commercial banks' branches operating in the Kingdom stood at 1,912, increasing by 32 over the preceding quarter. They registered an annual increase of 8.1 percent (144 branches) in their number as compared to the corresponding quarter of the preceding 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 up by 6.8 percent (SAR 65.1 billion) to SAR 1,030.2 billion during the fourth quarter of 2014, compared to a rise of 0.8 percent (SAR 8.0 billion) during the preceding quarter, recording an annual rise of 20.9 percent (SAR 178.0 billion) as compared to the corresponding quarter in the preceding year. A comparison between total purchases of foreign exchange during the fourth quarter of 2014 with those in the preceding quarter shows that purchases from banks abroad rose by 12.5 percent (SAR 49.1 billion), from SAMA by 9.6 percent (SAR 15.2 billion), from other sources by 4.8 percent (SAR 3.4 billion), and from domestic banks by 0.8 percent (SAR 1.8 billion). On the other hand, purchases from customers went down by 3.9 percent (SAR 4.3 billion) (Chart 7).



3.6.2 Commercial Banks' Sales of Foreign Exchange

Commercial banks' total sales of foreign exchange rose by 5.9 percent (SAR 51.6 billion) to SAR 919.7 billion during the fourth quarter of 2014, compared to a decline of 2.6 percent (SAR 23.2 billion) during the preceding quarter. They recorded an annual increase of 16.9 percent (SAR 133.0 billion) during the fourth quarter of 2014. A comparison between banks' total sales of



foreign exchange during the fourth quarter of 2014 with those during the preceding quarter indicates that sales to money changers picked up by 104.0 percent (SAR 1.2 billion), to banks abroad by 17.5 percent (SAR 69.3 billion), and to other customers inside the Kingdom by 5.6 percent (SAR 8.0 billion). In contrast, sales of foreign exchange to banks inside the Kingdom went down by 11.9 percent (SAR 23.8 billion), to government entities by 50.2 percent (SAR 6.8 billion), and to SAMA by 50.7 percent (SAR 0.4 billion) (Chart 7).

3.7 Private Sector Imports Financed by Commercial Banks

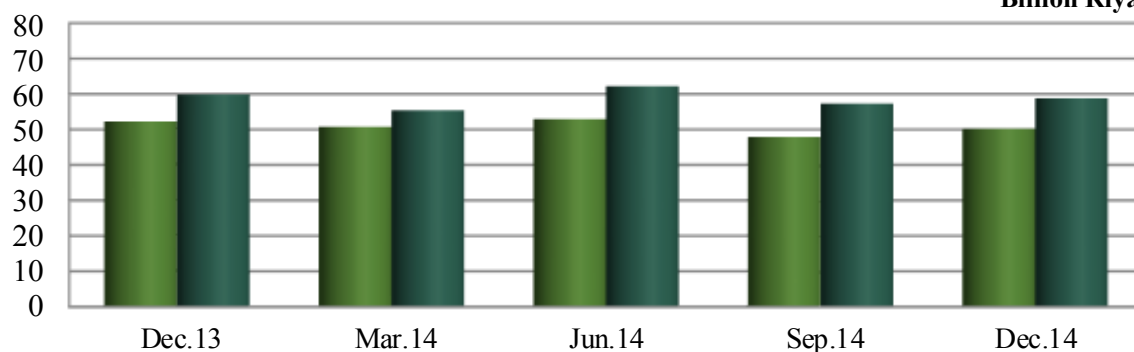
Imports of the private sector, that were financed by commercial banks through settled letters of credit and bills for collection, recorded a rise of 2.6 percent (SAR 1.5 billion) to SAR 58.8 billion during the fourth quarter of 2014, compared to a decline of 7.9 percent (SAR 4.9 billion) in the preceding quarter, recording an annual decrease of 1.7 percent (SAR 1.0 billion) as compared to the corresponding quarter in the preceding year. The fourth quarter's findings show that finance given to vehicle imports increased by 16.2 percent (SAR 1.9 billion), to imports of appliances by 11.0 percent (SAR 0.2 billion) and to imports of other goods by 3.8 percent (SAR 0.9 billion). On the other hand, finance given to foodstuffs imports declined by 2.3 percent (SAR 0.2 billion), to construction materials imports by 5.3 percent (SAR 0.3 billion), to machinery imports by 12.4 percent (SAR 0.7 billion) and to textiles and clothing imports by 24.0 percent (SAR 0.3 billion).

Imports of the private sector, that were financed by commercial banks through new opened letters of credit, rose by 4.8 percent (SAR 2.3 billion) to SAR 50.2 billion during the fourth quarter of 2014, compared to a decline of 9.5 percent (SAR 5.0 billion) in the preceding quarter. They recorded an annual decrease of 3.9 percent (SAR 2.0 billion) as compared to the corresponding quarter of the preceding year. Credit to imports of appliances increased by 67.4 percent (SAR 1.0 billion), to construction materials imports by 17.1 percent (SAR 0.9 billion), to imports of other goods by 15.5 percent (SAR 2.9 billion), to textiles and clothing imports by 6.0 percent (SAR 0.05 billion), and to machinery imports by 4.5 percent (SAR 0.2 billion). In contrast, credit to foodstuffs imports declined by 13.6 percent (SAR 0.8 billion) and to vehicles imports by 15.7 percent (SAR 1.9 billion) (Chart 8).



Chart 8: Private Sector's Imports Financed by Banks

Billion Riyals



	Dec.13	Mar.14	Jun.14	Sep.14	Dec.14
■ New Open Letters of Credit	52.2	50.7	52.9	47.9	50.2
■ Settled Letters of Credit and Bills for Collection	59.8	55.4	62.2	57.3	58.8

3.8. Private Sector Exports Financed by Commercial Banks

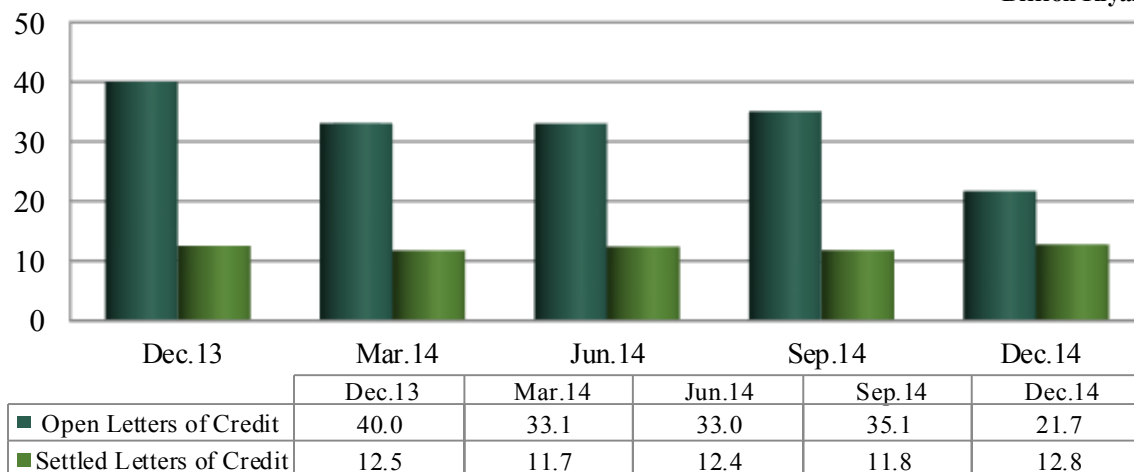
The private sector's exports, that were financed by commercial banks through open letters of credit, decreased by 38.1 percent (SAR 13.4 billion) to 21.7 billion during the fourth quarter of 2014, compared to an increase of 6.2 percent (SAR 2.0 billion) in the preceding quarter. They recorded an annual decrease of 45.8 percent (SAR 18.3 billion) as compared to the corresponding quarter of the preceding year. The fourth quarter's findings show that financing exports of other industrial products went down by 38.8 percent (SAR 12.7 billion) and financing exports of chemicals and plastic materials by 28.8 percent (SAR 0.7 billion), while financing exports of agriculture and livestock rose by 17.9 percent (SAR 3 million) (Chart 9).

A review of the geographical distribution of opened letters of credit during the fourth quarter of 2014 indicates an increase in the financing of exports to North America countries by 127.9 percent (SAR 0.07 billion), to other European countries by 259.9 percent (SAR 0.3 billion), and to Western European countries by 51.3 percent (SAR 0.3 billion). However, the financing of exports to Arab countries declined by 23.0 percent (SAR 0.7 billion), to other countries by 42.7 percent (SAR 7.3 billion), to Latin America by 38.5 percent (SAR 0.2 billion), and to the GCC countries by 42.7 percent (SAR 6.0 billion).



Chart 9: Private Sector's Exports Financed by Banks

Billion Riyals



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 fourth quarter of 2014 went up by 9.6 percent (SAR 1.1 billion) to SAR 12.9 billion (nearly \$3.4 billion). The value of single payment transactions totaled SAR 11.5 billion, whereas the total value of bulk payment transactions stood at SAR 0.14 billion. Total customer payments stood at SAR 1.4 billion, increasing by 21.9 percent over the preceding quarter. The total value of inter-bank payments transactions stood at SAR 11.5 billion, up by 8.3 percent over the preceding year.

4.2 Saudi Payments Network (SPAN)

As for SPAN developments, the total number of ATM transactions during the fourth quarter of 2014 was about 402 million, with cash withdrawals totaling SAR 181.3 billion, including transactions through banks' network and SPAN. Total transactions executed through POS terminals stood at 95.9 million with total sales of SAR 42.3 billion during the fourth quarter of



2014. The number of ATMs totaled 15.5 thousand and the number of cards issued by domestic banks stood at 20.6 million at the end of the fourth quarter of 2014. The number of POS terminals stood at 138.8 thousand at the end of the quarter under review.

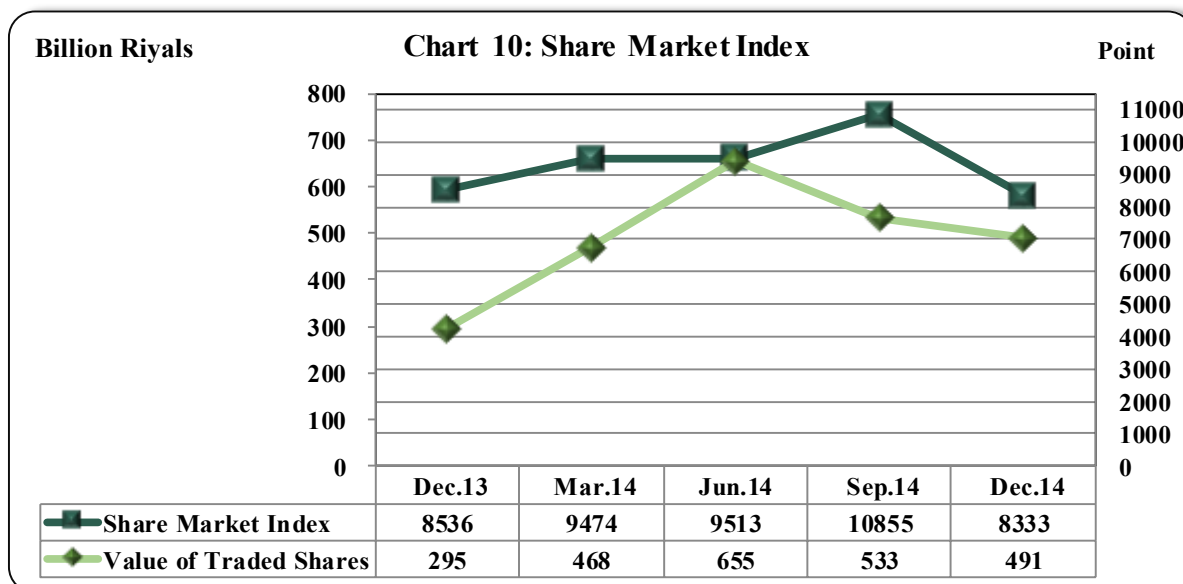
4.3 Clearing

The number of bank checks (outgoing and incoming) cleared at the clearing houses in the fourth quarter of 2014 totaled 1.7 million with a total value of SAR 218.1 billion. The number of individual and corporate checks totaled 1.5 million with a total value of SAR 161.4 billion, and the number of certified checks totaled 182.6 thousand with a total value of SAR 56.7 billion.

Fifth: Domestic Capital Market Developments

Tadawul All Share Index (TASI) went down at the end of the fourth quarter of 2014 by 23.2 percent to 8,333.3 compared to a rise of 14.1 percent in the preceding quarter, recording an annual decline of 2.4 percent. The number of traded shares increased by 4.6 percent to 16.3 billion compared to a decline of 25.2 percent in the preceding quarter, registering a rise of 48.7 percent as compared to the corresponding quarter of 2013. Total value of traded shares decrease by 7.9 percent to SAR 490.6 billion in the fourth quarter of 2014 compared to a decrease of 18.7 percent in the preceding quarter, recording a rise of 66.6 percent as compared to the corresponding quarter of the preceding year.

At the end of the fourth quarter of 2014, the market capitalization of issued shares went down by 18.1 percent to SAR 1,813 billion against the previous quarter in which it rose by 13.8 percent. It recorded a rise of 3.4 percent as compared to the fourth quarter of 2013. Total number of transactions executed in the fourth quarter of 2014 dropped by 1.9 percent to 8.5 million compared to a decline of 18.8 percent in the preceding quarter, recording a rise of 64.2 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 down by 8.9 percent (SAR 10.8 billion) to SAR 110.7 billion in the fourth quarter of 2014 compared to an increase of 4.9 percent (SAR 5.6 billion) in the previous quarter, recording a rise of 7.3 percent (SAR 7.5 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 decreased by 18.1 percent (SAR 18.1 billion) to SAR 81.9 billion in the fourth quarter of 2014, compared to a rise of 6.5 percent (SAR 6.1 billion) in the preceding quarter. Domestic assets registered a slight increase of 0.01 percent (SAR 0.01 billion) as compared to the fourth quarter of 2013. Foreign assets went up by 33.5 percent (SAR 7.2 billion) to SAR 28.8 billion during the fourth quarter of 2014 against a decline of 2.1 percent (SAR 0.5 billion) in the preceding quarter. They also increased by 35.3 percent (SAR 7.5 billion) as compared to the corresponding quarter of the preceding year.

The number of subscribers to investment funds fell by 2.3 percent (5,725 subscribers) to 246.0 thousand in the fourth quarter of 2014, compared to a decline of 0.9 percent (2,398 subscribers) in



the preceding quarter. The number of subscribers recorded a decrease of 4.7 percent (12,079 subscribers) as compared to the corresponding quarter of the preceding year. The number of operating funds rose by 0.8 percent (two funds) to 252 during the fourth quarter of 2014 compared to 250 funds in the previous quarter.

Seventh: Specialized Credit Institutions

The specialized credit institutions' total outstanding loans went up during the third quarter of 2014 by 4.1 percent (SAR 12.0 billion) to SAR 301.1 billion, compared to an increase of 3.7 percent (SAR 10.3 billion) in the preceding quarter, recording an annual rise of 12.1 percent (SAR 32.5 billion) at the end of the third quarter of 2014.

Total actual disbursements rose by 3.8 percent (SAR 0.6 billion) in the third quarter of 2014 compared to an increase of 33.6 percent (SAR 3.8 billion) in the preceding quarter, recording an annual increase of 65.5 percent. Total repayments to the specialized credit institutions went down by 22.7 percent (SAR 1.1 billion) in the third quarter of 2014 compared to a rise of 34.3 percent (SAR 1.3 billion) in the preceding quarter, registering an annual decline of 49.0 percent. The specialized credit institutions' net credit went up by 17.3 percent (SAR 1.7 billion) in the third quarter of 2014, compared to a rise of 33.2 percent (SAR 2.5 billion) in the preceding quarter, recording an annual increase of 565.5 percent.

A breakdown of the loans extended by the specialized credit institutions in the third quarter of 2014 shows that the disbursements by the Saudi Industrial Development Fund went up by 91.6 percent (SAR 0.8 billion) compared to a decline of 42.6 percent (SAR 0.6 billion) in the preceding quarter. Disbursements by the Public Investment Fund also increased by 71.5 percent (SAR 2.3 billion) compared to a rise of 13.5 percent (SAR 0.4 billion) in the preceding quarter. Disbursements by the Agriculture Development Fund fell by 28.3 percent (SAR 0.07 billion) compared to an increase of 32.7 percent (SAR 0.06 billion) in the preceding quarter. Disbursements by the Saudi Credit and Saving Bank also decreased by 51.2 percent (SAR 4.3 billion) compared to an increase of 364.1 percent (SAR 6.6 billion) in the preceding quarter. On the other hand, disbursements by the Real Estate Development Fund went up by 86.7 percent (SAR



1.9 billion) compared to a decrease of 55.4 percent (SAR 2.7 billion) in the preceding quarter. As for credit repayments during the third quarter of 2014, the repayments to the Saudi Credit and Saving Bank dropped by 4.5 percent (SAR 0.07 billion) against a rise of 2.8 percent (SAR 0.04 billion) in the preceding quarter. Repayments to the Industrial Development Fund went down by 7.0 percent (SAR 0.08 billion) compared to a rise of 54.7 percent (SAR 0.4 billion) in the preceding quarter, to the Agriculture Development Fund by 1.6 percent (SAR 0.003 billion) against a rise of 21.6 percent (SAR 0.04 billion) in the preceding quarter, and to the Public Investment Fund by 72.9 percent (SAR 0.6 billion) as compared to a rise of 18.9 percent (SAR 0.1 billion) in the preceding quarter. In addition, repayments to the Real Estate Development Fund decreased by 30.2 percent (SAR 0.4 billion) against a rise of 90.8 percent (SAR 0.7 billion) in the preceding quarter.

Eighth: Supervisory and Legislative Banking Developments during the Fourth Quarter of 2014

SAMA issued a number of circulars to the banking sector during the fourth quarter of 2014, the most prominent of which were as follows:

- Circular No. 351000155075 dated 28/12/1435H concerning BCBS Document issued in October 2014 regarding Frequently Asked Questions on the Basel III Leverage Ratio Framework.
- Circular No. 361000005778 dated 11/01/1436H concerning BCBS Consultative Document entitled “Operational Risk—Revisions to the Simpler Approaches”.
- Circular No. 361000005794 dated 11/01/1436H concerning BCBS Consultative Document entitled “Guidelines: Corporate Governance Principles for Banks”.
- Circular No. 361000005759 dated 11/01/1436H concerning BCBS Document regarding Review of the Principles for the Sound Management of Operational Risk.
- Circular No. 361000007177 dated 13/01/1436H concerning SAMA Guidelines on Internal Controls.



- Circular No. 361000009335 dated 17/01/1436H concerning SAMA's Revised and Amended Liquidity Coverage Ratio Regulations and Guidance Document.
- Circular No. 361000033746 dated 02/03/1436H concerning the Requirements for Reducing DDos Attacks.
- Circular No. 361000036797 dated 08/03/1436H concerning the Independence of Information Security Function in Commercial Banks.

Ninth: Prominent Regulatory Developments in the Saudi Economy during the Fourth Quarter of 2014

- Council of Ministers' resolution dated 03/11/2014 (10/01/1436H) approving all public institutions, authorities, funds with special regulations and all public government entities having items for employment to develop bases and standards on which applicants are hired in order to achieve the principle of equal opportunities and competition among applicants; and to commit to announce these standards and bases and available openings with all related requirements and financial benefits on their websites, on the Ministry of Civil Affairs' website and in two or more local newspapers until the application of the National Portal for Employment comes into operation.
- Council of Ministers' resolution dated 10/11/2014 (17/01/1436H) approving the authorization of H.E. the Minister of Finance, or his designee, to sign a draft agreement between the Government of the Kingdom of Saudi Arabia and the Government of the United States to Improve International Tax Compliance and Implement FATCA with the Treasury Department in the USA. After that, he shall submit the final signed version for completing legal procedures.
- Council of Ministers' resolution dated 24/11/2014 (02/02/1436H) approving the establishment of a high commission for the development of the Eastern Region that aims at backing comprehensive development of the region and meeting its needs for public facilities and



services. This commission shall have a special budget and a board headed by the Emir of the Eastern Region. The commission's tasks and functions include setting the general policies for the development of the region and following up the implementation and planning of projects, in coordination with the region's municipal council, municipality and other organs. It shall also prepare feasibility studies for projects and programs it implements solely or with the participation of others, and participate in the development of plans and budgets of government entities and departments, public institutions, authorities and public welfare associations in a manner that ensure balanced development of the region.

- Council of Ministers' resolution dated 01/12/2014 (09/02/1436H) approving a new rate for the sale of water and the utilization of recycled sewage water for non-residential consumption; to be imposed on government, industrial and commercial sectors only, except the residential sector, and to be made effective after one year.
- Council of Ministers' resolution dated 01/12/2014 (09/02/1436H) allowing the Ministry of Labor to transfer the services of any troubled project contract's staff (laborers, technicians and supervisors) from the troubled contractor to the new contractor to which the project is awarded if it is in need for any of their services in accordance with a number of arrangements, including that the government shall incur the cost of labor service transfer.
- Council of Ministers' resolution dated 08/12/2014 (16/02/1436H) approving the Law on the Jobs of Handling Public Funds. A most prominent aspect of this Law is the determination of public institutions, entities and the like (whose employees are not subject to the Law of Civil Service), titles of the jobs related to the handling and safekeeping of public funds. These job titles shall be included in their relevant regulations after being approved by their board of directors or its equivalent to ensure limitation of such job titles. The Law also stipulates that each ministry, public authority and institution and the like shall use electronic means to control ins and outs of funds and lockers.
- Council of Ministers' resolution dated 15/12/2014 (23/02/1436H) approving the statute of the Consumer Protection Association, and appointment of the first executive board for the



Association after the issuance of this statute by the Minister of Commerce and Industry, provided that the duration of this board shall be three years. Also, a ratio, determined by the Minister of Commerce and Industry, of the fees of subscriptions to the chamber of commerce and industry in each region should be allocated for the benefit of the Association and specialized national associations that will be established in the future in the sectors concerned with consumer protection. This ratio should be credited to a special account and distributed to these associations in accordance with allocations set by the Ministry of Commerce and Industry.

- Council of Ministers' resolution dated 15/12/2014 (23/02/1436H) approving a number of measures, including:
 1. Prevention of selling specifications to the contractor in the event of any of the following cases:
 - a. If more than one decision were issued against the contractor to withdraw a government's project due to his failure in the implementation;
 - b. If the contractor has withdrawn from the implementation of more than one government project after being awarded; or
 - c. If the contractor delayed, due to his own reasons, the implementation of more than one government project and the project has not been withdrawn from him.
 2. Provisions of Paragraph (1) shall only be applied to the contractor's status in the last (three) years as from the announcement of selling the specification.
 3. Banning the selling of specification to the troubled contractor shall be made upon a decision issued by the concerned minister or the head of the independent department, based on a recommendation by the bid examination committee, provided that the ban period shall not exceed (three) years from the decision date and the ban shall be restricted to the projects of the issuing entity.