



Economic Developments

First Quarter, 2010

Research and Statistics Department

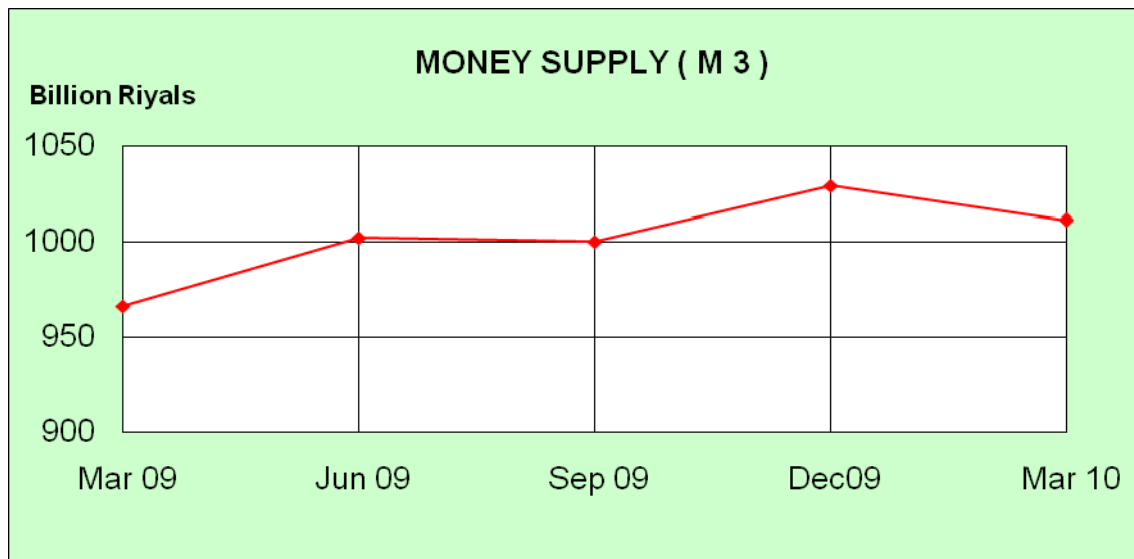
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First: Monetary Developments

Broad money (M3) decreased by 1.8 percent (Rls 18.4 billion) to Rls 1,010.5 billion during the first quarter of 2010 compared to a rise of 2.9 percent (Rls 29.0 billion) during the preceding quarter. It registered an annual growth rate of 4.7 percent (Rls 44.9 billion).



An analysis of the components of broad money supply (M3) indicates that (M1) increased by 3.9 percent (Rls 20.5 billion) to Rls 542.0 billion, or 53.6 percent of total money supply (M3) during the first quarter of 2010 compared to a rise of 5.9 percent (Rls 28.9 billion) in the preceding quarter. Money supply (M1) registered an annual rise of 17.9 percent (Rls 82.2 billion) at the end of the first quarter of 2010. Money supply (M2) registered an increase of 1.3 percent (Rls 10.8 billion) to Rls 855.7 billion, or 84.7 percent of total money supply (M3) during the first quarter of 2010, against a rise of 2.6 percent (Rls 21.6 billion) in the preceding quarter. Money supply (M2) recorded an annual increase of 4.8 percent (Rls 39.5 billion) at the end of the first quarter of 2010.

Second: Monetary Policy:

During the first quarter of 2010, SAMA continued to pursue monetary policy aimed at achieving financial and price stability by monitoring domestic and

international economic developments, liquidity developments and taking necessary measures towards them. SAMA continued its efforts aimed at enhancing the necessary liquidity to meet domestic demand for credit in order to ensure that banks continue their financing role in the Kingdom.

SAMA's daily average Repo transactions stood at Rls 2,292 million in the first quarter of 2010 against Rls 1,214 million in the fourth quarter of 2009. Daily average Reverse Repo transactions was Rls 94,925 million during the same period compared to Rls 91,776 million in the fourth quarter of 2009. The rise in liquidity in the daily average Reverse Repo transactions was due to a rise in liquidity with banks. During the first quarter of 2010, SAMA raised the issuance ceiling of treasury bills from Rls 3,000 million to Rls 9,000 million per week.

Domestic inter-bank interest rates on deposits (three-month inter-bank interest rate (SIBOR)) went down slightly to 0.73 percent in the first quarter of 2010 compared to 0.77 percent at the end of the fourth quarter of 2009. The differential between the Riyal and the Dollar deposits for a three-month period continued to be in favor of the Riyal. It was 43 basis points at the end of the first quarter of 2010, compared to 52 basis points at the end of the fourth quarter of 2009. At the end of the first quarter of 2010, the Saudi Riyal exchange rate maintained its stability at its official rate of Rls 3.75 against the Dollar.

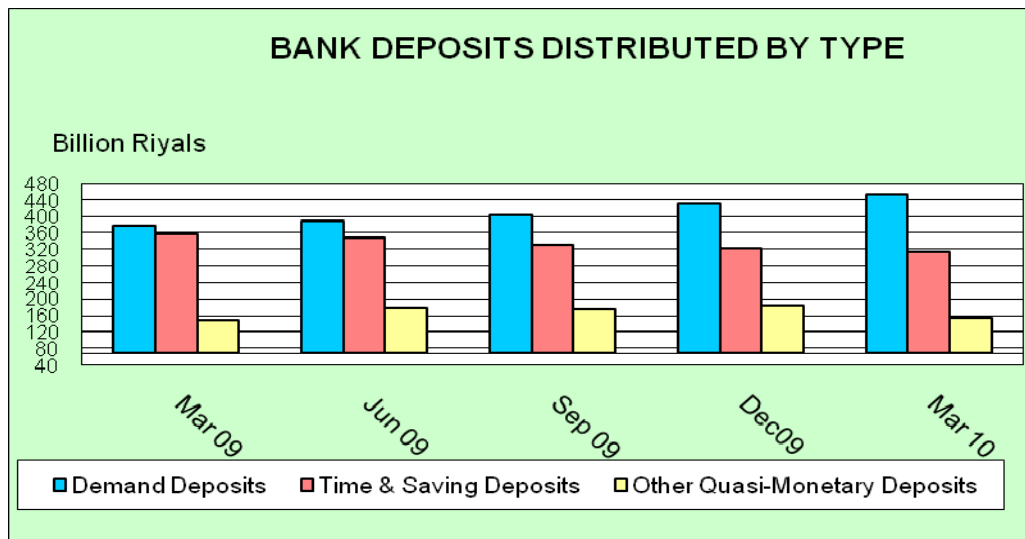
SAMA did not enter into any foreign exchange swaps with domestic banks during the first quarter of 2010 due to sufficient Dollar liquidity with domestic banks.

Third: Banking Developments

3.1 Bank Deposits

Total bank deposits recorded a decline of 2.1 percent (Rls 19.9 billion) to Rls 920.7 billion during the first quarter of 2010 compared to a rise of 3.2 percent (Rls 29.2 billion) during the preceding quarter, recording an annual rise of 4.3 percent (Rls

37.9 billion) at the end of the first quarter of 2010. The ratio of total bank deposits to total broad money supply (M3) amounted to 91.1 percent at the end of the first quarter of 2010 compared to 91.4 percent at the end of the preceding quarter.



A review of the components of deposits by type during the first quarter of 2010 indicates that demand deposits rose by 4.4 percent (Rls 19.0 billion) to Rls 452.2 billion compared to a rise of 7.2 percent (Rls 29.1 billion) during the preceding quarter. Time and savings deposits went down by 3.0 percent (Rls 9.7 billion) to Rls 313.7 billion against a decline of 2.2 percent (Rls 7.3 billion) during the preceding quarter. Other quasi-monetary deposits decreased by 15.9 percent (Rls 29.2 billion) to Rls 154.8 billion compared to a rise of 4.2 percent (Rls 7.4 billion) during the preceding quarter. Demand deposits recorded an annual rise of 20.0 percent (Rls 75.3 billion), quasi-monetary deposits recorded an annual decline of 12.0 percent (Rls 42.7 billion) and other quasi-monetary deposits recorded an annual rise of 3.6 percent (Rls 5.4 billion).

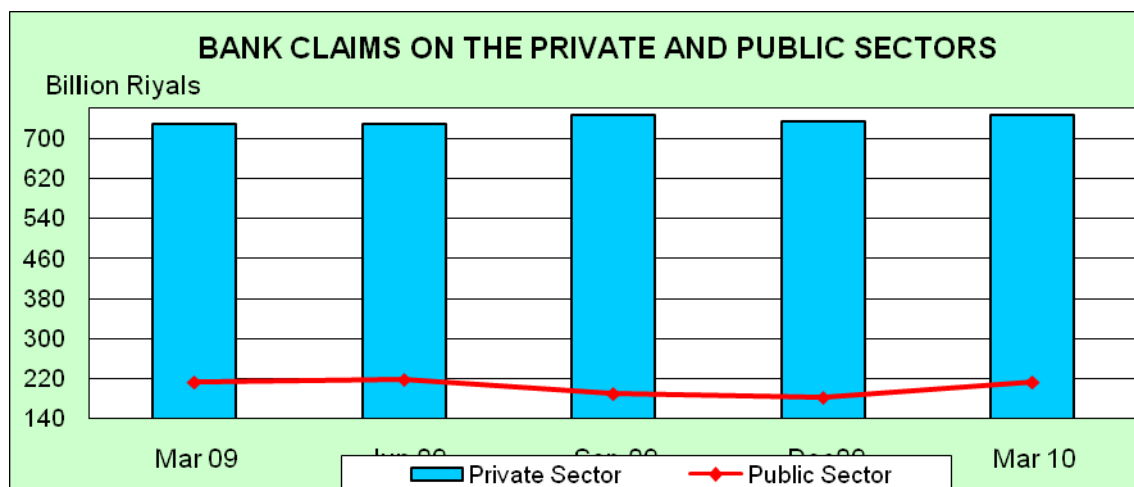
3.2 Credit and Investment Activity of Commercial Banks

Total claims of commercial banks on the private and government sectors (bank credit and investments) grew by 4.6 percent (Rls 41.9 billion) to Rls 959.4 billion during the first quarter of 2010, compared to a decline of 2.1 percent (Rls 19.7 billion)

in the preceding quarter. At the end of the first quarter of 2010, they recorded an annual growth of 1.9 percent (Rls 17.9 billion) to constitute 104.3 percent of total bank deposits, compared to 97.4 percent at the end of the preceding quarter.

Total claims of commercial banks on the private sector during the first quarter of 2010 went up by 1.6 percent (Rls 11.5 billion) to Rls 745.8 billion , compared to a decline of 1.6 percent (Rls 12.1 billion) during the preceding quarter, recording an annual growth of 2.4 percent (Rls 17.6 billion) at the end of the first quarter of 2010. The ratio of commercial banks' claims on the private sector to total bank deposits was 81.0 percent at the end of the first quarter of 2010, compared to 78.1 percent at the end of the previous quarter.

Total claims of commercial banks on the government and quasi-government sectors also increased by 16.6 percent (Rls 30.4 billion) to Rls 212.7 billion during the first quarter of 2010 compared to a decline of 4.0 percent (Rls 7.6 billion) during the preceding quarter. At the end of the first quarter of 2010, they registered an annual decline of 0.1 percent (Rls 0.3 billion). Their ratio to total bank deposits amounted to 23.1 percent at the end of the first quarter of 2010, compared to 19.4 percent at the end of the previous quarter.



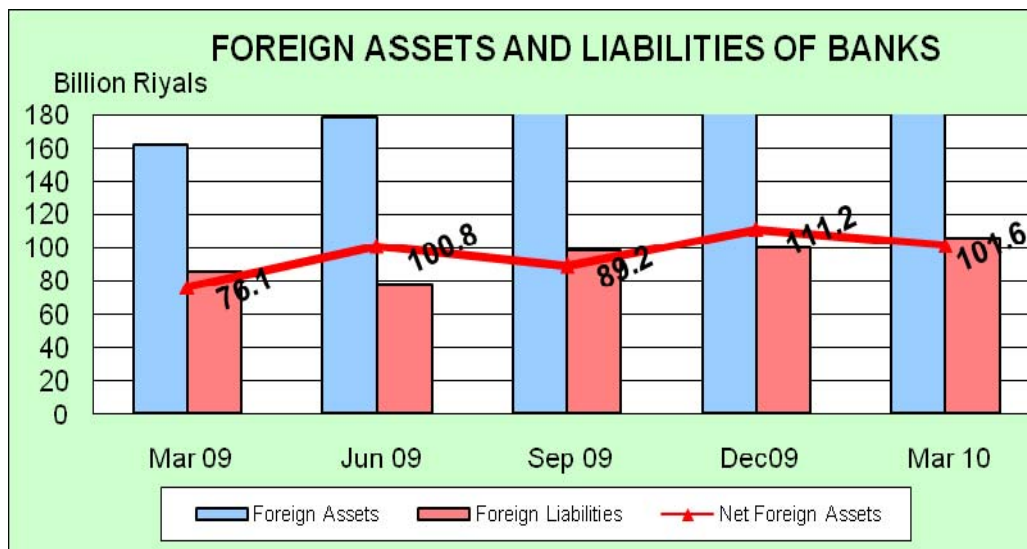
An analysis of bank credit by maturity (private and government sectors) during the first quarter of 2010 shows that short-term credit increased by 0.4 percent (Rls 1.9 billion) to Rls 451.5 billion compared to a decline of 2.6 percent (Rls 12.1 billion) during the preceding quarter. Medium-term credit increased by 0.7 percent (Rls 782 million) to Rls 117.9 billion during the first quarter of 2010 compared to a rise of 1.2 percent (Rls 1.4 billion) during the preceding quarter. Long-term credit went up by 4.3 percent (Rls 7.3 billion) to Rls 177.4 billion compared to a decline of 1.6 percent (Rls 2.8 billion) during the preceding quarter.

Total granted bank credit by economic activity increased by 1.4 percent (Rls 10.0 billion) to Rls 746.9 billion during the first quarter of 2010, compared to a decline of 1.8 percent (Rls 13.5 billion) during the preceding quarter, recording an annual growth of 1.0 percent (Rls 7.7 billion) at the end of the first quarter of 2010. A breakdown of bank credit granted for different economic activities during the first quarter of 2010 indicates that bank credit extended to “commerce” increased by 7.6 percent (Rls 12.9 billion), “agriculture and fishing” by 0.2 percent (Rls 14 million), “other sectors” by 1.5 percent (Rls 4.2 billion), “building and construction” by 7.8 percent (Rls 3.5 billion), “water, electricity and other services” by 15.6 percent (Rls 2.1 billion), “industry and production” by 2.2 percent (Rls 1.6 billion), and “government and quasi-government sector” by 6.2 percent (Rls 1.8 billion). In contrast, bank credit extended to “other miscellaneous services” decreased by 30.4 percent (Rls 14 billion), “mineral and mining” by 12.2 percent (Rls 0.7 billion), “transport and communications” by 2.8 percent (Rls 1.1 billion), and “finance” by 1.6 percent (Rls 0.3 billion).

3.3 Commercial Banks' Foreign Assets and Liabilities

Total foreign assets of commercial banks during the first quarter of 2010 decreased by 1.9 percent (Rls 3.9 billion) to Rls 207.0 billion compared to a rise of 12.5 percent (Rls 23.4 billion) during the preceding quarter, recording an annual

growth rate of 28.0 percent (Rls 45.2 billion) and constituting 15.0 percent of total commercial banks' assets compared to 15.4 percent at the end of the preceding quarter.



Commercial banks' total foreign liabilities went up by 5.8 percent (Rls 5.8 billion) to Rls 105.4 billion during the first quarter of 2010 against a rise of 1.4 percent (Rls 1.4 billion) in the preceding quarter. The annual growth rate of total foreign liabilities increased by 23.1 percent (Rls 19.8 billion), constituting 7.7 percent of commercial banks' total liabilities against 7.3 percent in the preceding quarter. Net foreign assets declined by Rls 9.7 billion to Rls 101.5 billion at the end of the first quarter of 2010 compared to a raise of Rls 22 billion during the preceding quarter.

3.4 Commercial Banks' Capital and Reserves, Profits and Branches

The capital and reserves of commercial banks went up by Rls 19.1 billion during the first quarter of 2010. The ratio of commercial banks' capital and reserves to total bank deposits at the end of the first quarter of 2010 stood at 19.9 percent compared to 17.4 percent in the previous quarter. Their annual growth rate rose by 9.3 percent (Rls 15.6 billion).

Commercial banks' profits stood at Rls 6.9 billion during the first quarter of 2010 compared to Rls 3.6 billion in the preceding quarter, recording an annual decline rate of 15.9 percent (Rls 1.3 billion).

During the first quarter of 2010, the number of commercial banks' branches increased to 1,540 compared to 1,519 at the end of the preceding quarter, recording a growth rate of 1.4 percent (21 branches).

3.5 Commercial Banks' Assets and Liabilities

Total assets and liabilities of commercial banks stood at Rls 1,377.3 billion at the end of the first quarter of 2010, rising by 0.5 percent (Rls 7.2 billion) over a rise of 1.4 percent (Rls 19.3 billion) during the preceding quarter, recording an increase of 4.0 percent (Rls 53.5 billion) in their annual growth rate at the end of the first quarter of 2010.

Fourth: Banking Technology Developments

Statistics of the Saudi Riyal Inter-bank Express System (SARIE) show that the value of transactions in the first quarter of 2010 totaled Rls 17,411.6 billion (\$4,643 billion) through 991.2 thousand messages containing a total of 7.9 million transactions carried out through SARIE. The value of single payments transactions totaled Rls 17,132.0 billion, whereas the total value of gross payments stood at Rls 210.8 billion. Customers' payments amounted to Rls 708.9 billion, compared to Rls 760.7 billion in the corresponding quarter of 2009, falling by 6.8 percent. The total value of inter-bank payments transactions amounted to Rls 16,633.9 billion. It is expected that the use of SARIE will continue to grow at a faster pace in the upcoming years, especially in e-commerce transactions and individuals' transfers. Using of SARIE system for payment of salaries of employees in the government and private sectors will also continue to increase.

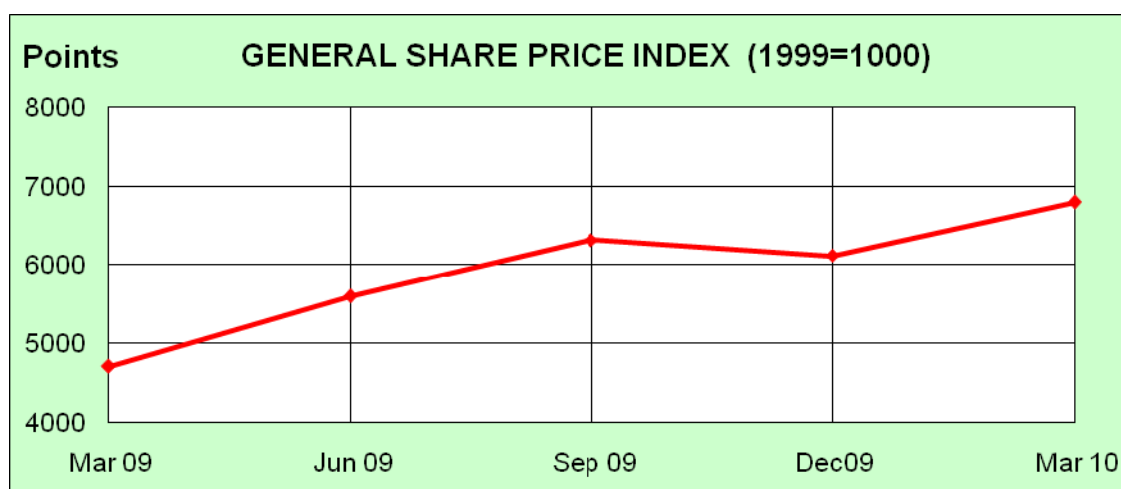
As for the developments of the Saudi Payments Network (SPAN), the number of transactions executed via ATMs in the first quarter of 2010 amounted to 255.6

million, including bank transactions and SPAN transactions of Rls 111.9 billion. Total transactions executed through POS terminals stood at 34.5 million with a total value of Rls 16.1 billion during the first quarter of 2010. The number of ATMs amounted to 10,216 and the number of cards issued by domestic banks stood at 11.5 million. The number of POS terminals increased to more than 82.1 thousand at the end of the first quarter of 2010.

As for clearing houses statistics for the first quarter of 2010, the number of bank checks (outgoing and incoming) cleared at clearing houses totaled 1.8 million with a total value of Rls 175.4 billion. The number of household and business checks was 1.6 million with a total value of Rls 127.3 billion during the period. The number of banks' checks (certified) totaled 242.0 thousand with a total value of Rls 48.1 billion.

Fifth: Domestic Share Market Developments

The general share price index went up during the first quarter of 2010 by 11.1 percent to 6,801.0 compared to a decline of 3.2 percent in the preceding quarter, recording an annual rise of 44.6 percent. During the first quarter of 2010, the number of traded shares went down by 14.6 percent to 8.5 billion compared to a rise of 13.9 percent in the preceding quarter. The annual growth rate of traded shares went down by 48.7 percent. Total value of traded shares decreased by 22.2 percent to Rls 190 billion compared to a rise of 1.9 percent in the preceding quarter, with its annual growth rate falling by 37.6 percent.



At the end of the first quarter of 2010, the market capitalization of issued shares went up by 12.5 percent to Rls 1,345 billion against a decline of 2.8 percent at the end of the preceding quarter, recording a rise of 52.1 percent in its annual growth rate. Total number of transactions executed in the first quarter of 2010 recorded a decline of 14.1 percent to 5.3 million compared to a decline of 18.2 percent in the preceding quarter. The annual growth rate of the total number of executed transactions went down by 46.7 percent.

Sixth: Investment Funds

Total assets of investment funds managed by investment companies recorded a rise of 4.0 percent (Rls 3.6 billion) to Rls 93.1 billion in the first quarter of 2010 compared to a decrease of 4.6 percent (Rls 4.3 billion) in the preceding quarter. Their annual growth rate increased by 20.6 percent (Rls 15.9 billion).

A breakdown of the funds' total assets indicates a rise in domestic assets by 4.5 percent (Rls 3.3 billion) to Rls 77.5 billion in the first quarter of 2010, compared to a decline of 4.7 percent (Rls 3.7 billion) in the preceding quarter. Domestic assets recorded a rise in the annual growth rate by 20.1 percent (Rls 13.0 billion). Foreign assets registered a rise of 1.6 percent (Rls 240 million) to Rls 15.7 billion during the first quarter of 2010 against a decrease of 4.0 percent (Rls 637 million) in the preceding quarter, recording an annual increase rate of 23.3 percent (Rls 3.0 billion).

The number of subscribers to investment funds dropped by 1.9 percent (6,857) to 349.5 thousand in the first quarter of 2010 compared to a decline of 2.2 percent (7,975) in the preceding quarter. The number of subscribers recorded a negative annual growth of 5.8 percent (21,632). The number of operating funds decreased by 3 (1.2 percent) to 241 in the first quarter of 2010 compared to 244 during the preceding quarter.

Seventh: Supervisory and Legislative Banking Developments during the Fourth Quarter of 2009:

A number of circulars were issued during the first quarter of 2010 as follows:

- SAMA Circular No. 1984/BCS/4391 was issued concerning FSB Implementation Standards.
- SAMA Circular No. 6272/M A SH/3003 dated 4/2/1431H (19/1/2010) concerning the amended list of money exchange companies authorized to deal with in the Syrian Arab Republic.
- SAMA Circular No. 3555/BCS/7497 dated 11/2/1431H was issued concerning Draft Guidelines on Compensation Practices.
- SAMA Circular No. M A SH/8746 dated 8/4/1431H (24/3/2010) was issued concerning mentioning the actual commission rate along with the nominal commission rate on announcement.

Eighth: Most Prominent Regulatory Developments in the Saudi Economy during the Fourth Quarter of 2009

- The Council of Ministers issued a resolution on 13/4/1431H (29/3/2010) approving the license for the establishment of the American International Group and Arab National Bank Company for Cooperative Insurance..
- The Council of Ministers issued a resolution on 29/3/1431H (15/3/2010) approving the draft Arab Agreement for Combating Crimes of Information Technology, and signing it according to what is agreed upon regarding it by the Council of Arab Interior Ministers, and submitting the final version for completion of regulatory procedures. The Council of Ministers also approved the draft Arab Agreement for Combating Money Laundering and Financing Terrorism and signing it according to what is agreed upon in this regard.