

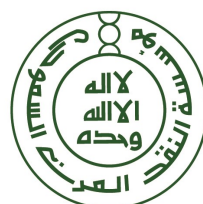
2018

## Monetary and Banking Developments

Second Quarter, 2018



Research and International Affairs Deputyship  
Economic Research Department



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## Executive Summary

### Executive Summary

In the second quarter of 2018, SAMA decided to raise the reverse repo rate from 1.75 percent to 2.0 percent and the repo rate from 2.25 percent to 2.5 percent. The cash reserve ratio was maintained at 7 percent for demand deposits and at 4 percent for time and savings deposits. SAMA also continued to maintain the limit of weekly subscription to SAMA bills for domestic banks at SAR 3.0 billion during the second quarter of 2018. The three-month Saudi interbank offered rate (SAIBOR) went up to 2.4145 percent in Q2 2018.

Broad money supply (M3) increased by 1.3 percent in Q2 2018, while the monetary base rose by 4.7 percent to SAR 326.6 billion during the same period. Preliminary data of SAMA's balance sheet indicates that total foreign assets rose by 2.7 percent to SAR 1,889.4 billion in Q2 2018. SAMA's total reserve assets also increased by 2.6 percent to SAR 1,899.0 billion.

Total bank deposits increased by 0.8 percent to SAR 1,614.3 billion in Q2 2018. Total assets and liabilities of commercial banks amounted to SAR 2,312.0 billion at end-Q2 2018, increasing by 2.2 percent. Commercial banks' claims on the private and public sectors went up by 1.9 percent to SAR 1,755.8 billion in Q2 2018.

Preliminary estimates indicate a surplus of SAR 35.1 billion in the current account balance in Q1 2018 compared to a surplus of SAR 17.8 billion in Q1 2017.

Total value of the Saudi Riyal Inter-bank Express System (SARIE) transactions in Q2 2018 dropped by 30.5 percent to SAR 4,948.9 billion. Total number of ATM transactions in Q2 2018 was approximately 531.4 million, with cash withdrawals totaling SAR 193.2 billion, including transactions through banks' network and Mada.

The Tadawul All Share Index (TASI) increased by 5.6 percent to 8314.2 at end-Q2 2018. The market capitalization registered a q/q rise of 6.0 percent to SAR 1,982 billion at end-Q2 2018.

Total assets of investment funds managed by investment companies decreased by 0.9 percent (SAR 1.02 billion) to SAR 119.0 billion in Q2 2018. According to latest available data, total actual disbursements of loans from government Specialized Credit Institutions (SCIs) decreased by 68.9 percent (SAR 4.5 billion), and total loan repayments to SCIs also decreased by 37.4 percent (SAR 2.6 billion) in Q1 2018.

## **First: Monetary Policy**

SAMA has been adopting a monetary policy aimed at achieving price stability, supporting the various economic sectors in line with domestic and international economic developments, and assisting domestic banks to perform their financing role in the domestic economy.

### **1.1 Rate of Return and Cash Reserve**

In Q2 2018, SAMA decided to raise the reverse repo rate from 1.75 percent to 2.0 percent and the repo rate from 2.25 percent to 2.5 percent.

SAMA's daily average repo transactions stood at SAR 489 million in Q2 2018 against SAR 45 million in Q1 2018, while the daily average of reverse repo transactions amounted to SAR 54.5 billion in Q2 2018 compared to SAR 97 billion in Q1 2018.

The cash reserve ratio was maintained at 7.0 percent for demand deposits and at 4.0 percent for time and savings deposits.

### **1.2 Interest Rates**

To encourage domestic banks to increase lending, SAMA continued to maintain the limit of weekly subscription in SAMA bills for

domestic banks at SAR 3 billion in Q2 2018. The three-month SAIBOR rose to 2.4145 percent in Q2 2018. The three-month interest rate differential between the riyal and the dollar was about 8 basis points in favor of the riyal in Q2 2018, compared to 3 basis points in Q1 2018. As for the riyal exchange rate against the dollar, it remained unchanged at its official peg rate of SAR 3.75.

As regards foreign exchange swaps, SAMA did not make any swap transaction with domestic banks in Q1 2018.

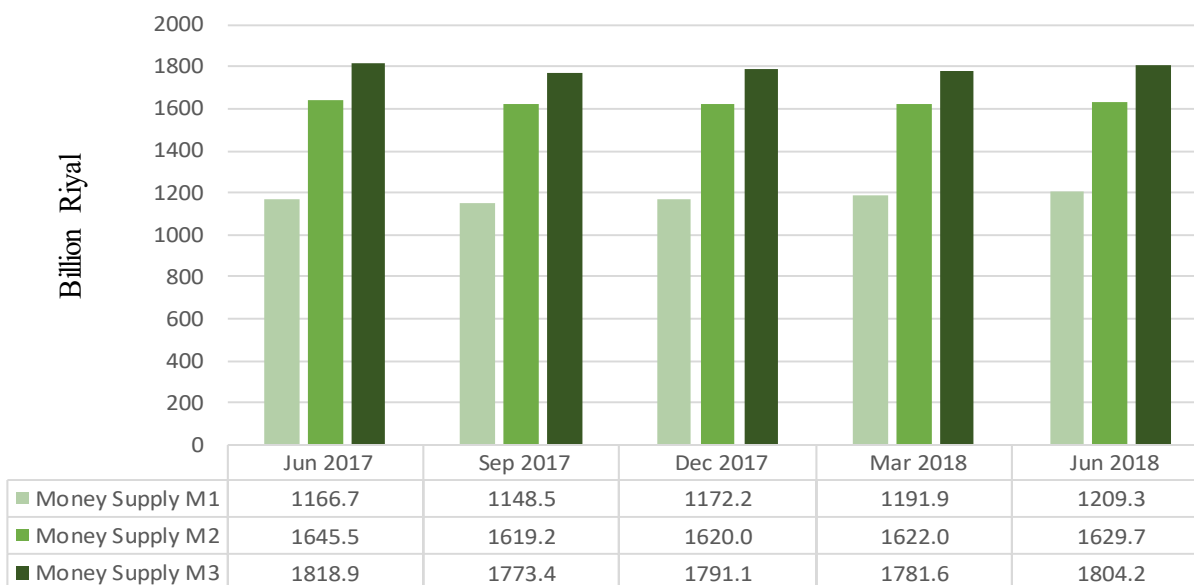
## **Second: Monetary Developments**

### **2.1 Money Supply**

Broad money supply (M3) increased by 1.3 percent (SAR 22.5 billion) to SAR 1,804.1 billion in Q2 2018, compared to a q/q decrease of 0.5 percent (SAR 9.5 billion) and a y/y decrease of 0.8 percent (SAR 14.7 billion) (Chart 1).

A breakdown of the components of M3 in Q2 2018 indicates that narrow money supply (M1) rose by 1.5 percent (SAR 17.4 billion) to SAR 1,209.3 billion or 67.0 percent of M3, compared to a rise of 1.7 percent (SAR 19.7 billion) in the preceding quarter, recording a y/

Chart 1: Money Supply



y rise of 3.7 percent (SAR 42.6 billion). On the other hand, money supply (M2) registered a slight rise of 0.5 percent (SAR 7.7 billion) to SAR 1,630 billion or 90,3 percent of M3 in Q2 2018, compared to an increase of 0.1 percent (SAR 2.0 billion) in the preceding quarter. It recorded a y/y decline of 1.0 percent (SAR 15.8 billion).

## **2.2 Monetary Base**

The monetary base went up by 4.7 percent (SAR 14.7 billion) to SAR 326.6 billion in Q2 2018 compared to a rise of 3.3 percent (SAR 10.0 billion) in the previous quarter. It registered a y/y increase of 1.2 percent (SAR 4.0 billion). A breakdown of the components of the monetary base indicates that deposits with SAMA rose by 1.3 percent (SAR 1.3 billion) to SAR 100.7 billion in Q2 2018 compared to an increase of 0.8 percent (SAR 0.8 billion) in the preceding quarter, recording a y/y rise of 1.4 percent (SAR 1.4 billion). Cash in vault increased by 13.8 percent (SAR 4.4 billion) to SAR 36.0 billion, compared to a rise of 1.2 percent (SAR 0.4 billion) in the preceding quarter. It recorded a y/y decrease of 7.8 percent (SAR 3.0 billion). Currency in circulation went up by 5.0 percent (SAR 9.0 billion) to SAR 189.9 billion, compared to a rise of 5.1 percent (SAR 8.8 billion) in the preceding quarter, recording a y/y decline of 3.0 percent (SAR 5.6 billion).

## **Third: Developments of SAMA's Balance Sheet**

Preliminary data of SAMA's balance sheet indicates that total foreign assets rose by 2.7 percent (SAR 49.9 billion) to SAR 1,889.4 billion in Q2 2018, compared to a q/q decrease of 0.7 percent (SAR 12.3 billion). They registered a y/y rise of 0.9 percent (SAR 16.7 billion). Total net foreign assets went up by 2.7 percent (SAR 49.9 billion) to SAR 1,871.0 billion in Q2 2018, compared to a decrease of 0.7 percent (SAR 12.4 billion) in the preceding

quarter. They registered a y/y increase of 0.9 percent (SAR 16.6 billion) (Chart 2).

Total deposits in domestic currency for foreign entities decreased by 0.1 percent (SAR 16.9 million) to SAR 18.5 billion in Q2 2018, compared to a rise of 0.3 percent (SAR 50.1 million) in the preceding quarter. They recorded a y/y increase of 0.3 percent (SAR 53.1 million).

## **3.1 Reserve Assets**

SAMA's total reserve assets increased by 2.6 percent (SAR 48.8 billion) to SAR 1,899.0 billion in Q2 2018, compared to a decrease of 0.6 percent (SAR 11.4 billion) in the preceding quarter. They recorded a y/y rise of 0.9 percent (SAR 16.7 billion) (Chart 3). A breakdown of the components of total reserve assets in Q2 2018 as compared to the preceding quarter indicates that the item of foreign exchange and deposits abroad increased by 9.1 percent (SAR 54.9 billion) to SAR 660.5 billion while gold reserve was stable at SAR 1,624 million. In addition, the reserve position with the IMF declined by 4.3 percent (SAR 247 million) to SAR 5.5 billion; SDR fell by 3.3 percent (SAR 1.0 billion) to SAR 29.8 billion; and investments in securities abroad decreased by 0.4 percent (SAR 4.9 billion) to SAR 1,201.6 billion.

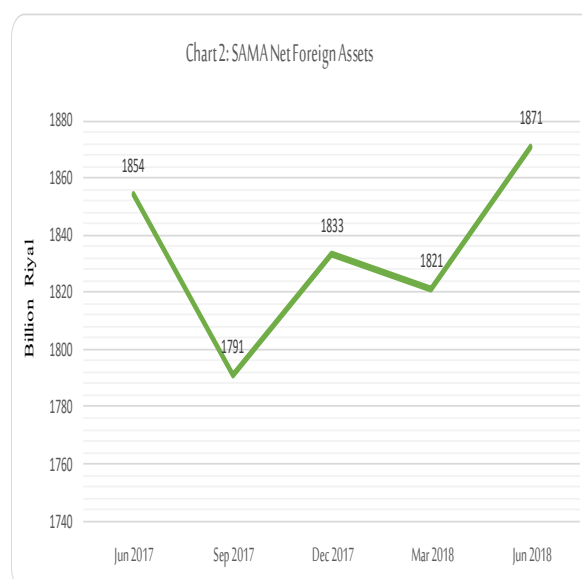
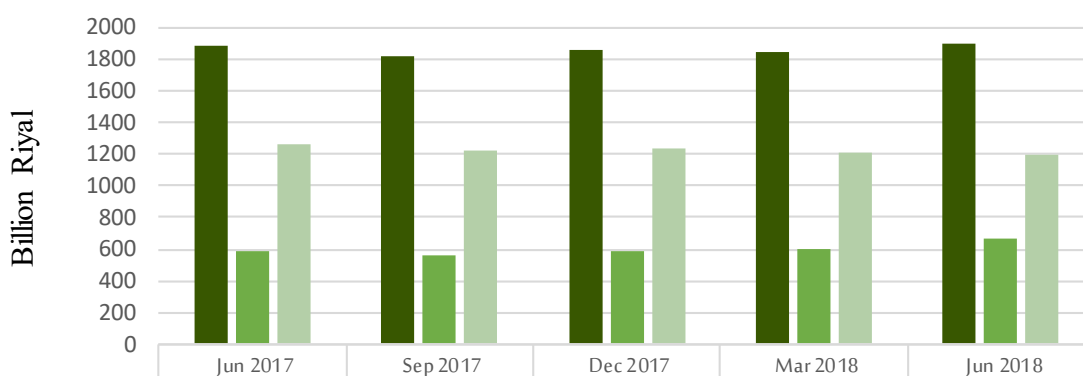


Chart 3: Reserve Assets



■ Total Assets	1882.3	1819.6	1861.6	1850.2	1899.0
■ Foreign Currency and Deposits	582.2	556.0	585.2	605.6	660.5
■ Investment in Securities Abroad	1262.5	1225.8	1239.7	1206.5	1201.6

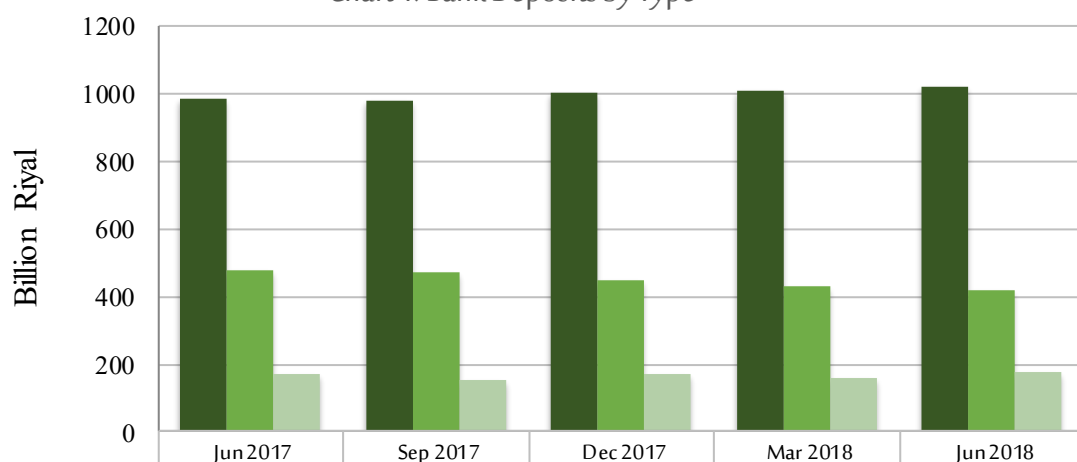
#### Fourth: Banking Developments

##### 4.1 Bank Deposits

Total bank deposits increased by 0.8 percent (SAR 13.5 billion) to SAR 1,614.3 billion in Q2 2018, compared to a decline of 1.1 percent (SAR 18.3 billion) in the preceding quarter. They recorded a y/y decline of 1.2 percent (SAR 20.3 billion). A breakdown of deposits by type in Q2 2018 indicates that demand deposits rose by 0.8 percent (SAR 8.4 billion) to SAR 1,019.4 billion, compared to a 1.1 percent (SAR 10.9 billion) rise in the preceding quarter, registering a y/y increase

of 3.8 percent (SAR 37.1 billion). Time and savings deposits declined by 2.3 percent (SAR 9.8 billion) to SAR 420.4 billion, compared to a 4.0 percent (SAR 17.7 billion) decrease in the preceding quarter. They registered a y/y fall of 12.2 percent (SAR 58.5 billion). Other quasi-monetary deposits increased by 9.3 percent (SAR 14.9 billion) to SAR 174.5 billion compared to a decline of 6.7 percent (SAR 11.5 billion) during the preceding quarter, recording a y/y rise of 0.6 percent (SAR 1.1 billion) (Chart 4).

Chart 4: Bank Deposits by Type



■ Demand Deposits	982.4	977.8	1000.1	1011.0	1019.4
■ Time & Savings Deposits	478.8	470.7	447.8	430.1	420.4
■ Other Quasi-Monetary Deposits	173.4	154.2	171.1	159.6	174.5

## **4.2 Assets and Liabilities of Commercial Banks**

Total assets and liabilities of commercial banks reached SAR 2,312.0 billion at end-Q2 2018, increasing by 2.2 percent (SAR 49.6 billion) compared to a q/q decline of 1.9 percent (SAR 43.4 billion). They also registered an annual rise of 0.8 percent (SAR 19.2 billion).

## **4.3 Commercial Banks' Foreign Assets and Liabilities**

Total foreign assets of commercial banks rose by 6.2 percent (SAR 13.2 billion) to SAR 227.1 billion in Q2 2018 compared to a decrease of 11.8 percent (SAR 28.5 billion) during the preceding quarter. They registered a y/y decline of 5.0 percent (SAR 12.0 billion), constituting 9.8 percent of commercial banks' total assets compared to 9.5 percent at the end of the preceding quarter. Commercial banks' total foreign liabilities went up by 29.6 percent (SAR 20.6 billion) to SAR 90.1 billion in Q2 2018 against a decrease of 26.4 percent (SAR 25.0 billion) in the preceding quarter. They registered a y/y increase of 14.8 percent (SAR 11.9 billion), or 3.9 percent of total liabilities of commercial banks against 3.1 percent at the end of the preceding quarter. Commercial banks' net foreign assets went down by 5.1 percent (SAR 7.4 billion) to SAR 136.9 billion at end-Q2 2018 compared to a decrease of 2.4 percent (SAR 3.6

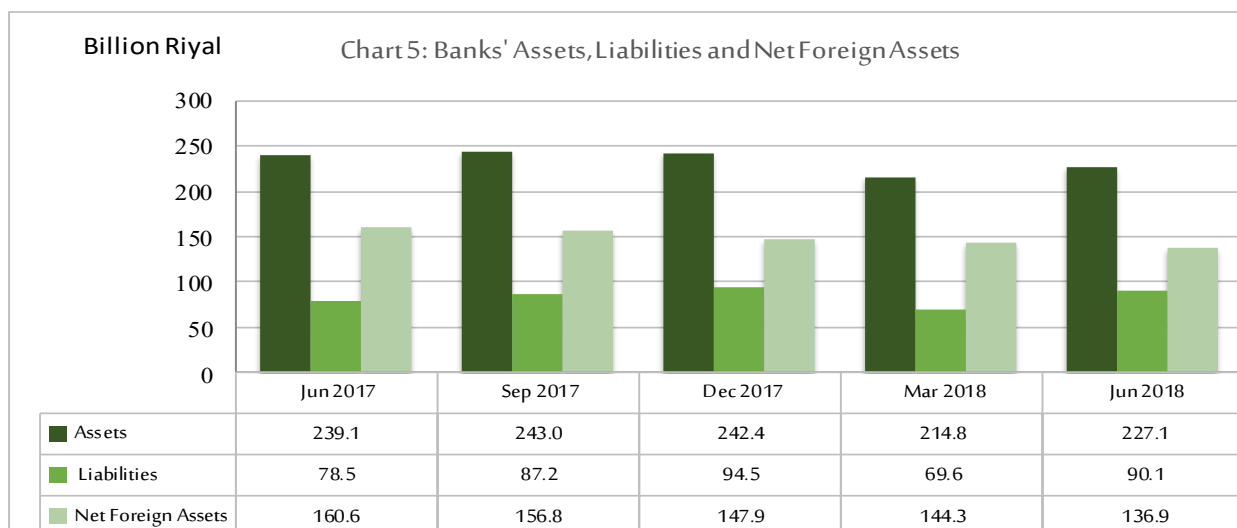
billion) during the preceding quarter. They recorded a y/y decline of 14.7 percent (SAR 23.6 billion) (Chart 5).

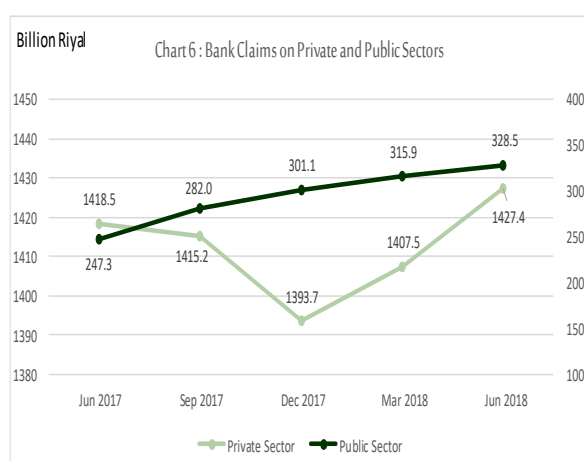
## **4.4 Commercial Banks' Claims on the Private and Public Sectors**

Commercial banks' claims on the private and public (including government and quasi-government) sectors went up by 1.9 percent (SAR 32.4 billion) to SAR 1,755.8 billion in Q2 2018, compared to an increase of 1.7 percent (SAR 28.5 billion) in the preceding quarter, recording an annual rise of 5.4 percent (SAR 89.9 billion). The ratio of these claims to total bank deposits rose to 108.8 percent up from 107.7 percent at the end of the preceding quarter.

### **4.4.1 Commercial Banks' Claims on the Private Sector**

Commercial banks' claims on the private sector increased by 1.4 percent (SAR 19.9 billion) to SAR 1,427.4 billion in Q2 2018, compared to a rise of 1.0 percent (SAR 13.8 billion) in the preceding quarter. The claims on the private sector registered a y/y increase of 0.6 percent (SAR 8.8 billion). The ratio of these claims to total bank deposits went up to 88.4 percent at end-Q2 2018 compared to 87.9 percent at the end of the preceding quarter (Chart 6).





#### **4.4.2 Commercial Banks' Claims on the Public Sector**

Commercial banks' claims on the public sectors increased by 4.0 percent (SAR 12.5 billion) to SAR 328.4 billion in Q2 2018, compared to a rise of 4.9 percent (SAR 14.7 billion) in the preceding quarter. These claims registered a y/y increase of 32.8 percent (SAR 81.1 billion). The ratio of commercial banks' total claims on the public sector to total bank deposits increased to 20.3 percent at end-Q2 2018 from 19.7 percent at the end of the preceding quarter (Chart 6).

A breakdown of bank credit by maturity during Q2 2018 as compared to the previous quarter indicates that long-term credit decreased by 3.2 percent (SAR 13.9 billion) to SAR 416.6 billion, compared to a rise of 0.4 percent (SAR 1.8 billion) in the preceding quarter. Medium-term credit went up by 1.7 percent (SAR 4.4 billion) to SAR 270.6 billion, compared to a rise of 0.2 percent (SAR 0.6 billion) in the preceding quarter. Short-term credit also increased by 4.3 percent (SAR 30.3 billion) to SAR 726.8 billion compared to a rise of 0.6 percent (SAR 4.3 billion) in the preceding quarter (Chart 6).

#### **4.4.3 Commercial Banks' Claims by Economic Activity**

Total extended bank credit by economic activity increased by 1.5 percent (SAR 20.8 billion) to SAR 1,414 billion in Q2 2018,

compared to a rise of 0.5 percent (SAR 6.7 billion) in the preceding quarter, recording a y/y increase of 0.2 percent (SAR 2.5 billion). A breakdown of bank credit extended to economic activities in Q2 2018 indicates increases in bank credit extended to mining and quarrying sector by 40.8 percent (SAR 6.2 billion); to transport and telecommunications sector by 9.5 percent (SAR 4.5 billion); to manufacturing and production sector by 7.8 percent (SAR 12.2 billion); to agriculture and fishing sector by 6.7 percent (SAR 0.9 billion); to finance sector by 5.1 percent (SAR 1.8 billion); to services sector by 1.9 percent (SAR 1.3 billion); to building and construction sector by 5.0 percent (SAR 4.7 billion); to government and quasi-government sector by 4.6 percent (SAR 2.0 billion); and to other sectors by 3.0 percent (SAR 16.5 billion); and water, electricity, gas and health services sector by 0.2 percent (SAR 0.1 billion). On the other hand, bank credit extended to commerce sector decreased by 9.4 percent (SAR 29.5 billion).

#### **4.5 Reserves, Capital, Profits and Branches of Commercial Banks**

Capital and reserves of commercial banks decreased by 2.0 percent (SAR 6.7 billion) to SAR 332.9 billion in Q2 2018, compared to an increase of 6.9 percent (SAR 22 billion) in the preceding quarter, recording a y/y rise of 2.7 percent (SAR 8.7 billion). Their ratio to total bank deposits went down to 20.6 percent at end-Q2 2018 from 21.2 percent in the preceding quarter. Commercial banks' profits stood at SAR 11.9 billion in Q2 2018 compared to SAR 12.2 billion in the preceding quarter, recording a decline of 2.4 percent (SAR 0.3 billion) compared to a q/q increase of 18.2 percent (SAR 1.9 billion).

At end-Q2 2018, the number of commercial banks' branches operating in Saudi Arabia increased to 2,078 with two more branches over the preceding quarter, registering a y/y increase of 1.7 percent (34 branches).

#### **4.6 Commercial Banks' Purchases and Sales of Foreign Exchange**

##### **4.6.1 Commercial Banks' Purchases of Foreign Exchange**

Commercial banks' total purchases of foreign exchange went down by 3.5 percent (SAR 25.9 billion) to SAR 716.1 billion in Q2 2018, compared to a q/q rise of 0.7 percent (SAR 5.4 billion), recording a y/y increase of 2.5 percent (SAR 17.5 billion). A q/q comparison of banks' total purchases of foreign exchange shows that purchases from domestic banks increased by 11.8 percent (SAR 12.5 billion), from foreign banks by 10.2 percent (SAR 33.3 billion), from other sources by 70.7 percent (SAR 44.2 billion), from SAMA by 19.1 percent (SAR 26.7 billion) and from customers by 0.8 percent (SAR 0.9 billion) (Chart 7).

##### **4.6.2 Commercial Banks' Sales of Foreign Exchange**

Commercial banks' total sales of foreign exchange went up by 0.9 percent (SAR 6.0 billion) to SAR 651.3 billion in Q2 2018, compared to a q/q decrease of 8.9 percent (SAR 63.0 billion), recording a y/y decline of 3.6 percent (SAR 24.3 billion). A q/q comparison of banks' total sales of foreign exchange indicates that sales to government entities rose by 70.9 percent (SAR 7.2 billion), to ministries and

municipalities by 46.1 percent (SAR 69.8 million), to banks inside Saudi Arabia by 29.0 percent (SAR 18.8 billion), and to other customers in Saudi Arabia by 1.7 percent (SAR 3.8 billion). In contrast, sales to SAMA decreased by 56.6 percent (SAR 1.7 billion), to banks outside Saudi Arabia by 7.7 percent (SAR 19.7 billion) and other purposes (personal transfers, and Saudis traveling abroad) by 2.7 percent (SAR 2.5 billion), while no sales to money changers were recorded in Q1 (Chart 7).

#### **Fifth: External Sector** **Foreign Trade**

Total exports value went up by 17.5 percent (SAR 243.7 billion) during Q1 2018 as compared to SAR 207.4 billion in the corresponding quarter of the previous year. Total value of oil exports rose by 15.9 percent to SAR 187.5 billion and other exports (including re-exports) by 23.5 percent to SAR 56.2 billion. Value of imports (CIF) recorded a y/y decrease of 1.8 percent to SAR 123.4 billion in Q1 2018.

#### **Balance of Payments**

##### **5.1 Current Account:**

Preliminary estimates indicate a surplus of SAR 35.1 billion in the current account

Chart 7: Banks' Foreign Currency Purchases and Sales



balance in Q1 2018 compared to a surplus of SAR 17.8 billion in Q1 2017. This is attributed to a surplus of SAR 65.7 billion in the balance of goods and services against a y/y surplus of SAR 46.4 billion. The balance of goods recorded a surplus of SAR 130.6 billion due to a rise in exported goods by 17.9 percent to SAR 243.7 billion compared to SAR 206.7 billion in the corresponding quarter of the previous year and due to a decrease in imported goods (FOB) by 1.7 percent to SAR 113.2 billion compared to SAR 115.1 billion in the corresponding quarter of the preceding year, despite the rise in services deficit from SAR 45.3 billion in Q1 2017 to SAR 64.9 billion in Q1 2018. The surplus of the balance of primary income fell to 6.1 against SAR 10.5 billion in the corresponding quarter of previous year. The deficit in the secondary income balance fell by 7.4 percent to SAR 36.6 billion compared to SAR 39.1 billion in the corresponding quarter of the previous year.

### **5.2: Capital Account**

Capital account registered outflows of SAR 0.52 billion in Q1 2018 against SAR 0.53 billion in the corresponding quarter of the previous year.

### **5.3: Financial Account**

Net direct investments increased by SAR 12.3 billion in Q1 2018 due to net acquisition of financial assets abroad (SAR 15.4 billion) being higher than domestic net incurrence of liabilities (SAR 3.1 billion). Net portfolio investments recorded an increase of SAR 10.7 billion against a y/y increase of SAR 19.1 billion. Net other investments rose by SAR 24.6 billion against a y/y increase of SAR 91.1 billion. Net reserve assets dropped by SAR 11.4 billion in Q1 2018 against a y/y decline of SAR 101.8 billion where other reserve assets fell by 12.9 billion (due to a decline in the item of investments in securities by SAR 33.2 billion) against a y/y decline of SAR 101.9 billion (due to a decline in currency and deposits item by SAR 46.7 billion and a decline

in investments in securities by SAR 55.3 billion).

## **Sixth: Banking Technology Developments and Financial Inclusion:**

### **6.1 Saudi Riyal Inter-bank Express System (SARIE)**

In Q2 2018, total value of the Saudi Riyal Inter-bank Express System (SARIE) transactions went down by 30.5 percent (SAR 4,948.9 billion) to SAR 11,277.4 billion. The value of single-payment transactions totaled SAR 10,584 billion, whereas the total value of bulk-payment transactions amounted to SAR 688.3 billion. Total customer payments reached SAR 1,679.5 billion registering a q/q rise of 6.9 percent. The total value of inter-bank payments stood at SAR 9,593.1 billion with a q/q decline of 34.5 percent.

### **6.2 Mada**

Total number of ATM transactions in Q2 2018 was approximately 531.4 million, with cash withdrawals totaling SAR 193.3 billion, including transactions through banks' network and Mada. Total point of sale (POS) terminal transactions were 248.6 million with sales totaling SAR 61.8 billion in Q2 2018. Moreover, the number of ATMs totaled 18.5 thousand and the number of ATM cards issued by domestic banks stood at 28.4 million, while the number of POS terminals reached 324.3 thousand at end-Q2 2018.

### **6.3 Clearing**

As for statistics on clearing in Q2 2018, the number of bank checks (outgoing and incoming) cleared at the clearing houses totaled 932 with a total value of SAR 96.6 billion. The number of individual and corporate checks totaled 832 thousand with a total value of SAR 70.2 billion, and the number of interbank checks totaled 101 thousand with a total value of SAR 25.9 billion.

### **Seventh: Domestic Stock Market Developments**

The Tadawul All Share Index (TASI) rose by 5.6 percent to 8314.2 at end-Q2 2018 compared to an increase of 8.9 percent in the preceding quarter, recording a y/y increase of 12.0 percent. The number of traded shares decreased by 5.3 percent to 10.5 billion in Q2 2018 compared to a q/q decrease of 8.4 percent, recording a y/y decline of 0.5 percent. Total value of shares traded in Q2 2018 went up by 0.4 percent to SAR 238.3 billion compared to a q/q increase of 3.5 percent, registering a y/y rise of 29 percent.

At end-Q2 2018, the market capitalization rose by 6.0 percent to SAR 1,982 billion against an increase of 10.7 percent at the end of the preceding quarter. The market capitalization registered a y/y increase of 12.4 percent. Total number of transactions in Q2 2018 decreased by 1.2 percent to 6.2 million compared to a q/q rise of 3.7 percent, recording a y/y increase of 46.2 percent (Chart 8).

### **Eighth: Investment Funds**

Total assets of investment funds managed by investment companies fell by 0.9 percent (SAR 1.0 billion) to SAR 119.1 billion in Q2 2018 compared to a rise of 8.9 percent (SAR 9.9 billion) in the preceding quarter, recording a y/y increase of 7.8 percent (SAR 8.6 billion).

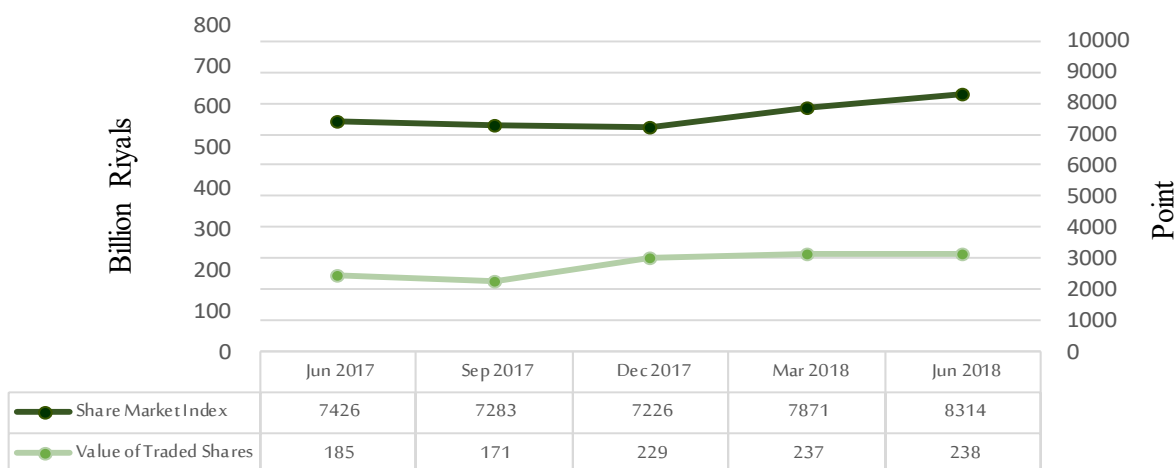
A breakdown of total assets of investment funds shows that domestic assets went up by 9.4 percent (SAR 8.9 billion) to SAR 103.8 billion in Q2 2018 compared to a rise of 4.2 percent (SAR 3.8 billion) in the previous quarter. In addition, domestic assets registered a y/y increase of 20.6 percent (SAR 17.7 billion). Foreign assets went down by 39.5 percent (SAR 9.9 billion) to SAR 15.2 billion in Q2 2018 against a rise of 31.7 percent (SAR 6.0 billion) in the preceding quarter, registering a y/y decline of 37.4 percent (SAR 9.1 billion).

The number of subscribers to investment funds rose by 5.6 percent (16.4 thousand subscribers) to 311.2 thousand in Q2 2018, compared to a rise of 23.6 percent (56.3 thousand subscribers) in the preceding quarter. The number of subscribers recorded a y/y increase of 35.6 percent (81.7 thousand subscribers). As for the number of operating funds, it increased by two over the preceding quarter, reaching a total of 264.

### **Ninth: Specialized Credit Institutions (SCIs)**

According to the latest available data on SCIs, the SCIs' total outstanding loans went down by 1.3 percent (SAR 3.1 billion) to SAR 233.9 billion in Q1 2018, compared to a decrease of 0.1 percent (SAR 0.3 billion) in the

Chart 8: Share Market Index



Source: Tadawul and Capital Market Authority.

preceding quarter. They registered a y/y decline of 2.4 percent (SAR 5.8 billion). Total actual disbursements of loans fell by 68.9 percent (SAR 4.5 billion) in Q1 2018, compared to an increase of 127.3 percent (SAR 3.6 billion) in the preceding quarter, recording a y/y decline of 58 percent (SAR 2.8 billion). Total loan repayments to SCIs went down by 37.4 percent (SAR 2.6 billion) in Q1 2018 compared to a rise of 47.2 percent (SAR 2.2 million) in the preceding quarter, registering a y/y decrease of 10.2 percent (SAR 492 million). SCIs net credit recorded a deficit of SAR 2.3 billion, rising by 441.4 percent at end-Q2 2018 compared to the preceding quarter.

A breakdown of loans extended by SCIs in Q1 2018 indicates that the loans extended by the Real Estate Development Fund (SIDF) increased by 16.2 percent (SAR 140.4 million) compared to an increase of 25.6 percent (SAR 176.7 million) in the preceding quarter. On the other hand, loans extended by the Saudi Industrial Development Fund decreased by 92.4 percent (SAR 4.5 billion) compared to a q/q rise of 453.5 percent (SAR 58.24 billion). Loans extended by the Agricultural Development Fund (ADF) also decreased by 19.3 percent (SAR 17.4 million) compared to a q/q decrease of 30.2 percent (SAR 39 million). Loans extended by Social Development Bank also decreased by 18.4 percent (SAR 128 million) compared to a q/q decrease of 39.9 percent (SAR 0.5 billion).

As for credit repayments in Q1 2018, the volume of repayments to the SIDF dropped by 86.6 percent (SAR 1.5 billion) against a rise of 129.6 percent (SAR 1 billion) in the preceding quarter; and repayments to the SDB declined by 27.5 percent (SAR 920 million) compared to a rise of 43.4 percent (SAR 1 billion) in the preceding quarter. Moreover, the volume of repayments to the ADF fell by 23.8 percent (SAR 46.8 million) against an increase of 68.3 percent (SAR 79.6 million) in the preceding quarter, and repayments to the REDF fell by 4.21 percent

(SAR 66.3 million) compared to a increase of 7.8 percent (SAR 0.1 billion) in the preceding quarter.

#### **Tenth: Supervisory and Legislative Banking Developments during Q2 2018**

- SAMA issued a circular to banks, finance companies and money changers instructing them to accept the third issue of national Ids (third generation) and stressed that previous issue Ids are valid to use until expiration date.
- SAMA Updated some procedures related to the work of money changers.
- SAMA issued the 2018 list of Domestic Systemically Important Banks (D-SIB) selected based on size, connectivity, complexity and substitutability. The list includes the following banks; the National Commercial Bank (NCB), Samba Financial Group, Riyad Bank, Saudi British Bank (SABB) and Al Rajhi Bank.
- SAMA issued updated instructions on net stable funding ratio (NSFR) to be in line with international best practices.
- SAMA issued updated instructions on large exposures to conform to international best practices.
- SAMA has issued the Responsible Lending Principles for Retail Consumers to ensure the soundness of finance sector, fairness of dealings and consumer protection. SAMA has instructed all banks and finance companies to immediately take necessary actions to ensure full compliance with these principles.
- To help consumers make the right decision when applying for a real estate finance and to protect the rights of all parties involved, SAMA has issued mandatory instructions to all banks and finance companies when offering a real estate finance products for individuals.

**Eleventh: Prominent Regulatory Developments  
in the Saudi Economy During Q2 2018**

- Approval of a memorandum of understanding to establish a joint Arab electricity market.
- Approval of the accession of Saudi Arabia to the Customs Convention on the International Transport of Goods.
- Approval of the extension of the Affordable Mortgage Scheme for two years.
- Approval of the Law of Commercial Lien.
- Approval of the Fees for services provided by

the General Authority of Meteorology & Environmental Protection.

- Approval of the Agreement between the Government of the Hong Kong Special Administrative Region of the People's Republic of China and the Government of the Kingdom of Saudi Arabia for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income and the accompanying Protocol.



مُؤَسَّسَةُ النِّقْدِ الْعَرَبِيِّ السَّعُودِيِّ  
Saudi Arabian Monetary Authority

