



مؤسسة النقد العربي السعودي  
Saudi Arabian Monetary Authority

# Monetary and Banking Developments



**Second Quarter, 2017**

**Research and International Affairs Deputyship  
Economic Research Department**



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## Executive Summary

The repo rate remained unchanged at 2.0 percent, while the reverse repo rate was raised to 1.25 percent up from 1.00 percent during Q2 2017. Maintaining the cash reserve ratio at 7.0 percent for demand deposits and 4.0 percent for time and savings deposits. SAMA maintained the reduced limit of weekly subscription to treasury bills for domestic banks at SAR 3 billion down from SAR 9 billion. The three-month Saudi interbank offered rate (SIBOR) declined to 1.782 percent in Q2 2017.

Broad money supply (M3) rose by 1.3 percent, whereas the monetary base increased by 0.7 percent to SAR 304.8 billion in Q2 2017. Preliminary data of SAMA's balance sheet indicates that total foreign assets fell by 1.6 percent to SAR 1,868.2 billion in Q2 2017. SAMA's total reserve assets also decreased by 1.6 percent to SAR 1,877.7 billion.

Total bank deposits increased by 1.6 percent to SAR 1,635 billion in Q2 2017. Total assets and liabilities of commercial banks amounted to SAR 2,292.9 billion at end-Q2 2017, increasing by 1.1 percent. Commercial banks' claims on the private and public sectors went up by 1.6 percent to SAR 1,665.8 billion in Q2 2017.

Preliminary estimates indicate a surplus of SAR 23.4 billion in the current account balance in Q1 2017 compared to a deficit of SAR 76.2 billion in the corresponding quarter of the previous year.

Total value of the Saudi Riyal Inter-bank Express System (SARIE) transactions in Q2 2017 went down by 12.7 percent to SAR 15,984.8 billion. Total number of ATM transactions in Q2 2017 was approximately 507.6 million, with cash withdrawals totaling SAR 190 billion, including transactions

through banks' network and Mada.

The general share price index went up by 6.1 percent to 7,425.7 points at end-Q2 2017. The market capitalization of shares rose by 7.7 percent to SAR 1,764 billion at end-Q2 2017 as compared to the end of the preceding quarter.

Total assets of investment funds managed by investment companies went up by 19.0 percent to SAR 104.5 billion in Q1 2017. According to latest available data, total actual disbursements of loans from government Specialized Credit Institutions (SCIs) increased by 28.1 percent, and total loan repayments to SCIs also increased by 72.1 percent in Q4 2016.


### **First. Monetary Policy**

SAMA has been adopting a monetary policy aimed at achieving price stability, supporting various economic sectors in line with domestic and international economic developments, and assisting domestic banks to perform their financing role in the domestic economy. During the second quarter of 2017, SAMA made some amendments to the instruments of monetary policy.

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

In Q2 2017, SAMA changed the reverse repo rate from 1.00 percent to 1.25 percent, while maintaining the repo rate at 2.0 percent.

SAMA's daily average repo transactions stood at SAR 44 million in Q2 2017 against SAR 17 million in Q1 2017, while daily average reverse repo transactions amounted to SAR 97 billion in Q2 2017 compared to SAR 111 billion in Q1 2017.



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The cash reserve ratio was maintained at 7.0 percent for demand deposits and 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 treasury bills for domestic banks at SAR 3 billion in Q2 2017. The three-month Saudi interbank offered rate (SIBOR) declined to 1.7410 percent in Q2 2017. The three-month interest differential between the riyal and the dollar deposits was 48 basis points in favor of the riyal in Q2 2017, compared to 58 basis points in Q1 2017. As for the riyal exchange rate against the dollar, it remained unchanged at its official peg rate of SAR 3.75.

Among the tools that contribute to stabilized liquidity, SAMA has continued to offer 90-day repo maturity, in addition to the current overnight, 7- and 28-day maturities.

As regards foreign exchange swaps, SAMA did not make any swap transaction with domestic banks in Q2 2017.

## **Second. Monetary Developments**

### **2.1. Money Supply**

Broad money supply (M3) increased by 1.3 percent (SAR 22.3 billion) to SAR 1,801 billion in Q2 2017, compared to a decline of 0.5 percent (SAR 8.6 billion) in the preceding quarter. It also recorded an annual rise of 1.5 percent (SAR 27.4 billion) at end-Q2 2017 (Chart 1).

A breakdown of the components of M3 in Q2 2017 indicates that narrow money supply (M1) declined by 1.4 percent (SAR 16.9 billion) to SAR 1,148.8 billion or 63.8

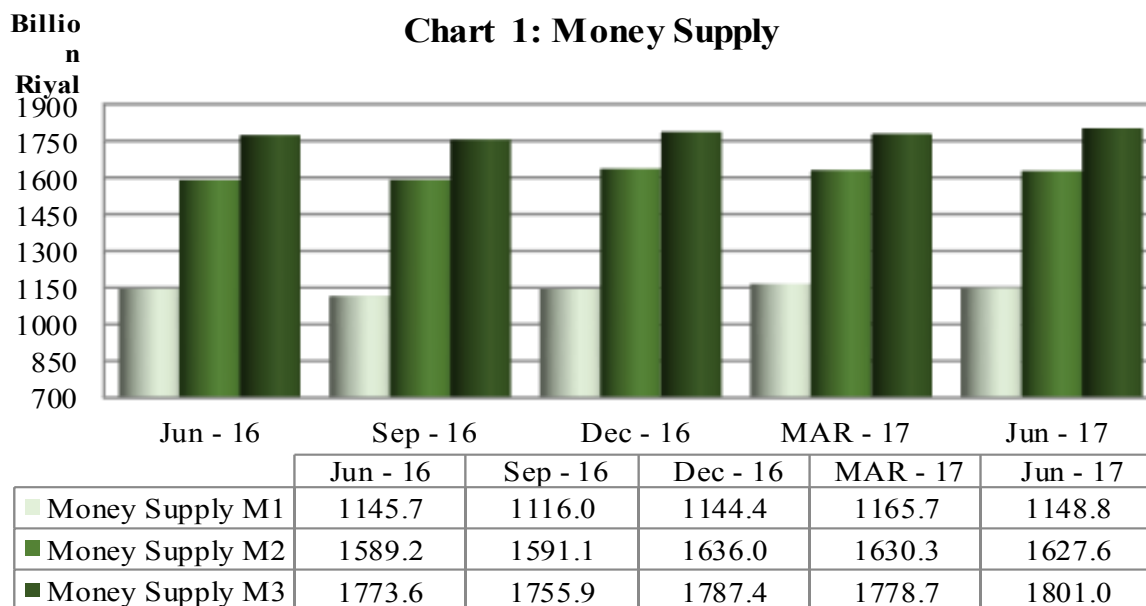
percent of M3, compared to a rise of 1.9 percent (SAR 21.2 billion) in the preceding quarter. It registered an annual rise of 0.3 percent (SAR 3.1 billion) at end-Q2 2017. Money supply (M2) went down by 0.2 percent (SAR 3 billion) to SAR 1,627.6 billion or 90.4 percent of M3 in Q2 2017 against a decrease of 0.3 percent (SAR 6 billion) in the preceding quarter. It registered an annual rise of 2.4 percent (SAR 38.4 billion) at end-Q2 2017.

### **2.2. Monetary Base**

Monetary base rose by 0.7 percent (SAR 2.1 billion) to SAR 304.8 billion in Q2 2017 against an increase of 0.1 percent (SAR 289 billion) in the preceding quarter, registering an annual decline of 5.2 percent (SAR 16.7 billion) at end-Q2 2017.

A breakdown of the components of the monetary base indicates that currency in circulation outside banks decreased by 2.0 percent (SAR 3.4 billion) to SAR 166.4 billion in Q2 2017, compared to a decline of 0.3 percent (SAR 556 million) in the previous quarter, registering an annual decline of 8.5 percent (SAR 15.4 billion) at end-Q2 2017.

Deposits with SAMA decreased by 3.6 percent (SAR 3.7 billion) to SAR 99.3 billion in Q2 2017, compared to an increase of 0.6 percent (SAR 624.2 million) in the preceding quarter. They recorded an annual increase of 2.4 percent (SAR 2.3 billion) at end-Q2 2017. Cash in vault increased by 30.8 percent (SAR 9.2 billion) to SAR 39.1 billion, compared to a rise of 0.7 percent (SAR 221 million) in the preceding quarter, registering an annual decline of 8.5 percent (SAR 3.6 billion) at end-Q2 2017.



### Third. Developments of SAMA's Balance Sheet

Preliminary data of SAMA's balance sheet indicates that total foreign assets fell by 1.6 percent (SAR 30.6 billion) to SAR 1,868.2 billion in Q2 2017, compared to a q/q decline of 5.1 percent (SAR 102 billion). They registered an annual decline of 12.2 percent (SAR 260 billion) at end-Q2 2017. Total net foreign assets fell by 1.6 percent (SAR 30.5 billion) to SAR 1,849.7 billion in Q2 2017, compared to a q/q decline of 5.2 percent (SAR 102 billion). They registered an annual decline of 12.3 percent (SAR 260 billion) at end-Q2 2017 (Chart 2).

Total deposits in domestic currency for foreign entities decreased by 0.5 percent (SAR 100 million) to SAR 18.4 billion in Q2 2017, compared to a q/q rise of 0.3 percent (SAR 58 million), recording an annual decline of 0.3 percent (SAR 47 million) at end-Q2 2017.

### 3.1. Reserve Assets

SAMA's total reserve assets decreased by 1.6 percent (SAR 30 billion) to SAR 1,877.7 billion in Q2 2017, compared to a q/q decrease of 5.1 percent (SAR 101.8 billion). They recorded an annual decline of 12.2 percent (SAR 261 billion) at end-Q2 2017 (Chart 3).

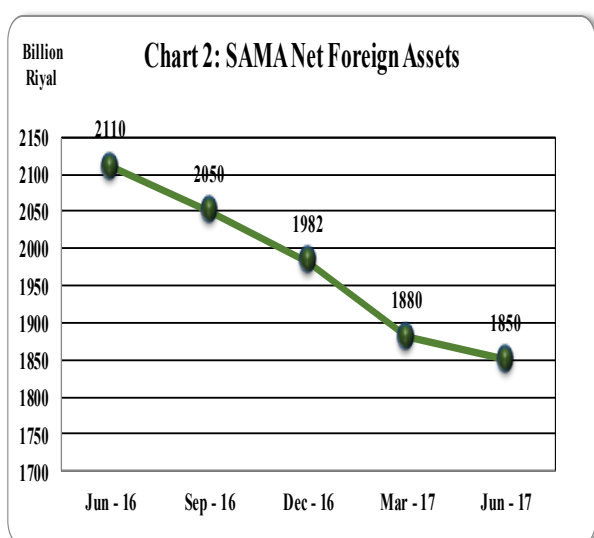
A breakdown of the components of total reserve assets in Q2 2017 as compared to the preceding quarter indicates that the reserve position with the IMF rose by 2.5 percent (SAR 179 million) to SAR 7.4 billion. Investments in securities abroad also went down by 3.5 percent (SAR 45.8 billion) to SAR 1,258 billion. The balance of special drawing rights increased by 2.5 percent (SAR 694 million) to SAR 28.6 billion. Deposits abroad increased by 2.7 percent (SAR 15.1 billion) to SAR 582.2 billion, while gold reserve was stable at SAR 1,624 million. SAMA has not issued, on behalf of the Ministry of Finance, government development bonds or floating rate bonds during Q2 2017.

## Fourth. Banking Developments

### 4.1. Bank Deposits

Total bank deposits increased by 1.6 percent (SAR 25.6 billion) to SAR 1,635 billion in Q2 2017, compared to a fall of 0.5 percent (SAR 8.1 billion) in the preceding quarter. It also recorded an annual rise of 2.7 percent (SAR 42.8 billion) at end-Q2 2017 (Chart 4).

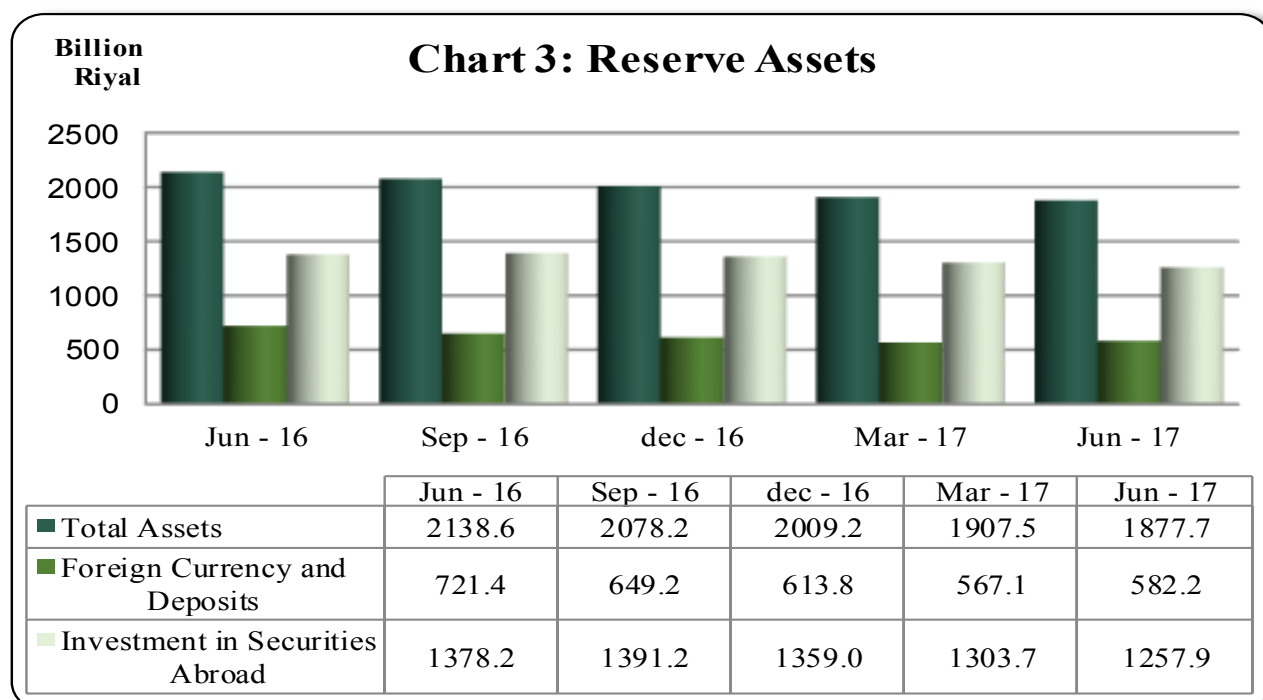
A breakdown of the components of



deposits by type in Q2 2017 indicates that demand deposits went down by 1.4 percent (SAR 13.5 billion) to SAR 982.4 billion compared to a rise of 2.2 percent (SAR 21.8 billion) during the preceding quarter, recording an annual rise of 1.9 percent (SAR 18.5 billion) at end-Q2 2017. Time and savings deposits increased by 3.1 percent (SAR 14.2 billion) to SAR 478.8 billion compared to a decrease of 5.5 percent (SAR 27 billion) in the preceding quarter, registering an annual increase of 8 percent (SAR 35.3 billion). Other quasi-monetary deposits increased by 16.8 percent (SAR 25 billion) to SAR 173.4 billion compared to a decline of 1.9 percent (SAR 2.9 billion) during the preceding quarter, recording an annual decline of 6.0 percent (SAR 11 billion).

### 4.2. Assets and Liabilities of Commercial Banks

Total assets and liabilities of commercial banks reached SAR 2,292.9 billion at end-Q2 2017, increasing by 1.1 percent (SAR 25.4 billion) compared to a



q/q rise of 0.5 percent (SAR 11.1 billion). They also registered an annual rise of 1.6 percent (SAR 35.4 billion) at end-Q2 2017.

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

Total foreign assets of commercial banks rose by 4.0 percent (SAR 9.2 billion) to SAR 239.1 billion in Q2 2017 compared to an increase of 1.8 percent (SAR 4.1 billion) during the preceding quarter. They registered an annual decline of 5.7 percent (SAR 14.4 billion), constituting 10.4 percent of commercial banks' total assets compared to 10.0 percent at the end of the preceding quarter (Chart 5).

Commercial banks' total foreign liabilities went down by 3.6 percent (SAR 2.9 billion) to SAR 78.5 billion in Q2 2017 against a rise of 1.6 percent (SAR 1.3 billion) in the preceding quarter. They registered an annual decrease of 19.2 percent (SAR 18.6 billion), or 3.4 percent of total liabilities of commercial banks against 3.6 percent at the end of the preceding quarter. Commercial banks' net foreign assets went up by 8.1 percent (SAR 12.1 billion) to SAR 160.6 billion at end-Q2 2017 compared to an

increase of 1.9 percent (SAR 2.8 billion) during the preceding quarter.

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

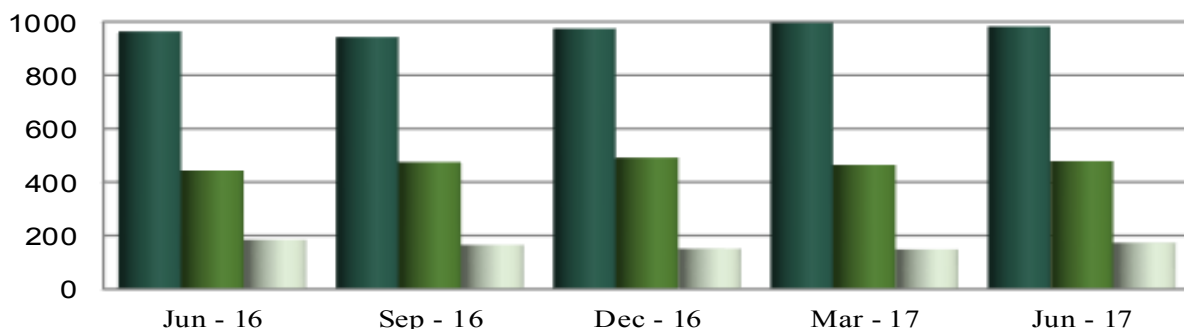
Commercial banks' claims on the private and public (including government and quasi-government) sectors went up by 1.6 percent (SAR 26.5 billion) to SAR 1,665.8 billion in Q2 2017, compared to an increase of 0.4 percent (SAR 6.5 billion) in the preceding quarter, recording an annual rise of 1.4 percent (SAR 22.7 billion) at end-Q2 2017. The ratio of these claims to total bank deposits remained unchanged at 101.9 percent, the same ratio registered during the preceding quarter.

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

Commercial banks' claims on the private sector increased by 0.3 percent (SAR 3.6 billion) to SAR 1,418.5 billion in Q2 2017, compared to a rise of 0.7 percent (SAR 9.5 billion) in the preceding quarter. The claims on the private sector registered an annual decrease of 1.4 percent (SAR 20.2 billion) at end-Q2 2017. The ratio of

Billion Riyal

**Chart 4: Bank Deposits by Type**



	Jun - 16	Sep - 16	Dec - 16	Mar - 17	Jun - 17
■ Demand Deposits	963.9	942.5	974.1	995.9	982.4
■ Time & Savings Deposits	443.5	475.1	491.6	464.6	478.8
■ Other Quasi-Monetary Deposits	184.4	164.9	151.3	148.4	173.4

these claims to total bank deposits declined to 86.8 percent at end-Q2 2017 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 and quasi-public sectors increased by 10.2 percent (SAR 22.9 billion) to SAR 247.3 billion in Q2 2017, compared to a decline of 1.3 percent (SAR 3 billion) in the preceding quarter, registering an annual increase of 21.0 percent (SAR 42.9 billion) at end-Q2 2017. The ratio of commercial banks' total claims on the public and quasi-public sectors to total bank deposits amounted to 15.1 percent at end-Q2 2017 compared to 13.9 percent at the end of the preceding quarter (Chart 6).

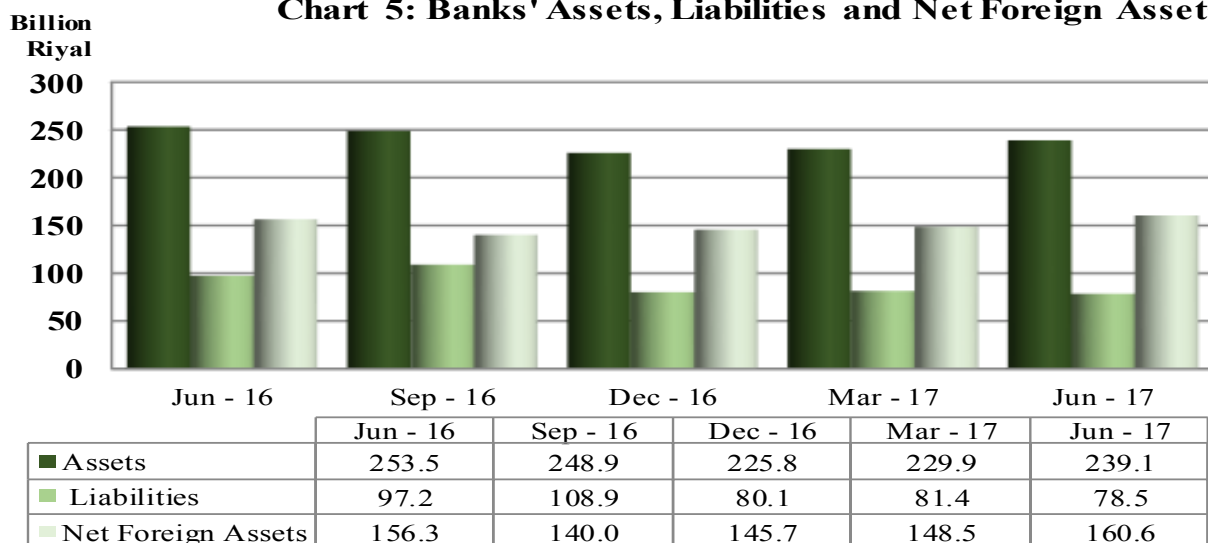
A breakdown of bank credit by maturity during Q2 2017 as compared to the previous quarter indicates that long-term credit increased by 1.2 percent (SAR 5.5 billion) to SAR 447.6 billion, compared to a rise of 2.0 percent (SAR 8.8 billion) in the preceding quarter. Medium-term credit, however, went down by 3.7 percent (SAR

9.8 billion) to SAR 253 billion, compared to a decline of 0.8 percent (SAR 2.1 billion) in the preceding quarter. Short-term credit went up by 1.4 percent (SAR 9.5 billion) to SAR 711 billion compared to a decrease of 0.1 percent (SAR 0.8 billion) in the preceding quarter.

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

The total extended bank credit by economic activity increased by 0.37 percent (SAR 5.2 billion) to SAR 1,411.5 billion in Q2 2017 compared to a rise of 0.42 percent (SAR 5.9 billion) in the preceding quarter, recording an annual decrease of 1.7 percent (SAR 24.3 billion) at end-Q2 2017. A breakdown of bank credit extended to economic activities in Q2 2017 indicates increases in bank credit extended to agriculture and fishing by 6.4 percent (SAR 0.8 billion); to finance by 5.3 percent (SAR 1.6 billion); to government and quasi-government sector by 2.5 percent (SAR 1.2 billion); to commerce by 2.2 percent (SAR 6.6 billion); to transport and telecommunication by 1.3 percent (SAR 0.6 billion); and to building and

**Chart 5: Banks' Assets, Liabilities and Net Foreign Assets**

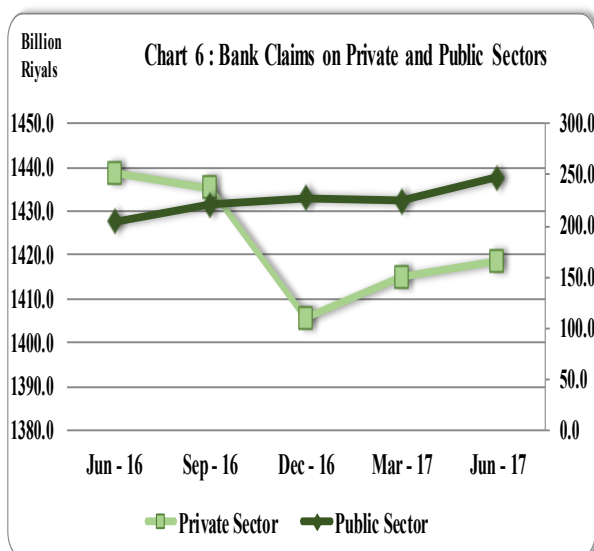




construction by 1.0 percent (SAR 1.1 billion). On the other hand, bank credit extended to manufacturing and production declined by 2.5 percent (SAR 4.4 billion); to water, electricity, gas and health services by 1.4 percent (SAR 0.6 billion); to services by 0.4 percent (SAR 0.3 billion); to mining and quarrying by 0.4 percent (SAR 66 million); and to other sectors by 0.2 percent (SAR 1.3 billion).

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

Capital and reserves of commercial banks decreased by 2.6 percent (SAR 8.5 billion) to SAR 324.2 billion in Q2 2017, compared to an increase of 11.3 percent (SAR 33.8 billion) in the preceding quarter. Their ratio to total bank deposits stood at 19.8 percent at end-Q2 2017 compared to 20.7 percent at the end of the preceding quarter. The annual growth rate of commercial banks' capital and reserves went up by 6.7 percent (SAR 20.5 billion) in Q2 2017. Commercial banks' profits reached SAR 11 billion in Q2 2017 compared to SAR 11.3 billion in the preceding quarter, denoting a decline of 2.5 percent (SAR 286 million) against a y/y decrease of 4.1 percent (SAR 472 billion).



At the end of the second quarter of 2017, the number of commercial banks' branches operating in Saudi Arabia stood at 2,044, just the same for the preceding quarter. They registered a y/y annual increase of 1.9 percent (39 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 15.1 percent (SAR 124.5 billion) to SAR 698.6 billion in Q2 2017, compared to a q/q decline of 2.5 percent (SAR 21.5 billion), recording a y/y annual fall of 16.9 percent (SAR 141.9 billion). A q/q comparison of banks' total purchases of foreign exchange shows that purchases from domestic banks decreased by 33.1 percent (SAR 53.3 billion); from other sources by 24.5 percent (SAR 13.4 billion); from customers by 16.9 percent (SAR 18.3 billion); and from foreign banks by 12.3 percent (SAR 42.2 billion) while purchases from SAMA rose by 1.7 percent (SAR 2.7 billion) (Chart 7).

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

Commercial banks' total sales of foreign exchange went down by 12.1 percent (SAR 93.1 billion) to SAR 675.6 billion in Q2 2017, compared to a q/q decrease of 1.9 percent (SAR 15 billion), recording a y/y annual decline of 4.5 percent (SAR 32 billion). A q/q comparison of banks' total sales of foreign exchange indicates that sales to government entities increased by 103.4 percent (SAR 7.3 billion) and to other purposes by 6.5 percent (SAR 5.6 billion). In contrast, their sales to ministries and municipalities decreased by 76.6 percent



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(SAR 0.1 billion); to money changers by 52.3 percent (SAR 1 billion); to banks inside Saudi Arabia by 37.3 percent (SAR 42.7 billion); to SAMA by 27.7 percent (SAR 0.2 billion); to banks abroad by 12.9 percent (SAR 42.3 billion); and to other customers inside Saudi Arabia by 8.6 percent (SAR 19.6 billion) (Chart 7).

## **Fifth. External Sector**

### **Foreign Trade**

Value of imports (CIF) recorded a y/y decrease of 17.2 percent to SAR 118.6 billion in Q1 2017, registering a decrease of 5.6 percent compared to Q4 2016.

### **Balance of Payments**

#### **5.1. Current Account**

Preliminary estimates indicate a surplus of SAR 23.4 billion in the current account balance in Q1 2017 compared to a deficit of SAR 76.2 billion in the corresponding quarter of the previous year. This is attributed to a surplus of SAR 47.6 billion in the balance of goods and services against a y/y deficit of SAR 42.5 billion due to the rise in exported goods by 46.3 percent to SAR 205.1 billion compared to SAR 140.2 billion in the corresponding quarter of the previous year; the drop in imported goods by 14.8 percent to SAR 111.3 billion compared to SAR 130.5 billion in the corresponding quarter of the preceding year; and the decline of services deficit by 11.4 percent during the same period. The surplus of the balance of primary income increased by 48.3 percent to SAR 12.8 billion compared to the corresponding quarter of the previous year. The deficit in the secondary income balance, however, fell by 12.6 percent to SAR 37.0 billion compared to the corresponding quarter of the previous year.

#### **5.2. Capital Account**

Capital account registered outflows of SAR 527 million in Q1 2017 against SAR 852 million in the corresponding quarter of the previous year.

#### **5.3. Financial Account**

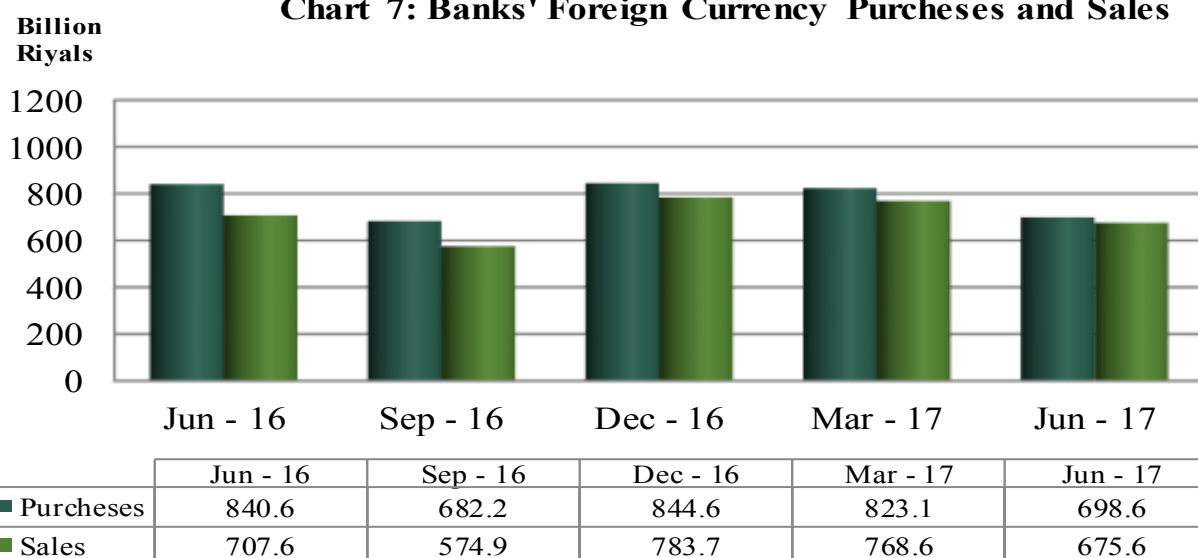
Net direct investments decreased by SAR 5.5 billion in Q1 2017 due to an increase in domestic net incurrence of liabilities by SAR 6.5 billion over the increase of net acquisition of financial assets abroad estimated at SAR 1 billion. Net portfolio investments rose by SAR 4.3 billion against a decrease of SAR 1.7 billion y/y. Net other investments rose by SAR 70.2 billion against an increase of SAR 10.9 billion y/y. Net reserve assets decreased by SAR 101.8 billion in Q1 2017 against a y/y decrease of SAR 110.0 billion, owing to a decrease in other reserve assets by SAR 101.9 billion due to the decline in the item of investment in securities by SAR 55.3 billion and in currencies and deposits item by SAR 46.7 billion.

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

### **6.1. 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 Q2 2017 went down by 12.7 percent (SAR 2,325.3 billion) to SAR 15,984.8 billion. The value of single payment transactions totaled SAR 15,443.7 billion, whereas the total value of bulk payment transactions amounted to SAR 517.8 billion. Total customer payments reached SAR 1,442.7 billion with a q/q rise of 6.1

**Chart 7: Banks' Foreign Currency Purchases and Sales**



percent. The total value of inter-bank payments stood at SAR 14,518.7 billion with a q/q decrease of 14.3 percent.

### **6.2. Mada**

Total number of ATM transactions in Q2 2017 was approximately 507.6 million with cash withdrawals totaling SAR 190 billion, including transactions through banks' network and Mada. Total point of sale (POS) terminal transactions were 177.4 million with sales totaling SAR 53.4 billion in Q2 2017. The number of ATMs totaled 18.2 thousand and the number of ATM cards issued by domestic banks stood at 27.2 million at end-Q2 2017. The number of POS terminals reached 299.4 thousand at end-Q2 2017.

### **6.3. Clearing**


As for statistics on clearing in Q2 2017, the number of bank checks (outgoing and incoming) cleared at the clearing houses totaled 1.2 million with a total value of SAR 122.7 billion. The number of individual and corporate checks totaled 1.1 million with a total value of SAR 88.6 billion, and the number of certified checks totaled 127

thousand with a total value of SAR 34.2 billion.

### **Seventh. Domestic Stock Market Developments**

The general share price index rose by 6.1 percent to 7,425.7 points at end-Q2 2017 compared to a decrease of 2.9 percent in the preceding quarter, recording an annual increase of 14.2 percent. The number of traded shares decreased by 22.2 percent to 10.5 billion in Q2 2017 compared to a q/q decrease of 29.3 percent, recording a y/y fall of 41.4 percent. Total value of shares traded in Q2 2017 decreased by 26.6 percent to SAR 184.7 billion compared to a q/q decrease of 16.1 percent, recording a y/y decline of 42.3 percent.

At end-Q2 2017, the market capitalization of shares went up by 7.7 percent to SAR 1,764 billion against a decline of 2.6 percent at the end of the preceding quarter. The market capitalization of shares registered an annual increase of 17.3 percent compared to end-Q2 2016. Total number of transactions in



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Q2 2017 decreased by 38.3 percent to 4.3 million compared to a q/q decline of 3.5 percent, recording a y/y decline of 41.1 percent (Chart 8).

### **Eighth. Investment Funds**

Total assets of investment funds managed by investment companies rose by 19.0 percent (SAR 16.7 billion) to SAR 104.5 billion in Q1 2017 compared to a rise of 7.4 percent (SAR 6 billion) in the preceding quarter, recording a y/y annual increase of 14.6 percent (SAR 13.3 billion).

A breakdown of total assets of investment funds shows that domestic assets went up by 17.5 percent (SAR 12.4 billion) to SAR 83.0 billion in Q1 2017 compared to a rise of 6.0 percent (SAR 4 billion) in the previous quarter. Domestic assets also registered a y/y increase of 26.2 percent (SAR 17.2 billion). Foreign assets rose by 25.0 percent (SAR 4.3 billion) to SAR 21.5 billion in Q1 2017 against a rise of 13.6 percent (SAR 2 billion) in the preceding quarter, registering a y/y fall of 15.3 percent (SAR 3.9 billion).

The number of investment fund shareholders declined by 0.1 percent (167 shareholders) to 224.2 thousand in Q1 2017, compared to a decline of 0.6 percent (1,438 shareholders) in the preceding quarter, recording a y/y decrease of 4.2 percent (9,803 shareholders). In addition, the number of operating funds stood unchanged at 275 as is in the preceding quarter.

### **Ninth. Specialized Credit Institutions**

According to the latest available data on SCIs, the SCIs' total outstanding loans went up by 0.6 percent (SAR 1.8 billion) to SAR 302.4 billion in Q4 2016, compared to an increase of 0.9 percent (SAR 2.7 billion) in the preceding quarter. It registered an

annual rise of 0.2 percent (SAR 644 million) at end-Q4 2016.

Total actual disbursements of loans rose by 28.1 percent (SAR 2 billion) in Q4 2016 compared to a decrease of 9.2 percent (SAR 0.7 billion) in the preceding quarter, recording an annual decline of 45.2 percent. Total loan repayments to SCIs went up by 72.1 percent (SAR 3.1 billion) in Q4 2016 compared to a decline of 46.1 percent (SAR 3.7 billion) in the preceding quarter, registering an annual decrease of 21.9 percent. SCIs' net credit recorded a decline of 39.8 percent (SAR 1.1 billion) in Q4 2016, compared to a rise of 1.612 percent (SAR 3 billion) in the previous quarter, registering an annual decline of 76.4 percent.

A breakdown of loans extended by SCIs in Q4 2016 indicates that the loans extended by the Saudi Industrial Development Fund (SIDF) increased by 74.0 percent (SAR 1 billion) compared to an increase of 44.0 percent (SAR 418 million) in the preceding quarter. Loans extended by the Real Estate Development Fund (REDF) also rose by 43.4 percent (SAR 834 million) in Q4 2016 against a decline of 50.4 percent (SAR 1.9 million) in the preceding quarter, as well as loans extended by the Agriculture Development Fund (ADF) which increased by 84.3 percent (SAR 71.7 million) compared to a decline of 73.0 percent (SAR 227 million) in the preceding quarter. In addition, loans extended by the Public Investment Fund (PIF) decreased by 19.6 percent (SAR 469 million) compared to a rise of 167.8 percent (SAR 1.5 billion) in the previous quarter, whereas those extended by the Social Development Bank (SDB) rose by 41.5 percent (SAR 531 million) compared

to a decrease of 26.0 percent (SAR 452 million) in the preceding quarter.

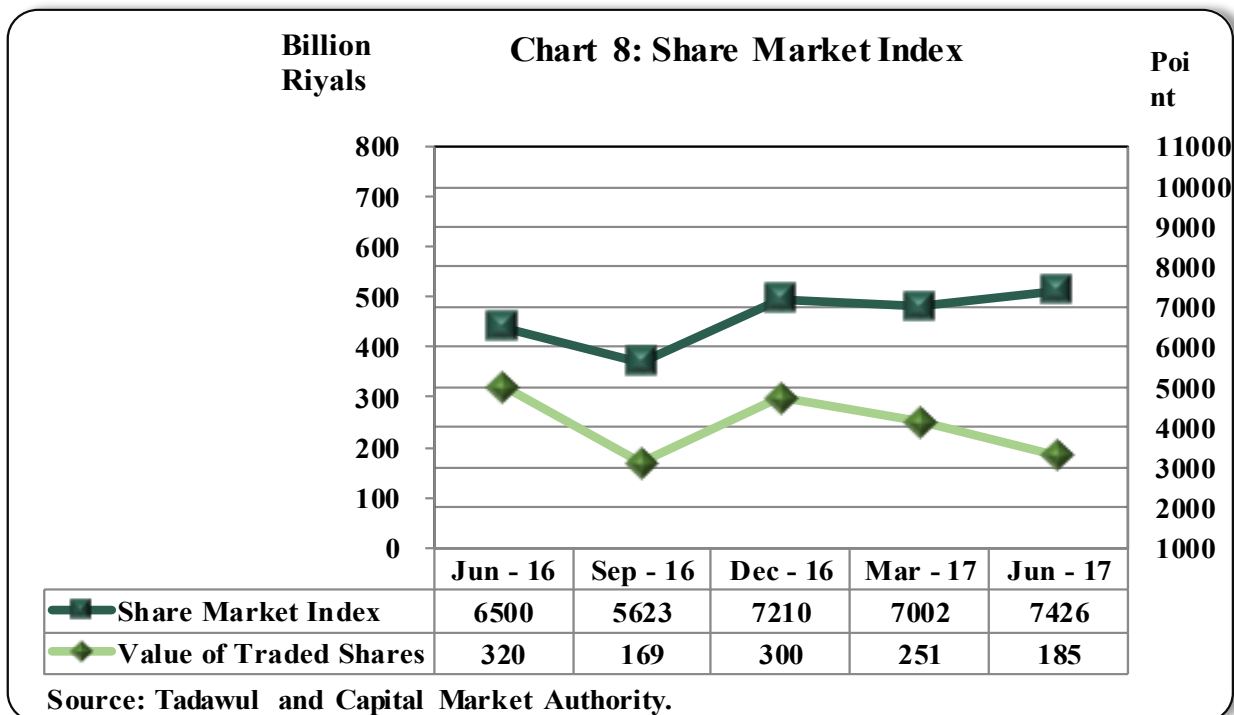
As for credit repayments in Q4 2016, the volume of repayments to the PIF increased by 356 percent (SAR 909 million) against a decline of 82.4 percent (SAR 1.2 billion) in the preceding quarter; repayments to the SDB by 41.4 percent (SAR 931 million) against a decline of 12.7 percent (SAR 328 million) in the preceding quarter; repayments to the SIDF by 67.5 percent (SAR 486 million) compared to a decline of 52.8 percent (SAR 806 million) in the preceding quarter; repayments to the REDF by 76.0 percent (SAR 723 million) compared to a decline of 30.6 percent (SAR 418 million) in the preceding quarter; and repayments to the ADF by 34.5 percent (SAR 37.3 million) against a decrease of 89.4 percent (SAR 917 million) in the preceding quarter.


**Tenth. Supervisory and Legislative Banking Developments during Q2 2017**

- SAMA has decided to reduce the risk weighted asset ratio of mortgage

finance for homeownership from 100% to 75% starting from 1 April 2017, to be reflected in Prudential Returns forms for the second quarter of 2017.

- The Basel Committee on Banking Supervision has issued guidelines for the management and measurement of step-in risk within the framework of the G20 initiative to strengthen the supervision and regulation of the shadow banking system and to mitigate the associated potential risks.
- The first update on Banking Tariff has been issued.
- SAMA has cooperated with the Saudi Stock Exchange (Tadawul) within the program for amendment of the settlement cycle of security transactions to achieve delivery versus payment in accordance with the best international standards and practices. SAMA, thereby, has contributed to developing the





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Regulatory Framework for Cash Settlement as well as the development of the settlement process. It has also established its own Security Depository Center.

- A supplementary circular has been issued on working hours of banks' money remittance centers.
- SAMA has issued Instructions on firms practicing trading in Forex.
- The issuance of the Information Security Strategy.
- The issuance of the Regulatory Manual for Information Security.
- The issuance of the Regulatory Manual for Business Continuity.

#### **Eleventh. Prominent Regulatory Developments in the Saudi Economy during the Second Quarter of 2017**

- Returning all allowances, bonuses and financial benefits that have been cut, amended or suspended back to government employees, both civil and military personnel.
- Approving the issuance of the necessary licensing for Gulf International Bank - Saudi Arabia.
- Approving the restructuring of the Board of Directors of the Social Development Bank for a period of three years.
- Approving the exchange of credit information among GCC countries in accordance with the short-term action plan and the comprehensive framework for facilitating the exchange of credit

information among GCC countries, and establishing and developing a system linking payment systems therein.

- Approving the restructuring of the Board of Directors of the Saudi Stock Exchange (Tadawul).
- Approving the statute of the General Authority of Zakat and Tax.
- Approving the registration of all title deeds of properties owned by the State under "State Property".
- Approving the appointment of members of the Board of Directors of the Saudi Basic Industries Corporation (SABIC), who represent the Government, in the General Assembly in accordance with the provisions of the Companies Law.
- Approving the incorporation of parcels of land, allocated for mosques and their facilities, into the approved schemes under the description of endowment (Waqif), and their deeds shall be transferred on this basis.
- Approving to continue paying overtime allowance for health-care workers.
- Approving the establishment of a commercial mission at Saudi Arabia's embassy in the Republic of Korea.
- Approving that the State shall bear visa fees for seasonal employment in the Project for Utilization of Hajj Meat (Adahi) for a period of five years.