



**Financial Sector
Development Program**

Financial Sector Development Program

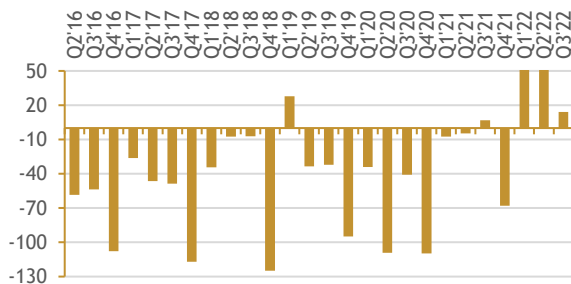
Quarterly Newsletter Q3 2022

Key Highlights: Budget Surplus in Q3 2022, GDP rose 12.2% in Q2 2022

Q3 2022 Budget Highlights

- Saudi Arabia recorded a budget surplus of SAR 14.1bn in Q3 2022, compared to a surplus of SAR 6.6bn in the same period last year.
- Total revenue increased 24% YoY to SAR 301.8bn in Q3 2022, from SAR 243.3bn in the same period a year ago.
- Oil revenues increased 55% YoY to SAR 229.0bn, while non-oil revenues fell 24% YoY to SAR 72.8bn in Q3 2022. Revenues from 'Taxes on Goods and Services' witnessed a 32% YoY decrease to SAR 44.8bn in Q3 2022.
- Total expenditure rose by 22% YoY to SAR 287.7bn in Q3 2022, from SAR 236.6bn in the same period last year.
- Public debt increased to SAR 971.8bn by the end of Q3 2022 from SAR 938bn by the end of FY 2021.

Budget Deficit/Surplus (SAR bn)



The Capital Market Authority Announces the Approval of the Securities Exchanges and Depository Centers Regulations

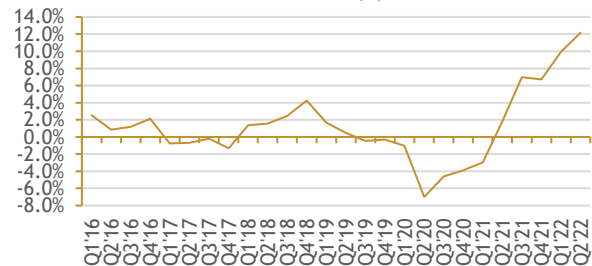
As part of the Capital Market Authority's ("CMA") strategic objectives to develop the capital market, the CMA Board issued its resolution approving the Securities Exchanges and Depository Centers Regulations ("Regulations") and amendments to the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority, which shall be effective as 1/1/2023G.

The Regulations aims to develop the regulatory framework for the authorisation and supervision of securities exchanges and depository centers for the efficient performance of their duties and obligations, and to further the stability and regulatory environment of the capital market, in addition to enhancing the confidence of capital market participants in support of its growth and prosperity, as well as the development of procedures that ensure effective supervision over securities exchanges and depository centers in line with international best practices and standards in this regard.

Q2 2022 GDP Growth (%)

- Real GDP (at 2010 constant prices) rose 12.2% YoY in Q2 2022.
- The rise was largely driven by 22.9% increase in the oil sector, while the non-oil sector increased by 8.2% during the quarter.
- The non-oil sector accounted for 54% of total GDP in Q2 2022.

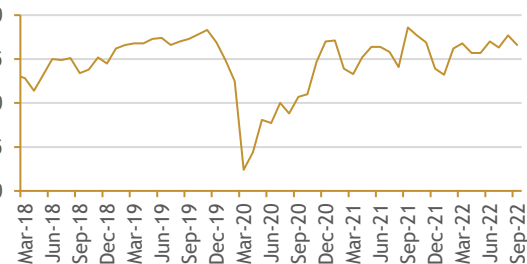
Real GDP YoY (%)



PMI Index

The Saudi Arabia Purchasing Managers' Index (PMI) decline to 56.6 points in September 2022 from 57.7 points in August 2022.

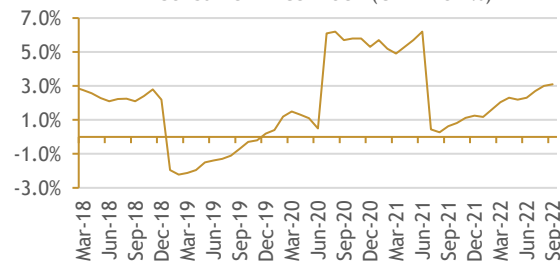
PMI



Consumer Price Index (CPI)

The CPI increased by 3.1% YoY in September 2022. Restaurants & Hotels and Education segment prices witnessed an increase of 7.5% and 5.7%, respectively. Food and beverage prices rose by 4.3%, while Clothing and Footwear segment prices declined the most, down by 1% YoY in September 2022.

Consumer Price Index (CPI - YoY %)

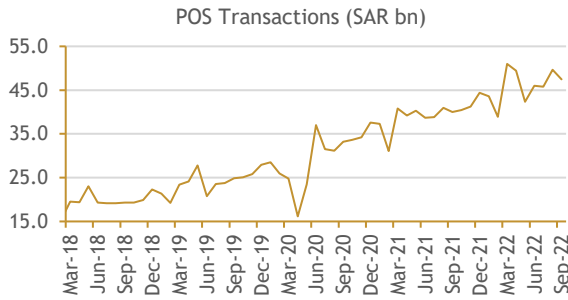


Macroeconomic and Financial Market

Macroeconomic Review

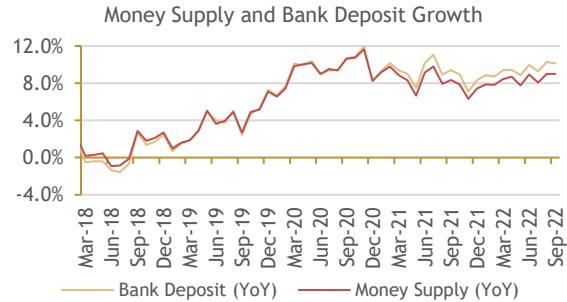
Points of Sale Transactions

POS transactions rose 18.6% YoY to SAR 47bn in September 2022 from SAR 40bn in September 2021. In Q3 2022, the total amount of POS transactions reached SAR 142.9bn (up 19.2% YoY and 3.7% QoQ).



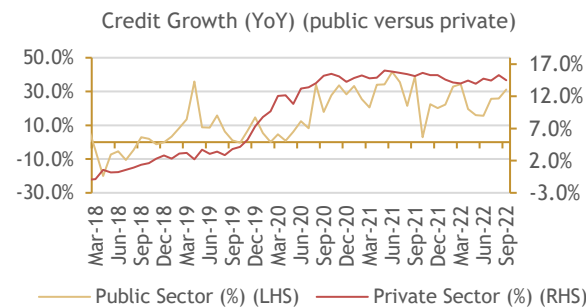
Money Supply (M3) and Bank Deposit Growth (%)

Money supply (M3) increased 9% YoY in September 2022 and was up 1.1% on QoQ basis. M1 grew 4.3% YoY, while Time and Savings deposits rose by 18.1% on YoY basis. Total bank deposits grew 10% YoY and 1.5% on QoQ basis in September 2022.



Credit Growth (%) *

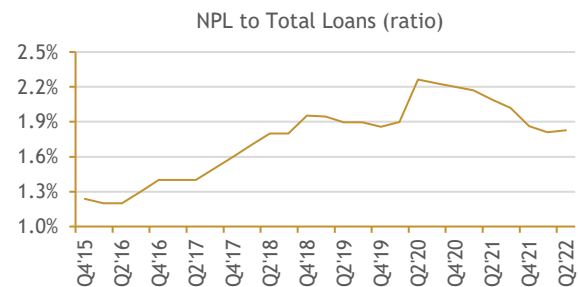
Bank credit (public and private) grew 15.3% YoY in September 2022 and 3.3% on QoQ basis. Public sector credit increased 31.3% YoY and 17.8% on QoQ basis. Bank credit to the private sector rose 14.5% YoY and 2.6% on QoQ basis in September 2022.



*Credit to public sector does not include Gov't & Quasi-Gov't bonds

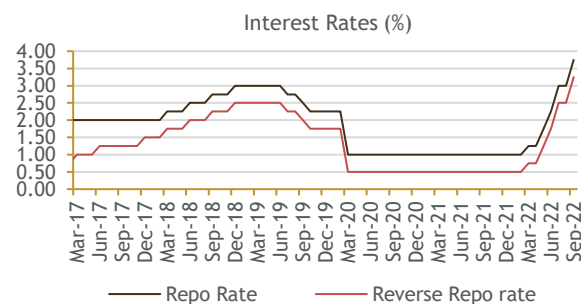
Non-performing Loans as portion of Total Loans

NPL ratio was unchanged at 1.8% in Q2 2022 (latest data available) from Q1 2022.



Interest Rates

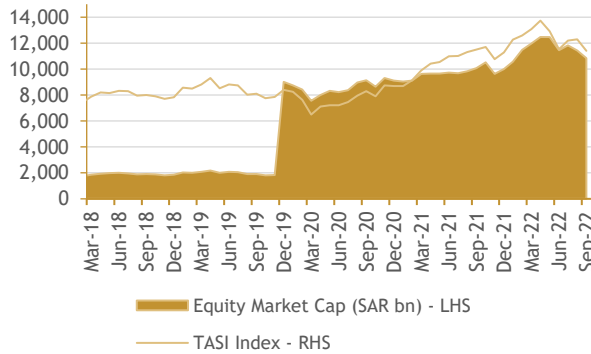
SAMA increased the repo rate and the reverse repo rate by 150 basis points during Q3 2022. Policy rate adjustments are consistent with maintaining monetary stability.



Financial Market Overview

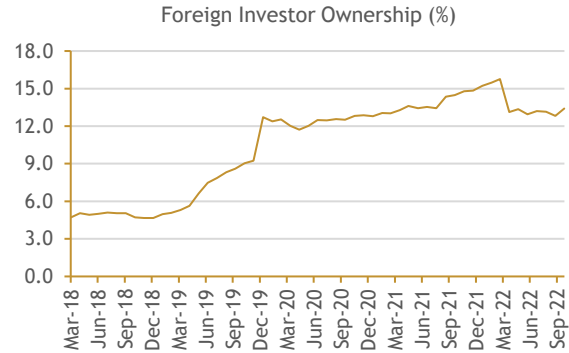
Tadawul and Equity Market Capitalization

The Tadawul Index (TASI) lost 7.1% on a MoM and YTD basis in September. TASI's equity market capitalization stood at SAR 10,833bn in September 2022, from SAR 11,445bn in June 2022.



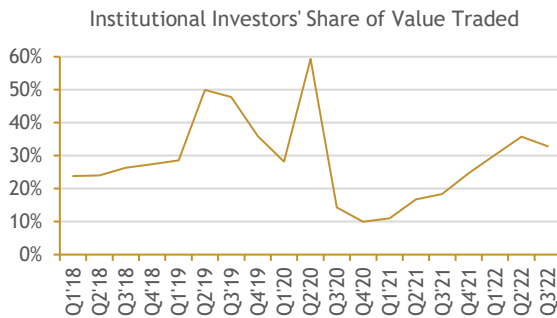
Foreign Investor Ownership

Foreign investor ownership in Saudi stocks increased to 13.4% (free float) in September 2022 from 13.2% recorded in June 2022. Foreign investors holding value stood at SAR 353.1bn as of September.



Institutional Investors' Share in Value Traded

Institutional investors' share in the total value traded decreased in Q3 2022 to a quarterly average of 31.8%, compared to 35.8% in Q2 2022.



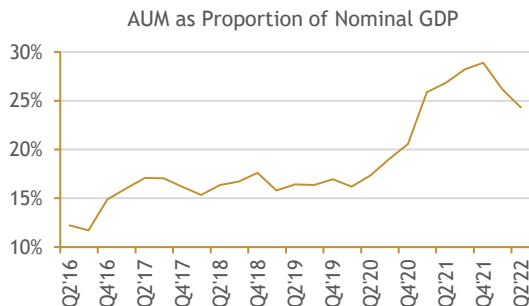
Market Concentration of Top 10 Companies

The market capitalization of the top 10 Tadawul companies reduced to 88% by the end of September 2022, from 89% at the end of June 2022.



Assets Under Management (% of GDP)

Assets under management (AUM) as a percentage of nominal GDP reduced to 24.2% in Q2 2022 from 26.2% in Q1 2022. AUM reached SAR 756.9bn in June 2022.



Financial Sector Development Highlights

Saudi Central Bank Licenses Four Payment Financial Technology Companies

The Saudi Central Bank (SAMA) announces granting licenses to four payment financial technology companies, namely: Arab Sea Financial Company and FatoraaH to provide Payment services for E-commerce, and Enjaz Payments Services Company to provide electronic wallet service (electronic transfer and payment service), and Marta Financial Company to provide payment services through points of sales (POS), This brings the total number of payment companies licensed by SAMA to 21 companies.

This comes as part of SAMA's role to promote the development of the financial technology sector to ensure ultimate stability and growth of the sector. This step aims to contribute to the sector growth while complying with SAMA's regulatory requirements in line with SAMA's mandate to enhance overall financial stability and support greater opportunities of the Saudi Vision 2030.

Saudi Central Bank Updates its Regulatory Sandbox Framework

The Saudi Central Bank (SAMA) announced that it has updated the Framework of its Regulatory Sandbox. The step was taken as part of SAMA's efforts to achieve several national strategic goals through the promotion of the Regulatory Sandbox's involvement in the Financial Sector Development Program (FSDP), a key objective of the Saudi Vision 2030.

The updated framework will also support the objectives of the FinTech strategy by making the Kingdom one of the world's leading countries in the field. The Central Bank pointed out that the updated framework of the Regulatory Sandbox is open for both local and international applicants to apply be they entrepreneurs, non-regulated companies or existing regulated entities, the key differentiator of the updated framework is to move from a cohort-based approach to an Always Open approach, which will give greater flexibility to those applying. This transition will allow applicants to apply to the Regulatory Sandbox when they are ready, in addition to bringing their chosen business model/concept, and not working to a specific one determined for the cohort.

Saudi Central Bank Launches a POS Service Between Saudi Arabia and Qatar Via GCCNET

The Saudi Central Bank (SAMA) announced the launch of new points of sale (POS) service linking the Saudi Payments Network (Mada) to Qatar's National ATM and POS Switch (NAPS) as of 1st of August 2022. The launch came after the success of the preliminary technical tests and trials between the two networks, and moving forward, holders of Mada and NAPS cards will be able to carry out POS transaction in the two countries through the Gulf Payments Network (GCCNET).

Saudi Central Bank Permits 2 New Fintech Companies to Operate Under its Regulatory Sandbox

The Saudi Central Bank (SAMA) announced granting permit to a new batch of companies; "Lean Technologies" and "Mod5r" to provide Open Banking Solutions; bringing the total number of permitted Fintech companies operating under its Regulatory Sandbox to 38.

This step completes a series of actions undertaken to conquer a stack of strategic objectives including activating SAMA's sandbox environment role to the realization of the Saudi Vision 2030 goals through the Financial Sector Development Program (FSDP). The prominent FSDP is an ambitious program aims at promoting economic growth, savings and investment activities and the financial inclusion. The permit came concurrently with the Council of Ministers' decision on the second quarter of 2022, which provides for adoption of the Fintech Strategy containing the supreme directive order for the Kingdom of Saudi Arabia to be among the leading countries in the field of Fintech.

The Capital Market Authority Announces the Approval of the Regulatory Framework for Equity Crowdfunding

The Capital Market Authority (CMA) Board issued its resolution approving the amended Capital Market Institutions Regulations, the amended Investment Accounts Instructions, the amended Rules on the Offer of Securities and Continuing Obligations, and amending the Glossary of Defined Terms Used in The Regulations and Rules of the Capital Market Authority, which shall be effective as of the date of their publication.

These amendments aim to support financial technology innovations in the capital market by setting out a regulatory framework for equity crowdfunding, including determining the requisite authorization for capital market institutions to carry it out, and to enable companies that have a Financial Technology Experimental Permit (FinTech ExPermit) to obtain the appropriate authorization to practice it as a capital market institution, in line with the international best practices in this regard.

The Capital Market Authority Publishes the Draft Amended Prudential Rules for Public Consultation

As part of the Capital Market Authority's (CMA) strategic objectives to develop the capital market, the CMA's Board issued its resolution to publish the draft of "Amended Prudential Rules" for Public Consultation.

The draft aims to enhance the stability of capital market institutions to further boost the confidence of capital market participants and create an attractive investment environment to support national economy growth.

The main elements of the draft are updating the prudential requirements for carrying out any of the securities business, including updating the requirements of credit, market, operational and concentration risks.

The Capital Market Authority Announces the Approval of Instructions for Shariah Governance in Capital Market Institutions

The CMA's Board issued its resolution approving the Instructions for Shariah Governance in Capital Market Institutions (the "Instructions"). The Instructions aims to set the rules and standards for Shariah governance in Capital Market Institutions that provide, wholly or partially, products or services that are compliant with the rules and principles of Shariah.

The main elements of the Instructions are as follows:

- a) Regulating the responsibilities of the board of directors or equivalent and the executive management in Capital Market Institutions that provide, wholly or partially, products or services that are compliant with the rules and principles of Shariah.
- b) Regulating the work of Shariah Committee, including the provisions for its formation, membership, meetings, and responsibilities, and defining the functions and tasks of the chairperson of the Shariah Committee, and the tasks and duties of its members.
- c) Regulating the Shariah Committee's independence and its reporting structure, and defining the tasks of Shariah compliance and internal Shariah audit functions.
- d) Regulating the procedures for the development process of products and services that are compliant with the rules and principles of Shariah.

The Capital Market Authority Announces the Approval of Amendments to the Rules on the Offer of Securities and Continuing Obligations

The CMA's Board issued its resolution to approve the amendment of the Rules on the Offer of Securities and Continuing Obligations, and the amendment of the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority, which shall be effective as of the date of their publication.

The key amendments included stipulating the conditions and requirements for the registration of debt instruments offered by way of private placement for the purpose of direct listing on the Exchange, developing the regulatory framework for convertible debt instruments, including the provisions relating to private placements of such instruments by companies listed on the Exchange, and regulating the issuance of exchangeable debt instruments, including the conditions relating to the shares for which such instruments may be exchanged.

It is expected that the amendments shall reflect on providing the issuers with an extra channel to list debt instruments in the market, and enabling and supporting the issuers to find financing resources suit their needs and objectives, which shall result in diversifying the issuers types and available investment products in the market to serve in expanding the investors base

Listing and Trading Government Debt Instruments in the Saudi Stock Exchange

Tadawul has approved through Q3 2022 the listing request of the debt instruments, issued by the government of the Kingdom of Saudi Arabia submitted by the Ministry of Finance from a class already listed with a total value of SAR (7,721,000,000).

S&P affirms Saudi Arabia's credit rating at 'A-/A-2' with Positive Outlook.

S&P Global Ratings affirms its 'A-/A-2' long and short term foreign and local currency sovereign credit rating for Saudi Arabia with a positive outlook on 16 September 2022.

The positive outlook reflects strong GDP growth and fiscal dynamics, tied to the Kingdom's successful emergence from the pandemic, and the ongoing government reform programs. This is in addition to the non-oil strong economic growth which supports Saudi Arabia's fiscal and external metrics.

The agency estimates Saudi Arabia's GDP growth to reach a 10-year high of 7.5% in 2022, with a fiscal surplus of 6.3% in budget. It also expects a boost in the economy's productive capacity and long-term growth with the current ongoing macroeconomic reforms and fiscal developments.

Moody's issues its annual in-depth credit report for Saudi Arabia

"Moody's" credit rating agency issued an annual in-depth credit analysis report which elaborates on Saudi Arabia's credit profile in terms of economic strength, institutions and governance strength, fiscal strength, and susceptibility to events' risks with the ability to avoid or minimize their impact, which are the four main analytic factors in the agency's Sovereign Credit Ratings Methodology.

The report highlighted that Saudi Arabia's credit strengths are derived from its robust government balance sheet, underpinned by moderate debt levels and substantial fiscal reserve buffers, in addition to large stock of proven hydrocarbon reserves with low extraction costs and prudently regulated financial system which strengthen its sovereign credit profile.

Ministry of Finance and National Debt Management Center sign a memorandum of understanding with SNB Capital on the development and launch of individual savings Sukuk

The Ministry of Finance and the National Debt Management Center executed a memorandum of understanding with SNB Capital to develop and launch the individual savings Sukuk to motivate individuals to design better plans for the future, and to seek for strategic partnerships with the private sector.

Such agreement is in the context of enhancing collaboration between the Ministry, NDMC, and SNB Capital. The Ministry and NDMC aim to enhance the concept of saving across the Kingdom by driving the expansion of savings products. That is a part of the ongoing work under the Financial Sector Development Program to Promote and Enable Financial Planning.

The Ministry of Finance Signs a Number of Financing Agreements with Several Local Banks Amounting to SAR 25Bn to Execute Various Infrastructure Projects Arranged by The National Debt Management Center

The Ministry of Finance signs a number of financing agreements with several local banks amounting to SAR 25Bn to execute various infrastructure projects scheduled to start in 2023 and 2024 to expedite the implementation of these projects.

The National Debt Management Center arranged those financings in accordance with the Ministry of Finance aim towards enabling and supporting strategic infrastructure projects in line with Saudi 2030 Vision.

The Financial Academy is the capacity development partner in the Sixth Saudi Insurance Seminar

The Financial Academy has participated in the activities of the Saudi Insurance Seminar in its sixth edition, as a competencies development partner, as part of its strategy that aims to develop the capabilities of human capital in the financial sector. Highlights were focused on the importance of building the national capabilities in the insurance sector, preparing future financial leaders, and providing the Saudi financial market with national experts who are capable of contributing to the national plans to develop the insurance sector to reach the highest international levels, and achieve the objectives of the Financial Sector Development Program as part of Saudi Vision 2030.

The Financial Academy launches the second edition of the "Professional Disclosure Exam" in cooperation with Saudi Tadawul Groub

The Financial Academy has launched the second edition of the "Professional Disclosure Exam" in cooperation with Saudi Tadawul Company. The Academy is continuously working on updating and developing its professional exams, in continuation of its role in developing professional exams to raise the efficiency of workers and be aligned with the latest developments and professional practices in the financial sector.

This exam aims to improve the quality of disclosure for listed companies, in accordance with the listing rules, related regulations, and instructions related to companies and investment funds' announcements, to achieve the best standards of transparency and to raise the level of required skills for disclosure officials to achieve the added value for the issuers and investors.

This updated version is scheduled to start on Sunday, November 6th, 2022.

The Financial Academy launches the "Financial Future Leaders" program as the first program of its kind in the financial sector in the Kingdom

The Financial Academy has launched the "Financial Future Leaders" program, which is the first program of its kind in the Kingdom to anticipate the financial future and prepare and develop future financial leaders in the Kingdom in line with the future trends, Financial Sector Development Program, and Saudi 2030 vision. The "Financial Future Leaders" program is considered one of the Financial Academy's initiatives that aim to contribute to the realization of Vision 2030 and the objectives of the Financial Sector Development Program by preparing and developing a group of competent leaders that will promote the financial sector's development in the future.

The program is considered the first of its kind in the Kingdom with its foresight of the financial future and its adoption of four strategic pillars that anticipate the future, which is: future, cooperation, transformation, and leadership dimensions. The program includes developing the private sector's contribution to the economy, developing an advanced financial market, and enhancing and enabling financial planning. As for the pillars of developing future leaders of the financial sector, they include how to explore and foresee the future financial landscape (future dimension), how to adopt financial (transformation dimension), how to communicate between leaders in the financial sector and its empowerment (cooperation dimension), and how to enable transformation as leaders for the future (leadership dimension). The pillars of future leadership will contribute to how future financial leaders impact the nation and society, move the financial community to the next level, and ensure driving change through others to a sustainable matter, in addition to developing future leaders. The program will include elite financial sector leaders and will focus on the rapid developments and alternative solutions for the financial sector until 2030.

The Financial Academy participates in the Euromoney Saudi Arabia 2022 Conference

The Financial Academy participated in the Euromoney Saudi Arabia 2022 Conference, which was hosted in Riyadh under the name of "Institutionalization of Investment and Finance" under the patronage of His Excellency the Minister of Finance, Mr. Mohammed bin Abdullah Al-Jadaan, and was attended by a group of decision-makers, experts, and influencers in the financial sector at local, regional, and international levels.

Through its participation in the conference, the Academy aimed to focus on its role in building and developing the national human capabilities in the financial sector, preparing future financial leaders, and providing the Saudi financial market with national experts who are capable of contributing to the national plans to raise the financial sector to international levels, and achieve the Financial Sector Development Program objectives in line with Saudi vision 2030.

It is worth mentioning that the conference is considered of great importance as it is being held in attendance for the first time since 2019 and is considered a vital platform to reflect the reality of the Kingdom's economy and major developments the country is witnessing, as it seeks to explore the latest trends in the regional and international financial markets, by attracting senior financial decision-makers and financial policies, to draw a future picture of the Saudi economy for the post-Covid-19 pandemic stage.

Financial Sector Development Program KPI's

Program KPIs	Baseline	Status	2025 Target
Value of investments in private equity and venture capital, M SAR***	9,304	19,229	11,404
Debt as % of GDP	14%	25.5%	24.1%
Banking sector assets, B SAR***	2,631	3,565	3,515
Total market capitalization (shares) as % of GDP*	66.52%	95%	80.8%
Share of investment accounts opened through eKYC	82%	94%	=>70%
Credit to private sector, Bn SAR***	1,510	2,165.8	2,053.2
Total GWP to GDP non-oil, %***	1.9%	2.1%	2.4%
Life GWP per capita, SAR***	33.16	17.3	45
Coverage ratio of Health insurance schemes, %***	33%	33.2%	45%
Coverage ratio of Motor insurance schemes, %**	39.6%	47.4%	77%
# Of Fintech players	-	27	30
SME loans as % of bank loans***	5.7%	7.9%	11%
Share of non-cash transactions, %	36%	57%	70%
Number of listings in Capital Market	6	34	26
Assets under Management, as % of GDP	16.94%	24.2%	31%
Institutional investors' share of value traded %	35.96%	31.8%	44%
Foreign Investor Ownership of the equity market cap (free float), in %	13.3%	13.4%	17.5%

*Excluding Aramco

**As per SAMA's data

***Q2 2022 Data



Financial Sector Development Program

The Financial Sector Development Program is one of the executive programs launched by the Council of Economic and Development Affairs (CEDA) to achieve the objectives of Vision 2030. The role of the program is to create a diversified and effective financial sector to support the development of the national economy, diversify its sources of income and stimulate savings, finance, and investment. The program will achieve its ambition by enabling financial institutions to support private sector growth, promoting, and enabling financial planning, and ensuring the formation of an advanced capital market, without impeding the strategic objectives intended to maintain the financial services sector's stability.

Sources: Ministry of Finance, Saudi Arabian Monetary Authority (SAMA), Capital Market Authority (CMA), General Authority of Statistics, Tadawul, Bloomberg, Reuters Eikon

*The data of foreign bank branches operating in Saudi Arabia have been amended and updated as per international best practices and the Monetary and Financial Statistics Manual in SAMA monthly bulletin.

This report has been published by Financial Sector Development Program Office. For questions or comments, please contact us at fsdp@mof.gov.sa or for more information, please visit <https://vision2030.gov.sa/en/FSDP>