



**Financial Sector
Development Program**

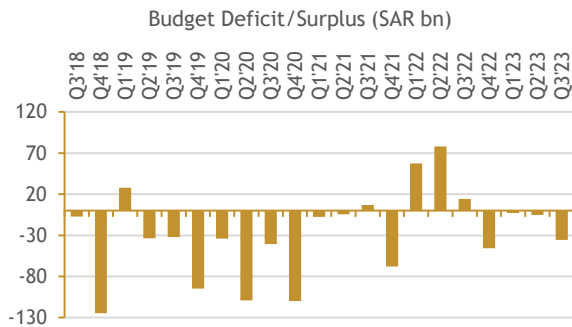
Financial Sector Development Program

Quarterly Newsletter Q3 2023

Key Highlights: Q3 2023 saw a budget deficit, while GDP grew by 1.2% in Q2 2023.

Q3 2023 Budget Highlights

- The quarter witnessed a shift to a budget deficit of SAR 35.77 billion, contrasting with the SAR 14.14 billion surplus recorded in the same period of 2022.
- Total revenue declined 14.4% YoY to SAR 258.5bn in Q3 2023, from SAR 301.9bn in the same period of 2022.
- Total revenues fell by 14.4% year-over-year (YoY) to SAR 258.5 billion, down from SAR 301.9 billion in Q3 2022. This includes a 35.8% decrease in oil revenues to SAR 147 billion, while non-oil revenues saw a significant increase of 53.1% to SAR 111.5 billion. 'Taxes on Goods and Services' revenue surged by 56.6% to SAR 70.3 billion.
- Government spending experienced a modest rise of 2.3% to SAR 294.3 billion, compared to SAR 287.7 billion in the same quarter of the previous year.
- The public debt saw an increase, reaching SAR 994.26 billion by the end of Q3 2023, up from SAR 990.08 billion at the end of FY 2022.

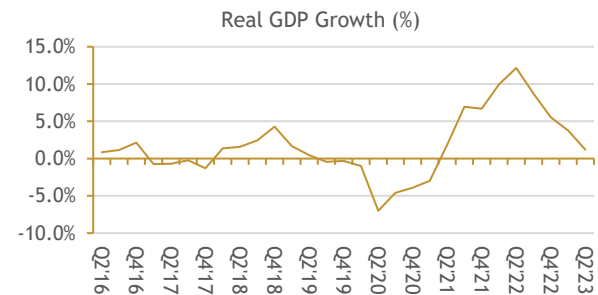


S&P Global Rating Maintains Saudi Arabia's Credit Rating

The international credit rating agency S&P Global Rating has reaffirmed Saudi Arabia's foreign and local currency sovereign credit ratings at 'A/A-1' with a Stable Outlook. According to the agency, this affirmation reflects the Kingdom's ongoing reform efforts and structural improvements, which have notably supported the sustained development of the non-oil sector. The rating also acknowledges improvements in public finances and the maintenance of a balanced public debt level.

Q2 2023 GDP Growth (%)*

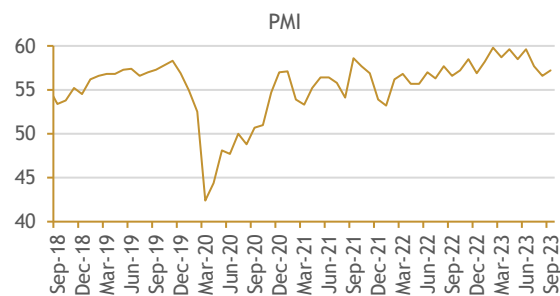
- The real GDP, adjusted to 2010 constant prices, increased by 1.2% YoY in Q2 2023.
- This growth was primarily fueled by a 5.3% rise in the non-oil sector. Conversely, the oil sector experienced a 3.8% decline compared to the same period last year.
- In Q2 2023, the non-oil sector contributed 58.5% to the total GDP.



*Based on preliminary data.

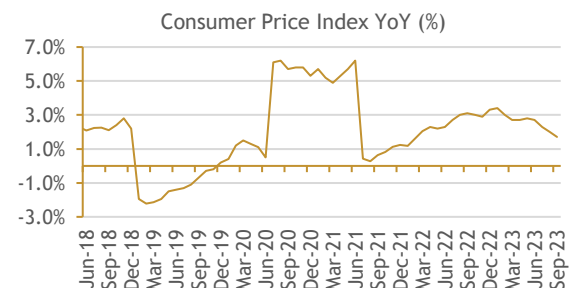
Purchasing Managers' Index (PMI)

In September 2023, the PMI in Saudi Arabia marginally rose to 57.2, up from 56.6 in August 2023.



Consumer Price Index (CPI)

In September 2023, Saudi Arabia's CPI saw a YoY increase of 1.7%. The Housing, Water, Electricity & Other Fuels segment experienced an 8.1% rise in prices, and the Restaurants & Hotels segment saw a 2.5% increase. Education costs also went up by 1.8%. In contrast, the Clothing and Footwear segment recorded the most significant decline, with prices falling by 3.6% compared to the same month last year.

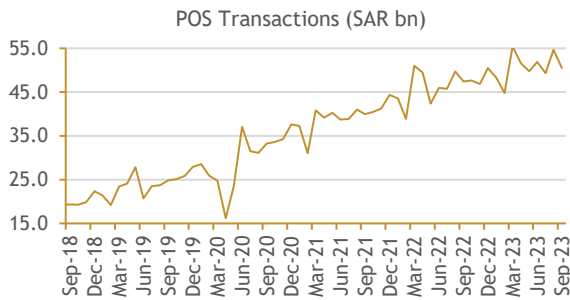


Macroeconomic and Financial Market

Macroeconomic Review

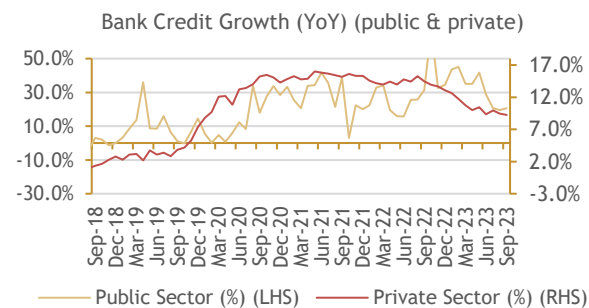
Points of Sale Transactions (POS)

In September 2023, POS transactions increased by 6.4% YoY, reaching SAR 50.5 billion, up from SAR 47.4 billion in September 2022. For Q3 2023, the total POS transactions amounted to SAR 154.5 billion, marking an 8.1% increase YoY and a 0.8% rise from the previous quarter.



Bank Credit Growth (%) *

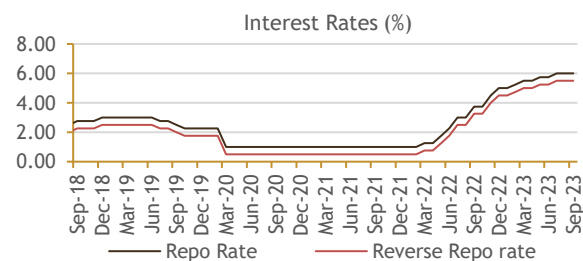
In September 2023, overall bank credit, encompassing both public and private sectors, grew by 9.9% YoY and 2.9% QoQ. Public sector credit saw a significant increase of 20.6% compared to the same period last year, and a 10.4% rise from the previous quarter. Meanwhile, credit to the private sector also grew, with a 9.3% YoY increase and a 2.5% rise on a QoQ basis.



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

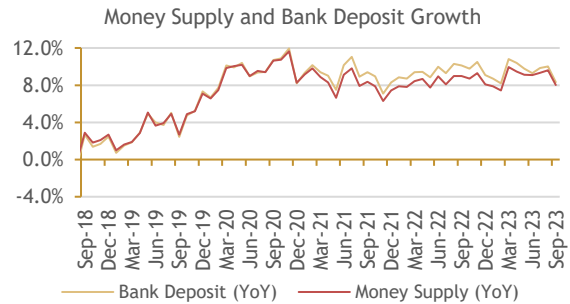
Interest Rates

During Q3 2023, the Saudi Central Bank (SAMA) raised both the repo and reverse repo rates by 25 basis points, in line with its ongoing efforts to maintain monetary stability.



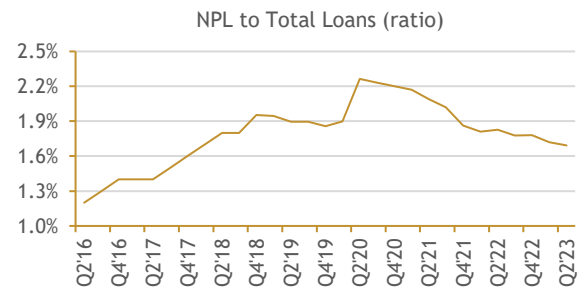
Money Supply (M3) and Bank Deposit Growth (%)

In September 2023, M3 saw an 8.0% YoY increase and a marginal 0.1% rise quarter-over-quarter (QoQ). However, M1 experienced a 3.7% decrease compared to the previous year. Time and Savings deposits surged by 49.4% YoY. Overall, total bank deposits grew by 8.3% YoY and 0.6% compared to the previous quarter.



Non-Performing Loans (NPL) as a Portion of Total Loans

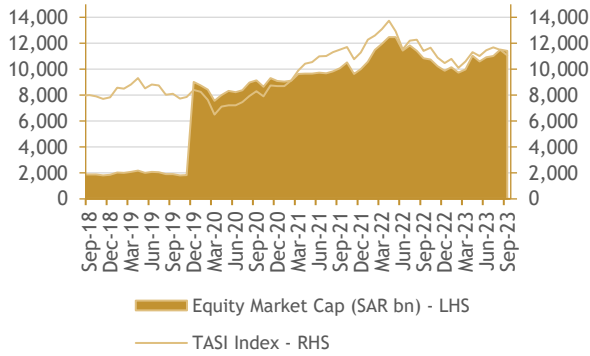
In Q2 2023, the NPL ratio remained steady at 1.7%, unchanged from Q1 2023.



Financial Market Overview

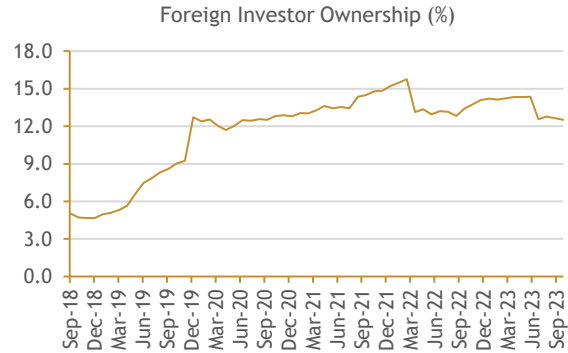
Tadawul and Equity Market Capitalization

In the third quarter of 2023, the Tadawul All Share Index (TASI) experienced a decline of 3.5% QoQ and 3.1% year-to-date (YTD), closing at 11,055.96 points. Despite this, TASI's equity market capitalization increased by 4.6% QoQ to SAR 11,411 billion in September 2023, although it recorded a 4.7% decrease on a YoY basis.



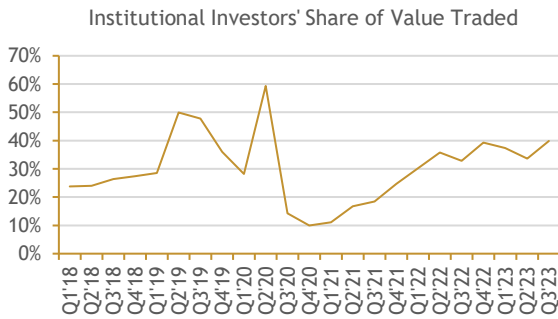
Foreign Investor Ownership

As of September 2023, foreign investor ownership in Saudi stocks maintained a steady rate of 12.5% (free float), consistent with the figures from June 2023. The value of foreign investors' holdings amounted to SAR 365.9 billion during the same period.



Institutional Investors' Share in Value Traded

The share of institutional investors in the total value traded on the Saudi stock market rose to an average of 39.8% in Q3 2023, up from 33.7% in Q2 2023.



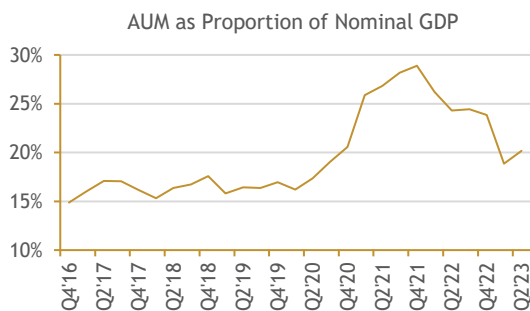
Market Concentration of Top 10 Companies

By the end of September 2023, the combined market capitalization of the top 10 companies on the Tadawul stock exchange rose to 86.9%, up from 86.0% at the end of June 2023.



Assets Under Management (AUM) (% of Nominal GDP)

Assets under management as a percentage of GDP decreased to 19.01% in the third quarter of 2023, compared to 19.8% in the second quarter of 2023. Assets under management reached 790 billion riyals in September 2023.



Financial Sector Development Highlights

8 Companies That Were Licensed By The Saudi Central Bank In The Third Quarter Of 2023.

The total number of companies licensed by the Saudi Central Bank (SAMA) in the third quarter of 2023 was 8, which are:

- ❖ Fintech in debt-based crowdfunding:
 - “Themar” to provide crowdfunding solutions.
- ❖ Fintech in consumer microfinance:
 - “Fas Finance Company”
 - “Loan Finance Company”
- ❖ Fintech in finance aggregation services:
 - “Intelligent Solutions” to provide finance aggregation services.
- ❖ Fintech in Payment services:
 - “Alhulul AlMubassatah Financial Company (SiFi)” to provide E-wallet solutions.
- ❖ Companies licensed in insurance in the “General Insurance” and “Protection and Savings Insurance” branches:
 - Saudi Mortgage Guarantee Services Company “Dhamanat”
- ❖ Insurance Aggregation Companies:
 - “Al-tizam for electronic insurance brokerage”
 - “Altheqa Insurance Brokers”

Minister of Education Emphasized the Integrative Role Between Education and the Private Sector to Invest in Promising Opportunities:

His Excellency, Minister of Education, Prof. Youssef bin Abdullah Al-Benyani, participated in the SMEs Support Council meeting organized by Monsha'at as part of Education Week. The objective was to highlight the promising opportunities in the education sector at the SMEs Support Centers in Riyadh, Jeddah, Medina, and Al-Khobar. Mr. Al-Benyani highlighted the importance of strengthening the relationship between the Ministry of Education, private and non-profit sectors, and investors in education, aligning with the goals of Saudi Vision 2030.

SAMA Approved Insurtech Rules

The Saudi Central Bank (SAMA) approved the Insurtech Rules, post public consultation, for the draft rules via the National Competitiveness Center's Public Consultation Platform.

Insurtech Rules comprehensively govern the underlying business and its activities, ensuring the protection of its clients, and promoting fair competition in offering solutions and services to support the stability and development of the sector.

SAMA: Saudi Finance Companies Sector Grew By 10.8% In 2022

The Saudi Central Bank (SAMA) issued the Annual Performance Report of the Saudi Finance Companies Sector 2022. The report outlines the sector's key developments and financial results in 2022.

According to the report, most indicators in the finance companies sector grew at varying rates in 2022. The paid-up share capital increased by 0.6% to SAR 14.64 billion, net income by 3.3% to SAR 1.86 billion, and total assets by 6.5% to SAR 57.02 billion. Total finance portfolio rose by 10.8% to SAR 75.45 billion.

In terms of loan portfolio classification, the retail sector accounted for the largest share of 76%, followed by MSME sector 21% and corporate sector 3%.

SAMA Permits two (Buy Now, Pay Later) Companies

The total number of companies permitted by the Saudi Central Bank (SAMA) in the third quarter of 2023 was two companies to provide Buy Now Pay Later (BNPL) solutions, which are:

Buy Now Pay Later (BNPL) Companies:

- “Tamara”
- “Tabby”

Saudi Exchange Launches Tadawul Size Indices and IPO Index

The Saudi Exchange launched new Tadawul Size Indices and IPO Index as of 17th of September 2023.

These indices, including the Tadawul Large Cap, Tadawul Medium Cap, Tadawul Small Cap and Tadawul IPO Index, mark a milestone in the development of the Saudi capital market.

The Size Indices reflect the market's composition, with large companies accounting for 70% of the Free float market cap, medium-sized companies for 20%, and small companies for the remaining 10%. The Tadawul Size Indices provides investors with benchmarks to broaden their investment strategies and to capitalize on specific market opportunities.

The Tadawul IPO Index focuses on companies listed on the Main Market within the past five years. It provides investors with a benchmark to evaluate the performance of their IPOs and provides investors with a unique opportunity to invest in new and rapidly growing companies.

SAMA Issued Implementing Regulations For Law Of Payments & Payment Services

The Saudi Central Bank (SAMA) issued the Implementing Regulations for the Law of Payments and Payment Services to support the objective of enhancing the soundness and efficiency of the payment systems

Insurtech Rules intend to enable Insurtechs to perform flexibly in an innovative based regulatory framework, which includes basic pillars such as practitioners' obligation, clients' information accuracy, and codes of conduct preserving clients' rights, compliance, and control.

SAMA reaffirms its commitment to support and facilitate the growth of the insurance sector and regulate the relationship between Insurtech companies and clients; preserving the rights of all parties involved.

“Investment capabilities and encouragement of entrepreneurship through the FinTech camp 2023”

His Excellency the Chairman of the Board of the Capital Market Authority and Chairman of the Board of Trustees of the Financial Academy, Mr. Mohammed bin Abdullah Elkuwaiz, honored 24 innovators, at the closing ceremony of the FinTech Camp 2023 program. The FinTech Camp is one of the main initiatives presented by the Financial Academy in support of the financial and technology sector to contribute to the development of the national economy. The camp included ten units covering various topics, including design thinking, data analysis, and emerging technologies in financial technology and artificial intelligence. They also acquired new competencies in design thinking, agile management, data analysis and making decisions based on them, data analysis and visualization, as well as storytelling using financial technology data and emerging technologies, artificial intelligence, and growth supported by artificial intelligence, in addition to analyzing and improving automation processes, leading digital transformation, and presentation and presentation skills, including various stages, including the selection stage, the preparation stage, forming teams, the training camp stage, the hackathon stage, and displaying models.

Approval of The Real Estate Contributions Law

The Cabinet approved the real estate contributions law on Tuesday, July 11, 2023. Which aims to regulate the activity of real estate contributions in a way that keeps pace with the great development witnessed by this sector. And to raise the level of transparency and disclosure therein, and to protect the rights of all parties to the real estate shareholding. The adoption of the system is an important step in the real estate investment sector, by supporting the increase of financing and investment channels in parallel with real estate investment funds, and enhancing the protection of investors in the real estate sector from unlicensed practices.

Monshaat Launches Slingshot Program to Boost Enterprise Growth

The Small and Medium Enterprises General Authority (Monshaat) launched recently the Slingshot Program for fast-growing enterprises. The program will be implemented with a group of experts in entrepreneurship to learn from the best international practices in driving enterprise growth and facing challenges.

infrastructure in Saudi Arabia.

The relevant regulatory and supervisory frameworks enable SAMA to protect and stabilize the financial sector. They also enhance compatibility with comparable international principles and standards, including the Principles for Financial Market Infrastructures (PFMI).

In the context of Saudi Vision 2030 with respect to financial inclusion, the implementing regulations should help create an attractive environment for investment, stimulate innovation and competition, and encourage the introduction of payment products and services that follow the latest international trends and meet clients' needs.

SAMA had previously published the draft implementing regulations, asking stakeholders and the public to provide views and comments. Relevant views and comments were considered for their appropriateness in the final version in alignment with the Law objectives. The Implementing Regulations for the Law of Payments and Payment Services came into effect from the date of the issuance and will supersede the Payment Service Provider Regulations.

The National Debt Management Center completed arranging the fourth early purchase transaction in the local market, with a value exceeding SAR 35 billion

The National Debt Management Center (NDMC) completed an early purchase of a portion of the Kingdom's outstanding debt instruments maturing in 2024, 2025 and 2026 with a total value exceeded SAR 35.7 billion, which represents the largest early purchase transaction arranged by the NDMC, in addition to an issuance of new Sukuk under the Local Saudi Sukuk Issuance Program in Saudi Riyal with a total value around SAR 35.9 billion. This initiative is an extension of the NDMC's efforts to strengthen the domestic market and to keep up with market developments which have been reflected positively on the growing trading volume in the secondary market. Furthermore, this initiative enables the NDMC to play its role in managing the government debt obligations and its future maturities. This will also align the NDMC's efforts with other initiatives to enhance public finance in the medium and long term.

Monshaat Vice Governor Participates in Global Entrepreneurship Congress, Australia

General Authority for Small and Medium Enterprises (Monshaat) Vice Governor for Entrepreneurship Saud Al-Sabhan participated in the closing session of the first day of the Global Entrepreneurship Congress (GEC), held in Melbourne, Australia, between September 19 and 22, which addressed challenges facing entrepreneurs and ways to deal with them. Founder and President of the Global Entrepreneurship Network (GEN) Jonathan Ortmans was also present, along with an elite group of entrepreneurs. At the session, titled "Change your world: outlook to the future ahead", Al-Sabhan said that SMEs are key drivers of the local economy and stressed that it is important to engage them with supportive opportunities and potentials in the labor market with the aim of achieving their goals in a more effective way.

Monshaat Launches The E-Commerce Tour

The General Authority for Small and Medium Enterprises (Monshaat), in partnership with the Electronic Commerce Council, organized recently the “E-Commerce Tour,” which aims to spread the culture of entrepreneurship and support owners of small and medium enterprises in learning about the most prominent services and opportunities provided by the Authority during the tour’s activities.

Growth Week Kicks Off in Collaboration with Silicon Valley Innovation Center

The Small and Medium Enterprises General Authority (Monshaat) launched the Growth Week between August 27 and 31 2023 as part of a series of business weeks. The event was organized in cooperation with a number of government agencies and sectors concerned with the growth of enterprises. Notable among them are the US-based Silicon Valley Innovation Center, which carries out the Business Acceleration Program in partnership with Monshaat Tomouh (Aspiration) Program whose goal is to support fast-growing enterprises in the Kingdom.

Economic/CEO Forum underscores the importance of investing in bold capital and building sustainable and profitable businesses

In its sixth edition in Riyadh, organized by the General Authority for Small and Medium Enterprises, “Monshaat”, the Executive Heads’ Forum addressed the investment environment and strategy for investing in bold capital, building sustainable and profitable businesses.

Speakers at an interactive session entitled “Developing and Improving the Investment Environment: Revisiting Investment Strategies with Bold Capital, Building Relationships with Investors and Promoting Cooperation between SMEs” addressed the importance of improving the investment environment and enhancing cooperation between SMEs, noting the significant growth in the Kingdom in all areas.

Signing Agreements to Provide Financing Solutions for Entrepreneurs and Small/Medium Enterprises

The Small and Medium Enterprises General Authority, Monshaat, has signed several agreements and MoUs with six financing entities. These include the Small and Medium Enterprises Bank, the Social Economy Association, and notable companies such as Wataniya Financing, Tas-heelat, Mudaraba, and Amlak International for Financing. The objective of these agreements is to offer tailored financing solutions for entrepreneurs and SMEs while Promoting awareness of the financial sector.

Financial Sector Development Program KPI's

Program KPIs	Baseline	Status	2025 Target
Life GWP per capita, SAR**	33.16	30	45
Debt as % of GDP	14%	18%	24.1%
Banking sector assets, Bn SAR**	2,631	3,829	3,515
Total market capitalization (shares) as % of GDP*	66.52%	71.9%	80.8%
Share of investment accounts opened through eKYC***	82%	94.42%	=>90%
Credit to private sector, Bn SAR**	1,510	2,367	2,053.2
Number of listings in Capital Market	6	28	26
% of micro and small enterprises at the time of listing out of total listings	33%	78.6%	46%
Coverage ratio of Health insurance schemes, %**	33%	35.75%	45%
Coverage ratio of Motor insurance schemes, %	39.6%	62.87%	77%
# Of Fintech players	82	201	230
SME loans as % of bank loans**	5.7%	8.4%	11%
Share of non-cash transactions, %***	36%	62%	70%
Total GWP to GDP non-oil, %**	1.9%	2.53%	2.4%
Assets under Management, as % of GDP	16.94%	19.01%	31%
Institutional investors' share of value traded %	35.96%	39.2%	44%
Foreign Investor Ownership of the equity market cap (free float), in %	13.3%	12.43%	17.5%
Value of investments in private equity and venture capital, M SAR**	9,304	19,103.58	36,738.27

* Excluding Aramco

**Q2 2023 Data

***Data for the year 2022

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.

Key Abbreviations: (YoY) year-over-year / (QoQ) quarter-over-quarter / (M1) money supply

Sources: Ministry of Finance, Saudi Central Bank (SAMA), Capital Market Authority (CMA), General Authority for 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.

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