



Financial Sector
Development Program

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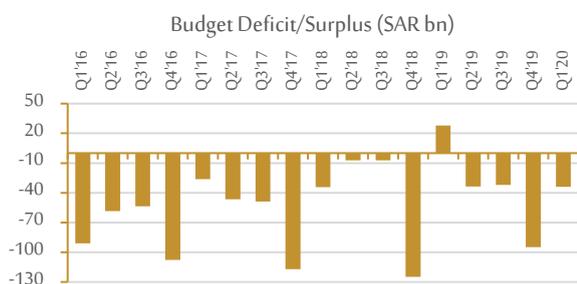
Quarterly Newsletter Q1 2020

VISION رؤية
2030

Key Highlights: Budget deficit in Q1 2020, GDP declined by 1% in Q1 2020

Q1 2020 Budget Highlights

- A budget deficit of SAR 34.1bn was recorded in Q1 2020, compared to a surplus of SAR 27.8bn in Q1 2019.
- Total revenue decreased 22% YoY to SAR 192.1bn in Q1 2020, where oil revenues declined 24% YoY to SAR 128.8bn and non-oil revenues dropped 17% YoY to SAR 63.3bn in Q1 2020. Revenues from 'Taxes on Goods and Services' witnessed a 26% YoY fall to SAR 30.6bn during the quarter.
- Total expenditure rose 4% YoY to SAR 226.2bn in Q1 2020.
- Public debt increased to SAR 723.5bn by the end of Q1 2020 from SAR 677.9 by the end of FY 2019.



Tadawul Announces The Implementation of the Fifth and Final Tranche Inclusion in FTSE Russell as an Emerging Market in Two Phases.

The Saudi Stock Exchange (Tadawul) announces the implementation of the fifth and final tranche inclusion in FTSE Russell as an Emerging Market with an inclusion factor of 25%.

The implementation of the fifth and final tranche will occur in two phases, the first phase will be effective on Monday 23/3/2020 based on the closing prices of Thursday 19/3/2020 with 25% of the inclusion factor. The second phase will be effective in the course of June 2020 with 75% of the inclusion factor.

SAMA Announces the Launching of Licenses for Non-Bank Financial Institutions

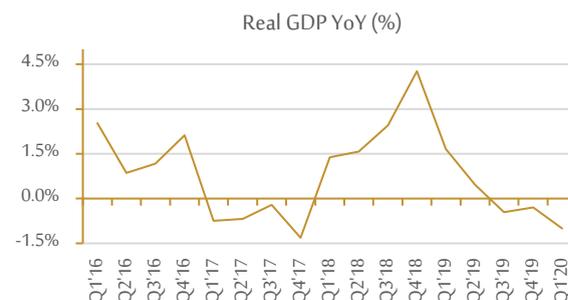
The Saudi Arabian Monetary Authority "SAMA" announces the launching of licenses for non-bank financial Institutions (Financial Technology Institutions), by announcing the issuance of the first license for an Electronic Wallet Company and the first license for a Payment Services Company in the Kingdom.

The announcement comes as part of SAMA's efforts to achieve the objectives of the financial sector development program, which is one of the pillars of the Kingdom's 2030 vision, in enabling financial institutions to support private sector growth by opening financial services to non-banking actors (payment services providers and financial technologies), supporting development of the national economy.

Whereas, SAMA has licensed the Saudi Digital Payments Company (STCPay) as an Electronic Wallet Company, and GEIDEA Technology Company as a payment services company, and this comes after the success of the trial period in the experimental environment.

2020 GDP Growth (%)

- Real GDP (at 2010 constant prices) declined 1% YoY in Q1 2020.
- The drop in GDP growth was driven by the oil sector, which shrank 4.6%, while the non-oil sector recorded a 1.6% growth in Q1 2020.
- The non-oil sector accounted for 59.2% of total GDP in Q1 2020, compared to 58.6% in Q4 2019.



* Based on Preliminary data

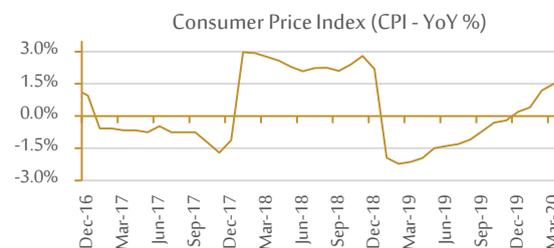
PMI Index

The Saudi Arabia Purchasing Managers' Index (PMI) slipped to a record low of 42.4 in March 2020 from 52.5 in February. Output declined for the first time in more than ten years and both new orders and exports contracted during the month. A reading above 50 indicates expansion; conversely, a reading below 50 indicates contraction.



Consumer Price Index (CPI)

The CPI increased 1.5% YoY in March 2020 (the highest since December 2018). Food & Beverages and Transport witnessed an increase of 3.9% and 3.7%, respectively; while Housing, water, electricity, gas and other fuels declined 0.5% in March.

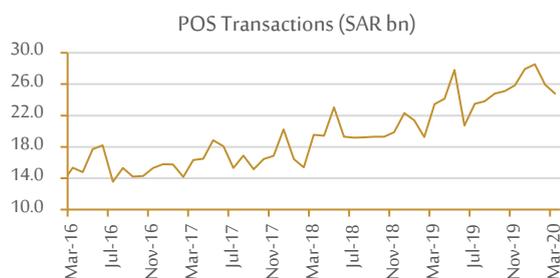


Macroeconomic and Financial Market

Macroeconomic Review

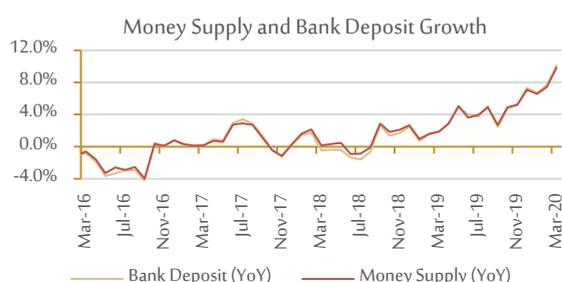
Points of Sale Transactions

POS transactions rose 5.8% YoY to SAR 24.8bn in March 2020 from SAR 23.4bn in March 2019. Whereas, in Q1 2020, it stood at SAR 79.3bn (up 23.7% YoY and 0.5% QoQ).



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

Money supply (M3) increased 9.8% YoY in March 2020 and was up 1.2% on QoQ basis. M1 grew 11.8%, while time and savings deposits increased by 7.1% on YoY basis. Total bank deposits rose 10.1% YoY and 0.8% on QoQ basis in March 2020.



Credit Growth (%) *

Bank credit (public and private) grew 11.8% YoY in March 2020 and 5.2% on QoQ basis. Public sector credit increased 4.7% YoY, whereas on QoQ basis it fell by 3.7%. Bank credit to the private sector rose 12.1% YoY in March and 5.6% on QoQ basis.



Non-performing Loans as Portion of Total Loans (NPL ratio)

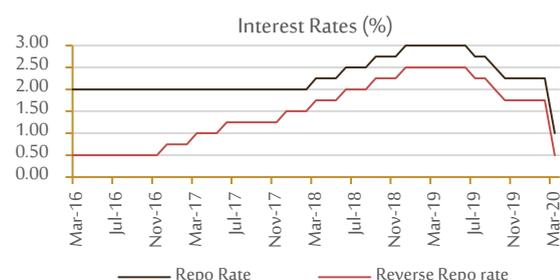
NPL ratio remained stable for the fourth consecutive quarter at 1.9% in Q4 2019 (latest data available).



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

Interest Rates

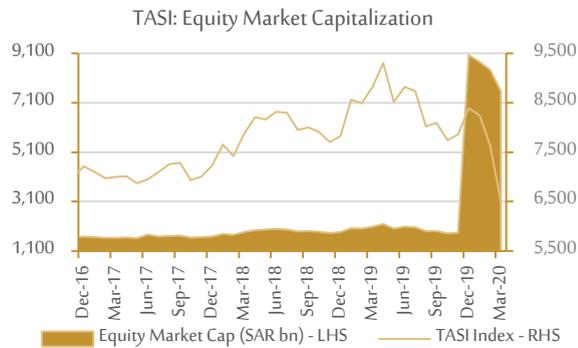
SAMA reduced its repo and reverse repo rate once during Q1 2020. The rates were decreased substantially by 125 bps in March. Repo rate was lowered to 1.00%, down from 2.25% in February 2020; while the reverse repo rate was dropped to 0.50%, down from 1.75% in February 2020.



Financial Market Overview

Tadawul and Equity Market Capitalization

The Tadawul Index (TASI) dropped 14.7% MoM in March and 22.5% on YTD basis. TASI's equity market capitalization stood at SAR 7,562bn in March 2020, down from SAR 9,025bn in December 2019.



Foreign Investor Ownership

Foreign investor ownership in Saudi stocks declined in Q1 2020 to 1.9% (issued) in March 2020 from 2.1% recorded in February. On MoM basis, foreign investors holding value decreased 19.1% to SAR 145.3bn as of March 2020, from SAR 179.6bn in February.



Institutional Investors' Share in Value Traded

Institutional investors' share in the total value traded declined in Q1 2020 to a quarterly average of 28.2%, compared to 36.6% in Q4 2019.



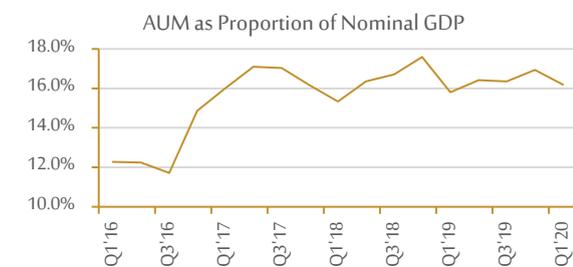
Market Concentration of Top 10 Companies

The market capitalization of the top 10 companies on Tadawul increased to 91.2% by the end of March 2020, compared to 90.8% recorded at the end of December 2019. By the end of September 2019, the concentration stood at 61.4%.



Assets Under Management (% of GDP)

Assets under management (AUM) as a percentage of nominal GDP declined to 16.2% in Q1 2020 from 16.9% in Q4 2019. AUM rose 3.3% on YoY basis, while it dropped 3.7% on QoQ basis to SAR 481bn in Q1 2020 from SAR 500bn in Q4 2019.



Financial Sector Development Highlights

CMA's Measures in Light of COVID-19 Impacts

The Capital Market Authority has taken measures in light of the significant impact of coronavirus (COVID-19) and is carefully monitoring the occurring developments; this comes in line with the CMA's regulatory and supervisory role during these exceptional circumstances. These measures are following the preventive and precautionary measures recommended by the competent authorities in Saudi Arabia, as part of its continuous development of efforts to prevent further repercussions of COVID-19; and also in support of the financial institutions and the entities subject to its supervision under the current and exceptional circumstances and the accompanying effects.

Establishing a new webpage regarding the latest updates related to CMA's procedures during these exceptional circumstances.

Holding listed Companies' Assemblies Remotely and Suspension of Physical Attendance

An announcement From the CMA Regarding the Deadline for Disclosing the Board Report and the Annual Financial Information that ends on 31/03/2020

Urging Financial Market Institutions to Take Precautionary Measures towards Coronavirus Pandemic COVID-19

Extending periods to provide statutory and regulatory requirements for the market institutions

The Capital Market Authority Announces the Approval of The Securities Central Counterparties Regulations

The CMA Board issued its Resolution to approve the Securities Central Counterparties Regulations ("Regulations") and amend the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority, to be effective as of the date of their publication. This comes after the CMA has published the Draft Regulations on its website for public consultation for a period of (14) calendar days.

The regulations aim to regulate securities clearing activities in the Kingdom and specify the requirements for obtaining an authorisation to carry out such activities, which will contribute to introducing new securities classes such as derivatives, and guaranteeing the settlement and fulfilment of obligations of transactions parties. This will in turn further strengthen the current market infrastructure and enhance its efficiency.

Launching a New Service for Authorisation to Conduct Securities Business

Pursuant to the Capital Market Authority's role in developing and regulating the capital market, and further to improve its services, the CMA has launched an electronic service for application of a new license to conduct Securities Business. This service aims to ease the submission for a securities business license in the Kingdom. It also enhances confidence through electronic linkage and integration with the relevant authorities.

Launch of the Corporate Finance Technical Foundations Certificate Provided by (CISI)

CMA would like to announce that the BoC has approved the launch of the Corporate Finance Technical Foundations Certificate provided by the Chartered Institute for Securities & Investment (CISI).

This certificate covers the fundamentals of corporate finance. It shall be required from persons to be registered as corporate finance professional as of 01/01/2021.

Listing and Trading of Government Debt Instruments in the Saudi Stock Exchange

The Saudi Stock Exchange (Tadawul) has issued its resolution approving the listing request of the debt instruments issued by the government of the Kingdom of Saudi Arabia submitted by the Ministry of Finance as per the Listing Rules with a total value of SAR 19.6bn over three issuances (SAR 0.7bn, SAR 4.0bn and SAR 14.9bn).

Tadawul has also issued its resolution approving the listing request of the debt instruments from a class already listed in the exchange with total value of SAR 7.2bn.

Listing the First Two Exchange Traded Funds in Government Sukuk

The Saudi Stock Exchange (Tadawul) announces the listing and trading units of "ALBILAD Saudi Sovereign Sukuk Fund" as an Exchange Traded Fund on Monday 17/02/2020. Also, Tadawul announces the listing and trading units of "Alinma Saudi Government Sukuk ETF Fund - Short Maturity" as an Exchange Traded Fund on Monday 24/02/2020.

The Governor of SAMA Inaugurates The National Center for Registration of Financial Derivative Data

His Excellency the Governor of the Saudi Arabian Monetary Authority "SAMA" Dr. Ahmad bin Abdul Karim Al-Kholifey inaugurates the National Center for Registration of financial derivative data, which is concerned with the preservation of data for unlisted derivative contracts, during a ceremony organized by the Saudi Credit Bureau "SIMAH".

Al-Kholifey said in a speech on this occasion, "the unlisted financial derivative markets in central platforms contributed to the global financial crisis in 2008. Given that, the contracts were bilateral between the client and the financial institution, and that they were flexible in their terms, provisions and structures, which is what caused great concern about credit risk to counterparties for financial institutions. In addition, it reduced the ability of market participants (most of them banks) in developing sufficient knowledge of activities and centers in the market. This had weakened their ability to better assess potential risks of their operations, and then take appropriate measures to manage them in a way that contributes to the overall health of the financial system.

SAMA issues the Additional Guidelines and Criteria for Digital-Only Banks in Saudi Arabia

Based on the powers vested in SAMA under the relevant laws, The Saudi Arabian Monetary Authority (SAMA) has published the Additional Licensing Guidelines and Criteria for Digital-Only Banks in Saudi Arabia. It has issued these guidelines and criteria to keep up with the developments in the financial and information technology sectors and to achieve the objectives of the Financial Sector Development Program (FSDP) and Saudi Vision 2030 by developing the digital economy.

Tadawul Announces the Approval of the Derivatives Exchange Trading and Membership Rules and Procedures

The Board of the Capital Market Authority has issued its resolution approving the derivatives exchange trading and membership rules and procedures, along with the glossary of defined terms used in the exchange rules.

The Derivatives Exchange Trading and Membership Rules and Procedures aim to regulate Derivatives Exchange membership and trading activities on derivatives. The planned launch of a Derivatives Market in Saudi Arabia follows on recent significant market developments, including the commencement of the Central Counterparty Clearing House ("CCP") to develop future clearing services. Tadawul will launch an index futures contract based on MSCI Tadawul 30 Index (MT30). Tadawul is planning to launch additional derivative products gradually as part of its strategy to diversify its product offering and provide more investment opportunities for market participants.

It should be noted that these Rules and Procedures shall be effective on 15th January 2020.

The Saudi Arabian Monetary Issued The "REGULATION FOR THE PROVISION OF PAYMENT SERVICES IN THE KINGDOM"

The Saudi Arabian Monetary Authority "SAMA" announces issued the Regulation governing the Provision of Payment Services in the Kingdom. This step comes in accordance with the SAMA's jurisdiction to operate, monitor and supervise payments and financial settlement systems in the Kingdom, as well as its authority to issue rules, instructions and licenses in this regard, based on the Council of Ministers' Resolution No. 226 of 2/5/1440 AH.

The Draft comes as part of SAMA's efforts to achieve the objectives of the financial sector development program, which is one of the pillars of the Kingdom's 2030 vision, in enabling financial institutions to support private sector growth by opening financial services to non-banking actors (payment services providers and financial technologies), supporting development of the national economy. It also aims to support the achievement of "SAMA's strategic goals" in promoting financial inclusion and reliance on technology in the field of payments to reduce cash transactions, as well as regulating the payments sector and coping with developments in it according to international best practices.

SAMA Announces Raising E-Wallet top-up Monthly Ceiling Limit Up To 20,000 SAR

The Saudi Arabian Monetary Authority (SAMA) has informed the licensed Payment Services Providers (PSPs) in the kingdom, with its decision to raise the allowed top-up of the monthly ceiling limit for e-wallets up to (20,000) SAR. This is based on SAMA's supervisory and regulatory role and is in line with the goal of boosting the digital payment transactions, in accordance with the prudential procedures taken to prevent the spread of the corona virus (COVID-19). This should contribute to the hygiene of the users of the digital payments, and smoothen their payment transactions via e-wallets applications provided by those PSPs.

SAMA issues the Rules Governing Insurance Aggregation Activities

The Saudi Arabian Monetary Authority (SAMA) announces the issuance of the Rules Governing Insurance Aggregation Activities "Rules", part of SAMA's aspirations and efforts in developing the insurance sector and facilitating the availability of insurance coverage within a supervisory framework that ensures the protection and efficiency of transactions and contributing to stable and fair transactions.

These Rules come in line with the Kingdom's vision 2030 supporting entrepreneurship and enhancement of financial services technologies. Moreover, it comes in pace with SAMA's support to financial technology development, economic growth and to enhance the contribution of insurance sector to the gross domestic products.

Minister of Finance and Acting Minister of Economy and Planning: Government is taking precautionary financial measures to face effects of the global epidemic (COVID-19)

Due to the economic and global conditions resulting from the consequences of the global epidemic (COVID-19), and the sharp decline in the outlook for global economic growth and its negative impact on oil markets, and its direct impact on public finances in the Kingdom of Saudi Arabia, the government has taken measures to reduce the impact of low prices of oil, and additional measures will be taken to deal with the expected drop in prices.

The Minister of Finance and Acting Minister of Economy and Planning, Mohammad Al-Jadaan, stated that the government worked on preliminary measures to ensure the provision of the financial requirements necessary to implement the preventive and direct measures to deal with the consequences of the epidemic and limit its spread to protect government installations and agencies and the continuity of their work, stressing that the government will provide all the additional appropriation required, and provide the necessary health services for prevention, treatment and spreading, while stressing the government's keenness on the priority of social spending, and reorienting government spending with the social and economic requirements of the phase.



The Saudi Arabian Monetary Authority and the Capital Market Authority Organize the Financial Stability Symposium 2020

Financial Stability symposium was held in the capital Riyadh, in the presence of several ministers, and the participation of about 300 people, officials and executives in a number of financial sector institutions. The symposium discussed, through two sessions, the topics of financial sustainability, private sector support and the development of the Saudi financial market.

His Excellency the Minister of Finance and Acting Minister of Economy and Planning, Mr. Muhammad Al-Jadaan, opened the symposium with a speech, during which he welcomed the attendees, and reviewed some features of the Saudi economy, indicating that this annual symposium is a discussion and exchange of ideas. This comes within the framework of developing the financial sector and achieving the objectives of the financial sector development program, which is one of the main programs of the Kingdom's 2030 vision.

SAMA: The Success of these Experiences "Online Opening of Bank Accounts and Electronic Wallets "for Individual Institutions and Resident Companies

The Saudi Arabian Monetary Authority (SAMA) has announced the success of two experiments of providing online opening of bank accounts and electronic wallets to individual institutions and resident companies within the framework of the regulatory experimental environment (sandbox) for innovative financial services and products in the Kingdom. With the participation of a number of banks and financial technology companies operating in the local market.

SAMA clarified that the completion of this step and after the success of online opening of more than 7,000 bank accounts and electronic wallets for individual institutions and resident companies, by those banks and financial technology companies, it became available to them to provide these services formally. This can be provided to their clients without the need to visit the branch easily and safely within minutes throughout 24 hours.

Under the Slogan "A Little Now..Is A Lot Later", SAMA Launches Saving Campaign

The Saudi Arabian Monetary Authority (SAMA) launched on Sunday 7/13/1441, corresponding to 3/8/2020, a wide awareness campaign under the slogan "A little now..is a lot later" to educate the public on the importance of savings and financial planning. This campaign comes from the SAMA's responsibility to enhance financial awareness among all segments of society and its endeavor to raise the level of financial culture in a way that contributes to achieving the goals of the financial sector development program; one of the Kingdom's 2030 vision programs. Which aims at enhancing the culture of financial planning and raising the percentage of savings. This should reflect positively on the quality of life of individuals and families and on the strength of the economy in general.

SAMA Licenses Halalah and Bayanpay Companies

The Saudi Arabian Monetary Authority "SAMA" announces the licensing of two digital wallet companies; Bayan Payments (Bayanpay) and Halalah. This comes after their successful graduation of SAMA regulatory sandbox.

SAMA emphasizes its constant pursuit to support the payment and Fintech eco-system and to boost the level of effectiveness and flexibility of the financial transactions, as well as to enhance innovations in the provided financial services. This is being done while observing international standards and ensuring the financial stability and fair treatment of transactions. Furthermore, this comes in tandem with the aspirations of the financial sector development program, which is part of the Kingdom's 2030 vision, and to achieve one of the vision's most important strategic goals, which is moving to a cashless society.

Financial Sector Development Program KPI's

Program KPIs	Baseline	Status	2020 Target
Share of non-cash transactions (% of total transactions)	18%	36%	28%
# of Fintech players	-	4	3
SME loans as % of bank loans	2%	5.7%	5%
Coverage ratio of insurance schemes, %	38%(health) 45%(motor)	33% 39.6%	45%(health) 75%(motor)
Assets under Management, as % of GDP	12%	16.94%	>=22%
Institutional investors' share of value traded %	18%	28.2%	>=20%
# of micro and small cap companies listed, as % of total number of companies listed	34%	46.8%	>=40%
Share of investment accounts opened through eKYC	0%	82%	10%

*Excluding Aramco

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>