



**Financial Sector
Development Program**

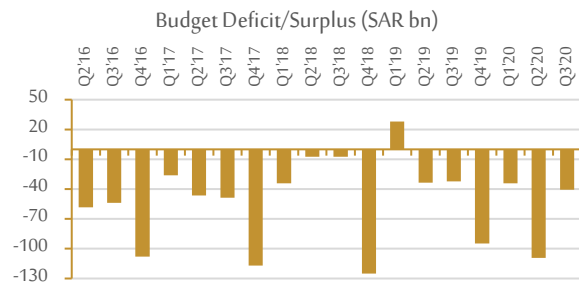
Financial Sector Development Program

Quarterly Newsletter Q3 2020

Key Highlights: Budget deficit in Q3 2020, GDP declined by 7% in Q2 2020

Q3 2020 Budget Highlights

- Saudi Arabia recorded a budget deficit of SAR 40.8bn in Q3 2020, compared to a deficit of SAR 32.2bn in the same period last year.
- Total revenue increased 4% YoY to SAR 215.6bn in Q3 2020.
- Oil revenues dropped 30% YoY to SAR 92.6bn, whereas non-oil revenues surged 63% YoY to SAR 123bn in Q3 2020. Revenues from 'Taxes on Goods and Services' within the non-oil revenues witnessed a 37% YoY growth to SAR 51.6bn in Q3 2020.
- Total expenditure rose 7% YoY to SAR 256.3bn in Q3 2020.
- Public debt increased to SAR 847.8bn by the end of Q3 2020 from SAR 677.9bn by the end of FY 2019.



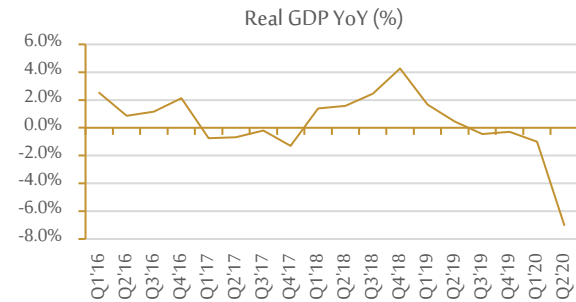
The Launch of the Derivatives Market in the Kingdom

The Saudi Stock Exchange (Tadawul) announces that the launch date of the Derivatives Market will be on 30 August 2020. This will mark the beginning of trading in the Saudi Futures 30 (SF30) Index Futures Contract, Saudi Arabia's first exchange-traded derivatives product.

The launch of the Derivatives Market is considered as one of the Financial Sector Development Program's (FSDP) initiatives, which is a significant step to further advance the Saudi capital market, providing investors with a full and diversified range of investment products and services. The SF30 Index Futures Contract is based on the MSCI Tadawul 30 (MT30) Index. The SF30 will provide investors with hedging tools to manage risk more effectively and will deliver expanded opportunities to gain exposure to the Saudi capital market.

2020 GDP Growth (%)*

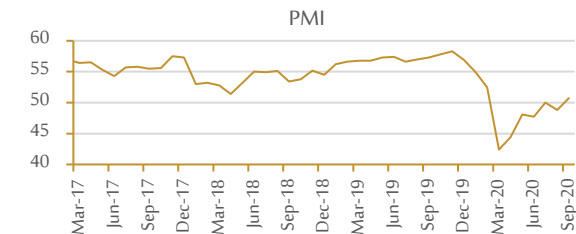
- Real GDP declined 7% YoY in Q2 2020.
- The drop in GDP growth was due to a decline in both the non-oil and oil sector, contracting 8.2% and 5.3%, respectively, in Q2 2020.
- The non-oil sector accounted for 56.6% of total GDP in Q2 2020, compared to 59.2% in Q1 2020.



*Based on Preliminary data

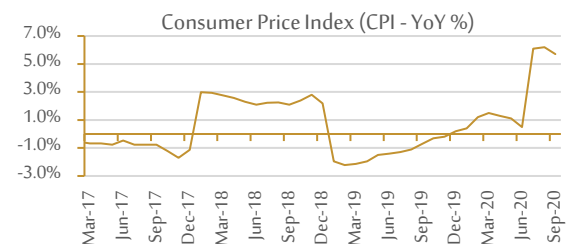
PMI Index

The Saudi Arabia Purchasing Managers' Index (PMI) rose to 50.7 in September 2020 from 48.8 in August. The ratio recorded its first expansion since February, due to the easing lockdown restrictions. Both output and new orders increased slightly, while export sales rose for the first time since February. A reading above 50 indicates an expansion of the non-oil private sector activity; conversely, a reading below 50 indicates contraction.



Consumer Price Index (CPI)

The CPI increased 5.7% YoY in September 2020 and has been in the positive territory for ten consecutive months. The spike from July was largely driven by the increase of the Value Added Tax (VAT) from 5% to 15% in July 2020. Food & Beverages and Communication services witnessed an increase of 12.6% and 9.5%, respectively; while Education declined the most, down by 8.2% in September 2020.

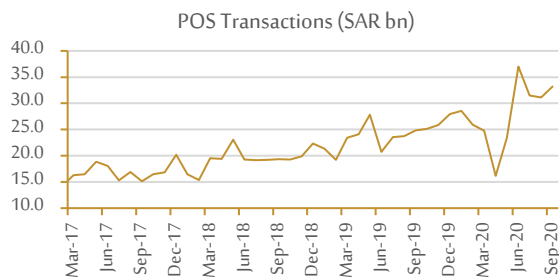


Macroeconomic and Financial Market

Macroeconomic Review

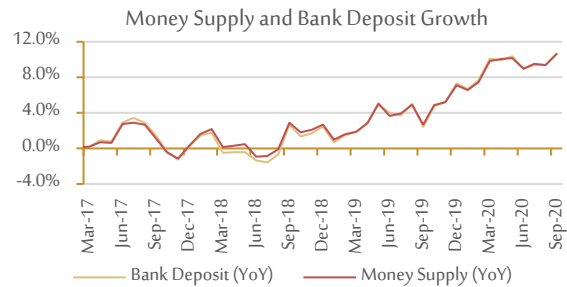
Points of Sale Transactions

POS transactions rose 33.7% YoY to SAR 33.2bn in September 2020 from SAR 24.8bn in September 2019. The total amount of POS transactions reached SAR 95.9bn in Q3 2020 (up 32.9% YoY and 25.1% QoQ).



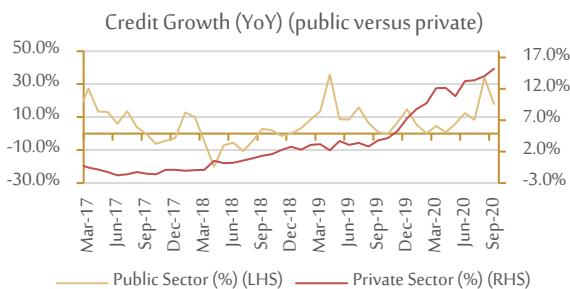
Money Supply (M3) and Bank Deposit Growth (%)

Money supply (M3) increased 10.6% YoY in September 2020 and was up 1.8% on QoQ basis. M1 grew 11.8%, while Time and Savings deposits rose by 4.8% on YoY basis. Total bank deposits grew 10.7% YoY and 2.1% on QoQ basis in September 2020.



Credit Growth (%) *

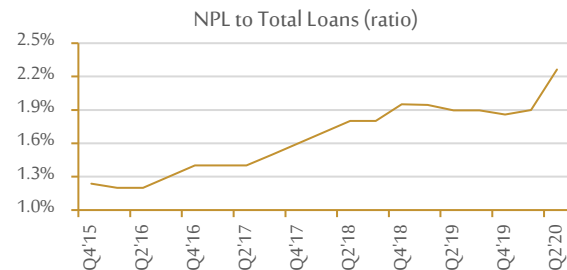
Bank credit (public and private) grew 15.3% YoY in September 2020 and 3.5% on QoQ basis. Public sector credit increased 18% YoY and 5.8% on QoQ basis. Bank credit to the private sector rose 15.2% YoY and 3.4% on QoQ basis in September.



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

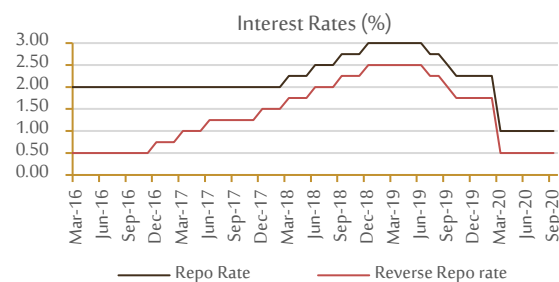
Non-performing Loans as portion of Total Loans (NPL ratio)

NPL ratio increased to 2.3% in Q2 2020 (latest data available) from 1.9% in Q1 2020. The ratio is the highest since Q4 2011.



Interest Rates

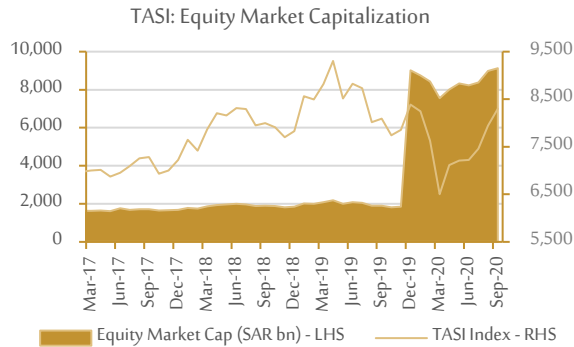
SAMA kept the repo and reverse repo rate unchanged during Q3 2020. The rates were last reduced in March 2020 by 125 bps. Policy rate adjustments are consistent with maintaining monetary stability.



Financial Market Overview

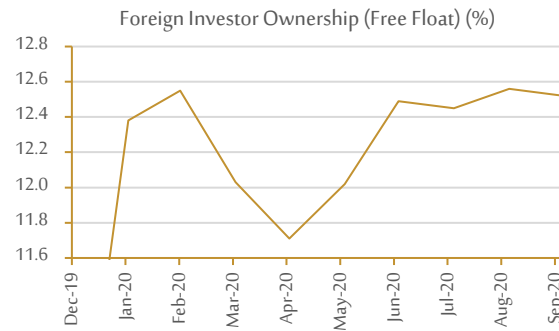
Tadawul and Equity Market Capitalization

The Tadawul Index (TASI) gained 4.5% MoM in September, whereas it dropped 1.1% on YTD basis. TASI's equity market capitalization stood at SAR 9,130bn in September 2020, up 10.9% from SAR 8,233bn by end of June 2020.



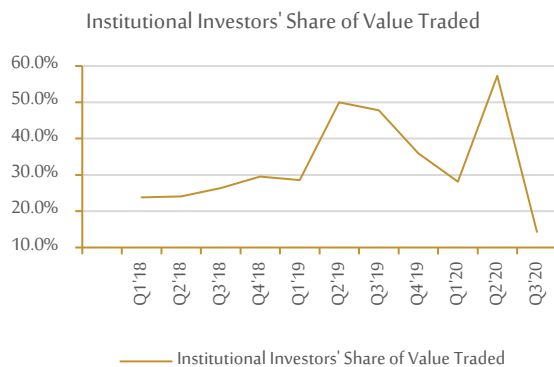
Foreign Investor Ownership

Foreign investor ownership in Saudi stocks decreased to 12.52% (Free Float) in September 2020 from 12.56% recorded in August. Foreign investors holding value reached SAR 196.6bn as of September 2020.



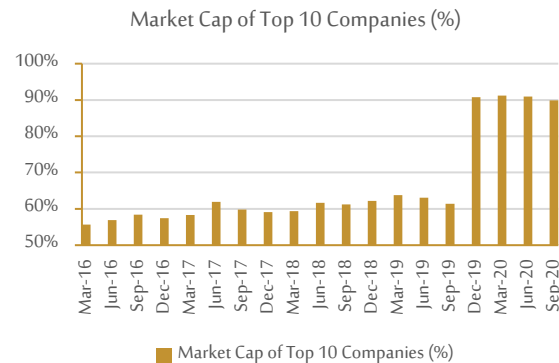
Institutional Investors' Share in Value Traded

Institutional investors' share in the total value traded declined sharply in Q3 2020 to a quarterly average of 14.3%, compared to 57.28% in Q2 2020.



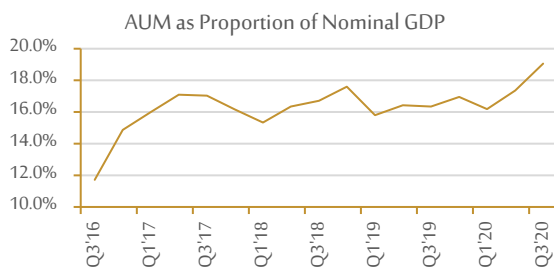
Market Concentration of Top 10 Companies

The market capitalization of the top 10 companies on Tadawul dropped to 89.9% by the end of September 2020, compared to 90.9% recorded at the end of June 2020. By the end of September 2019, the concentration stood at 61.4%.



Assets Under Management (% of Nominal GDP)

Assets under management (AUM) as a percentage of nominal GDP rose to 19.1% in Q3 2020 from 17.4% in Q2 2020. AUM rose 17.5% YoY and 9.8% on QoQ basis.



Financial Sector Development Highlights

SAMA Launches the Draft Rules for Engaging in Debt-Based Crowdfunding for the Public Feedback

The Saudi Arabian Monetary Authority (SAMA), based on the powers entrusted to it under the finance companies control law and its implementing regulations, has announced launching the Draft Rules for Engaging in Debt-Based Crowdfunding that aim to regulate the licensing of this type of companies and their business activity. In implementation of transparency and engagement principles, SAMA would like to invite both the public and stakeholders to give their remarks and feedback on the draft starting from 16/11/1441H, corresponding to 7/7/2020, and for a period of 30 days.

This comes as part of SAMA's efforts to support opportunities for economic growth and development in Saudi Arabia in order to achieve the objectives of Vision 2030 by supporting and regulating modern financing activities, including debt-based crowdfunding, in line with SAMA's role in promoting financial stability.

SAMA indicated that, through these rules, it strives to attract a new segment of investors and companies with small and medium capitals to work in a manner that ensures the efficiency of these companies' work by adhering to the requirements of information security, corporate governance, internal regulation, outsourcing, risk and compliance management, and internal auditing. SAMA also seeks to encourage innovation in finance products in a way that contributes to providing modern finance products that meet the needs of beneficiaries.

SAMA Issues 56th Annual Report for Fiscal Year 2019

The Saudi Arabian Monetary Authority (SAMA) has issued its 56th Annual Report. The report reviews key economic and financial developments of 2019 in the Kingdom of Saudi Arabia. It covers monetary and banking developments and highlights the developments of balance of payments and the latest developments of the external sector, public finance, and oil and non-oil sectors, including activities of insurance, finance, and capital market. In addition, it provides time series data for public finance and oil statistics, monetary and banking statistics, and real sector statistics.

In addition, the report highlights SAMA's endeavors to achieve the tasks entrusted to it in line with the requirements of the Saudi economy to face global challenges and achieve Saudi Arabia's Vision 2030. These tasks include enhancing the financial inclusion, developing the financing environment for SMEs, promoting the role of Islamic banking, and supporting the real estate financing, while ensuring effective supervision to maintain the stability of the financial sector. Moreover, the report discusses SAMA's efforts, in partnership with the Ministry of Finance and the Capital Market Authority, in implementing the initiatives of the Financial Sector Development Program (FSDP). The program aims to build an advanced and effective financial sector to support the growth of the national economy and stimulate savings, financing, and investment through deepening the development of the financial sector institutions.

Rules for Comprehensive Insurance of Motor Vehicles Financially Leased to Individuals

The Saudi Arabian Monetary Authority (SAMA) announced the issuance of Rules for Comprehensive Insurance of Motor Vehicles Financially Leased to Individuals, which will come into force on 01/11/2020. These rules aim to regulate the contractual relationship between the financing entities and their individual customers with relation to the insurance coverage of the financially leased vehicles. This step comes as part of SAMA's support to develop the practices in the insurance sector, protect policyholders' rights, and ensure the fairness in insurance transactions.

SAMA clarifies through these rules the rights and obligations of the policyholders "Lessor and Lessee" which fall under the framework of the finance-leasing contract on individuals' vehicles, as well as explaining how to annually calculate the actual amount of the premium; based on the changes of sum insured and pricing factors for individuals. SAMA also mentions that the driving behavior of individual will have an impact on the pricing the insurance policy; in order to encourage individuals to have better driving behavior to be entitled to "no claims discount", and any other discounts that might apply on them.

SAMA Calls for Providing E-Payment Methods for the Retail Sector

The Saudi Arabian Monetary Authority (SAMA) has directed the banks and payment service providers operating in Saudi Arabia to be fully prepared to receive requests for the installation of electronic payment methods for all activities of the retail sector as these retail activities are required to provide electronic payments starting from 6/1/1442H, corresponding to 25/8/2020.

According to SAMA, this step comes in line with its strategy for the payments sector and the Financial Sector Development Program, aimed to enhance electronic payment and reduce cash transactions. This step also complements the efforts of SAMA supporting the use of electronic channels through the implementation of the Integrated Digital Payment Strategy to improve the level of electronic services. In addition, it comes as part of enhancing customer service and protection, which is a goal that SAMA is keen to achieve through advancing the performance of these sectors in terms of fair and secure treatment and expanding the use of financial services.

Listing and Trading Government Debt Instruments in the Saudi Stock Exchange

The Saudi Stock Exchange (Tadawul) has approving through quarter three 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 35.2bn and listing of the debt instruments from a class already listed with a total value of SAR 2.2bn and Delist of Issuance with a total value of SAR 1.9bn.

SAMA: 8% Increase for the Insurance Sector in 2019; Gross Written Premiums (GWP) Reached 37.89 billion

SAMA has issued the 13th annual report on the Saudi insurance market. The report highlights the performance of the insurance sector in the Kingdom of Saudi Arabia in 2019 and the sector's contribution to the Kingdom's gross domestic product.

The insurance sector witnessed growth of circa 8% in 2019, marking the first increase in 3 years, with total written premium reaching SAR 37.89 billion. The increase was led by the Health and Property & Casualty classes. The penetration ratio of the sector increased from 1.20% in 2018 to 1.28% in 2019. Insurance density increased by 5.7% over 2018 to reach SR 1,107. In terms of the underwriting performance, the overall loss ratio remained stable, as improvement in the loss ratio for health insurance were largely offset by an increase in the loss ratio for motor insurance. The net profit (after zakat & tax) for the sector increased more than twice as much over the previous year's corresponding figure, thereby improving the return-on-assets and return-on-equity ratios. The overall Saudization ratio increased from 72% in 2018 to 74% in 2019.

SAMA Issues the 2nd Quarterly Report of the Year 2020 for the Insurance Sector

SAMA announced the release of the second quarterly report of the insurance sector for the year 2020. The report compares the performance of the Insurance Sector during Q2 2020 with the corresponding quarter in the preceding year.

The report shows positive developments during Q2 2020. The total market GWP grew by over 5% compared to Q2 2019, net income for the sector also grew driven by the growth in operating income. In addition, the report highlighted the improvement of Solvency ratio as it reached 172%. The combined ratio decreased to reach 87.3%. Loss ratio for both health and motor insurance (the largest lines of business) reduced noticeably.

SAMA Updates Rules on Disclosure of Interest Rates on Financing and Saving Products

SAMA announced the issuance of the updated version of the Rules on Disclosure of Interest Rates on Financing and Savings Products. The updated rules aim to promote transparency and enable consumers to compare financing and saving products rates. Therefore, banks and finance companies operating in Saudi Arabia are required to disclose and publish the minimum information required about products offered to retail consumers, micro and small enterprises on their websites and through their marketing channels. In addition, banks and finance companies should encourage consumers to visit their websites and compare between prices to make informed decision and choose the suitable products which serve their needs.

SAMA Announces the Licensing of "Alinma Pay" and "SURE" Companies

SAMA has announced the licensing of two payment companies, namely: "Alinma Pay" which provides a digital wallet service (an electronic transfer and payment service), and "SURE" which provides payment services (a payment gateway through fixed and mobile POS devices). Therefore, there is a total number of eight payment companies licensed by SAMA to date in the fintech sector in addition to two companies that obtained initial approval.

SAMA stressed its ongoing efforts to support the payments and fintech sector ecosystem and raise the level of effectiveness and flexibility of financial transactions in addition to enhancing innovation in the financial services provided, in accordance with the best practices and in a manner that ensures the stability of the financial sector. This comes in line with the aspirations of the Financial Sector Development Program, a Saudi Vision 2030 program, and to achieve the strategic objectives of the Vision, the most important of which is transforming into a cashless society. Moreover, the number of customers registered in digital wallet applications has exceeded four million. The capital investment by companies licensed to provide payment services has exceeded half a billion Saudi riyals since the issuance of the regulations in 2020. According to the data for Q2 2020, the total number of POS transactions increased to 502 million, recording a growth rate of 38.5% compared to the second quarter of 2019. The value of these transactions increased to SAR 76.6 billion.

The Approval of Amendments to the Securities Business Regulations, and Authorized Persons Regulations

The CMA Board issued its Resolution approving the amendments to the Securities Business Regulations, Authorized Persons Regulations and Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority, in addition to amending the name of "Authorized Persons Regulations" to be "Capital Market Institutions Regulations. The main elements of the amendments are:

- a) Amending the term of "Authorized Persons" to be "Capital Market Institutions".
- b) Developing the scope of Arranging and Advising activities, and the types of authorization for Dealing and Managing activities.
- c) Developing and facilitating the requirements for authorization to carry out securities business, commencement of business, and capital requirements.
- d) Developing the requirements for registrable functions, conduct of business, system and controls and client money and assets.
- e) Developing the requirements for client's understanding of risk, and the requirements for client suitability, including the provisions related to client classifications and Know Your Client.

The Listing of “Saudi White Cement Co.”, as the first direct listing on Parallel Market

The Nomu – Parallel Market witnessed on Wednesday 02 September 2020, the listing and trading shares of “Saudi White Cement Co.” as the first direct listing, with a 20% daily price fluctuation limit per share. Last June, the Capital Market Authority announced the issuance of its board’s decision to approve the Saudi White Cement Company’s request to register its shares for the purpose of direct listing on the parallel market.

Approval of the Instructions on Issuing Depository Receipts Out of the Kingdom

The CMA Board issued its Resolution to approve the Instructions on Issuing Depository Receipts out of the Kingdom (“Instructions”). This comes after the CMA has published the draft instructions on its website for public consultation for a period of (30) calendar days.

The instructions aim to set out the requirements and conditions for issuing depository receipts out of the Kingdom for shares issued in the Kingdom and listed in the Exchange, or shares issued in the Kingdom and its issuer has made the necessary arrangements for listing them in the exchange. This includes setting the requirements for obtaining the Authority’s approval on issuing depository receipts out of the Kingdom, and the obligations of the issuers and depository banks in this regard.

Allowing Foreigners to Invest Directly in Debt Instruments

The CMA Board issued its resolution on which included allowing foreigners, residents, and non-residents, to invest directly in listed and non-listed debt instruments. The CMA Board resolution included the following:

- a) All foreign legal and natural persons may invest directly in debt instruments.
- b) A non-resident foreign person may not invest in the market as a direct investor in listed debt instruments and as a qualified foreign investor or an ultimate beneficiary in swap agreements at the same time.
- c) A foreign person who invests directly in debt instruments may not convert such instruments into shares listed in the main market, unless such person is among the categories of investors who are allowed to invest directly in the shares listed in the main market, or becomes an ultimate beneficiary in a swap agreement in accordance with the provisions of the Authority’s instructions on swap agreements.

It is noteworthy that the Capital Market Authority worked on preparing a guide that aims to clarify the investment channels available for non-resident foreign investors, the methods of investing in listed securities, and the procedures of investment account opening. The guide can be viewed through the CMA’s website.

The Capital Market Authority Grants Two Requests for a Financial Technology Experimental Permit

Based upon the Capital Market Law issued reference to the Financial Technology Experimental Permit Instructions issued by CMA which aims to provide a regulatory framework that is conducive for the innovation of Financial Technology (FinTech) in the capital market within the Kingdom. The CMA Board of Commissioners issued its resolution to grant Mekyal Financial Company a Financial Technology Experimental Permit (ExPermit) to create an equity crowdfunding platform.

Based on this permit, Mekyal Financial Company will be able to experiment the crowdfunding FinTech which allows investors to participate in funding small and medium size enterprises in exchange for shares in such enterprises. The service is provided through an electronic platform owned and monitored by the company. The CMA Board of Commissioners also issued its resolution to grant Maysan Financial Technology Company a Financial Technology Experimental Permit (ExPermit) to experiment social trading technology.

Based on this permit, Maysan Financial Technology Company will be able to experiment the Social Trading technology, which allows a group of clients (followers’ clients) to access the investment portfolios of other clients (followed clients) and the executed transaction in their portfolios, in order to seek guidance from their investment strategies.

The Capital Market Authority’s Financial Technology Experimental Permit (FinTech ExPermit) is now opening for the 4th Batch applications

In continuation of the Capital Market Authority’s (CMA) role in regulating and developing the financial market, and as a part of its effort to cope with the continuous changes in the international markets, CMA announces the opening of the 4th batch applications for the FinTech ExPermit effective from Thursday on 01/10/2020. The application period for the 4th batch will be closed on 30/11/2020.

The CMA would like to encourage all those interested in financial technology (FinTech) and entrepreneurs to apply for a Permit from the CMA, in which their products promote innovation in FinTech and achieve growth, efficiency, competition and offer better compliance and risk management solutions in the Kingdom’s financial market. Moreover, the CMA looks forward to receiving new models in this batch to diversify investment and financing instruments in the Saudi financial market. The Financial Technology Experimental Permit instructions can be viewed on the CMA’s website.

National Debt Management Center Announces the Completion of First Early Redemption of Outstanding Bonds

The Kingdom of Saudi Arabia, acting through the Ministry of Finance (the "Issuer") announces the completion of an early redemption of a portion of the issuer's outstanding bonds maturing in August, September, November and December of this year 2020G with a total value of thirty-four billion two hundred and sixty million Saudi Riyal. At the same time, the issuer has, at the request of selling bondholders, issued new sukuk under its local sukuk programme.

This exercise is one of the initiatives of the National Debt Management Center ("NDMC") intended to unify the local issuances of the Issuer under the framework of the local Sukuk programme of the issuer in the Kingdom of Saudi Arabia. This step constitutes the first phase of the said initiative, with further phases to follow until complete unification of local issuances is achieved.

The new sukuk issuances comprise four tranches with a total value of Thirty-four billion six hundred and forty-five million Saudi Riyals. The first tranche with an amount of SAR 8,970 million maturing in 2024, the second tranche with an amount of SAR 6,025 million maturing in 2028, the third tranche with an amount of SAR 6,500 million maturing in 2032 and the fourth tranche with an amount of SAR 13,150 million maturing in 2035.

The issuer has appointed HSBC Saudi Arabia and Samba Capital & Investment Management Company as joint placement agents and dealer managers with respect of this project.

His Excellency the Minister of Finance Participates in the World Economic Forum (WEF)

His Excellency the Minister of Finance, Acting Minister of Economy and Planning, Mr. Mohammed Al-Jadaan, participated in a virtual dialogue session under the theme of "Economic Recovery and New Trajectories for Growth," as part of the "Great Reset" WEF events.

The dialogue session was introduced by Børge Brende, President of the World Economic Forum, attended by Kristalina Georgieva, Managing Director at International Monetary Fund (IMF), Anne Richards, Chief Executive Officer at Fidelity International, and Cameron Hepburn, Professor of Environmental Economics at Smith School of Enterprise and the Environment (SSEE), and was moderated by Adrian Monck, Managing Director at World Economic Forum. The Minister spoke about the role of Saudi Arabia's G20 Presidency and the actions and measures that the G20 countries have taken to respond to the Coronavirus Pandemic (COVID-19). His Excellency also spoke about the Kingdom's plans and measures for structural and reform transformations on the national level, as well as issues pertaining to economic diversification and investment into crucial and digital infrastructures.

SVC Signs an Investment Contract with Merak Capital

Saudi Venture Capital Company (SVC) signed an investment contract with the Venture Capital Fund (Merak Capital). A Technology investment institution licensed by CMA. The agreement is purposed to further accelerate the establishment of venture capital funds that invest in startups throughout their growth cycle. This step is part of FSDP & Monsha'at's Private Sector Empowerment Office initiatives to accelerate and drive forward venture capital.

The Saudi Venture Investment Company's investment in Merak Capital comes in line with its funds investment program to stimulate capital funding for SMEs and entrepreneurs and improve investment processes in startups throughout their growth cycle. The initiative helps unlock new potentials for local capabilities by investing in early growth stages to generate returns on investments for investors and realize its strategic objectives to uncover new growth opportunities for Saudi Arabia's economy.

SSC: More than 393K View to the "Financial Market" Webinar

"Monsha'at" held a virtual webinar on "the Financial Market" targeting SMEs and entrepreneurs organized by SMEs Support Council "SSC". The webinar recorded more than 393,000 views via Monsha'at social media platforms.

The webinar participants include CMA's Chairman, His Excellency Mr. Muhammad Al-Quwiz, Monsha'at's Governor, Eng. Saleh Al-Rasheed, and Tadawul's CEO Eng. Khaled Al-Hussan. SSC has reported roughly 3 million views via Monsha'at social media platforms, holding 11 sessions over a span of two months to unlock new horizons for cooperation with relevant authorities and to communicate their initiatives to entrepreneurs and SMEs.

NDMC Raises "Riyadh Bus" ECA Financing of approximately SAR 1 billion

The Ministry of Finance, represented by the National Debt Management Center (NDMC), has successfully raised Export Credit Agency (ECA) financing of approximately SAR 1 billion covering the procurement of 842 buses for King Abdulaziz Public Transport Project (Riyadh Buses) in Saudi Arabia.

On this occasion, H.E. the Minister of Finance, Acting Minister of Economy and Planning, Mr. Mohammed Al-Jadaan, stated that financing is part of the Ministry's strategy to support the continuity and completion of major developmental projects in the Kingdom; aiming to increase the private sector's contribution by providing the necessary financing for priority sectors, and encouraging projects owners in the public and private sector to adopt similar-financing sources.

The President of the National Debt Management Center, Mr. Fahad Al-Saif, indicated that ECA-backed financing has been used for the first time by the Ministry through German Export Credit Agency "Euler Hermes" with two international banks in US Dollar; for the purpose of supplying German-made buses.

Mr. Al-Saif emphasized that the center strives to empower the major strategic government projects in all sectors through securing the necessary funding in a manner that serves the Kingdom's Vision 2030.

Saudi Arabia Ranks Top in GEM Index among 54 Countries

Monsha'at announced that Saudi Arabia had ranked 1st in GEM index for 2019/2020, excelling in "Percentage of Adults who Know an Entrepreneur" indicator, which symbolizes positivity and enthusiasm in the business environment. In addition to ranking 2nd in the "possessing knowledge and skills to start a business" indicator, which epitomizes the positive impact of supportive programs in building young men and women capabilities to start their entrepreneurial endeavor.

The Kingdom ranked third in government policies that support entrepreneurship. It ranked third in "job expectations created by entrepreneurship", while coming 6th in "promising opportunities for starting a business in my region". Such numbers prove the extent of robust alignment and integration between the economy's growth plans and creating opportunities for startups and ease of doing business.

GEM report affirmed that the Kingdom achieved a rapid rise from 42nd to 18th in the "challenges to entering the local market" index, pointing to the Kingdom's steadfast advancement as it ranked 10th worldwide in government tax regulations and policies. Moreover, GEM reported a boost in Saudi Arabia's 2019 government entrepreneurship program index, ranking 15th compared to 35th in 2018. In addition to achieving a qualitative leap in Financial Leadership jumping from 45th to 19th place, while ranking 17th in the Entrepreneurial Status Index compared to its previous spot at 41st.

MENA Venture Investment Snapshot: startup funding hits 102% in H1 2020, reaching a record high of SAR 365 million

MAGNiTT's is a globally recognized platform in capturing and analyzing startups data sponsored by the Saudi Venture Investment Company, one of Monsha'at's private sector empowerment plans. MAGNiTT issued the first half Snapshot of 2020 MENA Venture Investment unveiling that Saudi Arabia's startup funding increased 102% in H1 2020, reaching a record high of SAR 365 million through 45 deals compared to H1 2019. The Kingdom has further established its unwavering commitment to empower startups for the second year in a row, ranking 3rd in terms of the number of deals and total Venture Capital, and accounting for 15% of total Venture Capital, and 18% of the number of deals in the MENA region.

The report pointed out that the total value of funding in startups in H1 2020 has topped 2019, which amounted to more than 250 million SAR, a record-breaker in terms of the total value of funding in Saudi Arabia's startups.

In this context, funding in Saudi Arabia-based startups has expanded significantly faster than the average startup funding in MENA region. The 17 countries in the region witnessed a 35% increase in total funding from H1 2019 to H1 2020, while Saudi Arabia's startup funding grew by 102%. Furthermore, Saudi Arabia registered a 29% increase, while the MENA region saw an 8% drop in the number of deals from H1 2019 to H1 2020.

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	-	8	3
SME loans as % of bank loans	2%	7.4%	5%
Coverage ratio of insurance schemes, %	38%(health) 45%(motor)	33% 39.6%	45%(health) 75%(motor)
Assets under Management, as % of GDP	12%	19.1%	>=22%
Institutional investors' share of value traded %	18%	14.3%	>=20%
# of micro and small cap companies listed, as % of total number of companies listed	34%	23.67%	>=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, Monsha'at, 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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