

Hamad Al-Sayari: A brief overview of the Saudi Arabian banking sector

Speech by His Excellency Hamad Al-Sayari, Governor of the Saudi Arabian Monetary Agency, at the opening of a branch of the National Bank of Kuwait, Jeddah, 6 May 2006.

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Dear Audience,

It gives me great pleasure to be here tonight to inaugurate the branch of the National Bank of Kuwait (NBK) in Jeddah, a city which has long been known for embracing the business sector due to its closeness to the sacred places and its unique location on the Red Sea. The commencement of NBK of its banking operations in the Kingdom of Saudi Arabia marks further consolidation of cordial relations between the two brotherly countries (Saudi Arabia and Kuwait). This is one of the fruits of mutual Gulf work which the leaderships of the two countries are keen to enhance.

Dear Brothers,

The inauguration of NBK branch comes at a time when the Kingdom is witnessing robust economic performance. In 2005, the Saudi economy grew in real terms by 6.5 percent; the private sector registered a real growth of 6.6 percent. What is reassuring is that the private sector has become the main impetus of the Saudi economy. Its average growth rate for the past years stood at 5.3 percent. This is an incarnation of the wise measures adopted by the government under the leadership of the Custodian of the Two Holy Mosques to carry out more structural reforms (institutional and regulatory) which we have begun to feel their positive effects in all aspects of economy.

It will be appropriate here to say a few words about the dynamic and crucial role played by the banking sector in the Kingdom, which is manifested in the substantial increase in the credit extended to the private sector which grew by 29 percent annually during 2003 – 2005; and it amounted to RIs 436 billion at the end of 2005. As a result of the expansion in banking business, the assets of the banking sector increased by 14.4 percent annually during the past three years (2003 – 2005). At the end of the first quarter of 2006, they stood at RIs 797.4 billion, constituting about 70 percent of the Kingdom's economy. Deposits with the banking sector rose by 13.7 percent annually during the past three years, and they amounted to RIs 521.5 billion at the end of the first quarter of 2006.

The positive indicators of the banking sector which rest on the robust fundamentals of the Saudi economy have prepared an appropriate environment for banks to adapt to successive, regional and international changes during the previous period. Banks operating in the Kingdom have been able to overcome the crises that hit other economies, and have been able to benefit from banks' experiences and modern banking technology. This is reflected in the diversity of banking services and products offered in the Kingdom and their highly advanced level.

Currently, 15 banks are operating in the Kingdom with a network of 1,251 branches at the end of the first quarter of 2006, including the branches of Gulf and foreign banks such as the Gulf International Bank, the Emirates Bank, BNP Paribas and Deutsche Bank which was opened last week. In addition, licenses were granted to several Gulf and foreign banks to open branches in the Kingdom. Also, the establishment of a Saudi bank with a paid-up capital of RIs 15 billion has been approved. Preparations are currently underway on finalizing the procedures of its establishment under the name of "Bank Al-Enma".

On this occasion, I congratulate the NBK on the commencement of its operation in the Kingdom, and I wish the Bank and its staff good luck and success.