

CAPITAL MARKET OVERVIEW

Saudi
Exchange

THIRD QUARTER 2022

www.saudiexchange.sa



FOREWORD

Saudi Arabia continues to weather turbulent global macroeconomic conditions, showing encouraging signs of strength as markets in our region and around the world face market volatility.

Looking deeper, data reveals that Saudi Arabia's GDP grew by 2.22% in the second quarter of 2022, outpacing the 0.40% OECD average GDP growth. The Kingdom's growth is even more impressive when compared with the G20 average GDP contraction of -0.40% during the same period.

During the third quarter of 2022, the majority of GCC exchanges experienced volatility, with many exchange indices starting off the quarter in a decline, rebounding in August before ultimately falling again through September to the end of the quarter. On the Saudi Exchange, we saw market capitalization decrease 5.34% on the main market as a result.

While the total size of the Exchange's sukuk and bonds issuance fell slightly during the third quarter, down 0.22%, we are pleased with recent market activity. We saw a significant uptick in sukuk and bond trading during the quarter compared with the second quarter, with the number of trades increasing by nearly 11% and the value traded increasing by over 260%, rising to SAR 2.47 billion.

In an encouraging sign for our market, Nomu-Parallel Market saw its market capitalization rise by 3.44%, adding seven new listed

companies in the third quarter. We developed Nomu as an alternative equity platform for companies that historically struggled to list because of the high barriers to entry. We are pleased to have fostered the growth of a market featuring companies of various sizes from a diverse range of sectors.

Providing investors with a broad array of investment opportunities is crucial for drawing investors to our market and increasing liquidity. This quarter, materials and banks led trading activity, accounting for roughly 25% and 19% of the value traded on the Exchange, respectively.

Saudi Tadawul Group and our subsidiaries are moreover taking action to increase foreign participation in our market through far-reaching market enhancements and initiatives. In this report, Edaa CEO Raed Ibrahim Al-Humaid speaks about the Group's progress in facilitating access for foreign investors.

Despite fluctuations in global markets, the Saudi economy has proved its strength and resilience. The Saudi capital market has witnessed remarkable development in several areas, and we seek to continue this momentum to achieve the goals of investors and all market participants.

Mohammed Al Rumaih
CEO of Saudi Exchange



Q3 KEY HIGHLIGHTS

SAUDI CAPITAL MARKET

6.05

BILLION SAR

(1.61 BILLION USD)

Average daily value traded during Q3 2022

10.99%

The Q-on-Q growth of the number of trades in sukuk & bonds; with 525 trades during Q3 2022

280

BILLION SAR

(74.73 BILLION USD)

Holding value of Qualified Foreign Investors at the end of Q3 2022



The Saudi Arabian Economic Overview

(Based on data available at the time of publication)

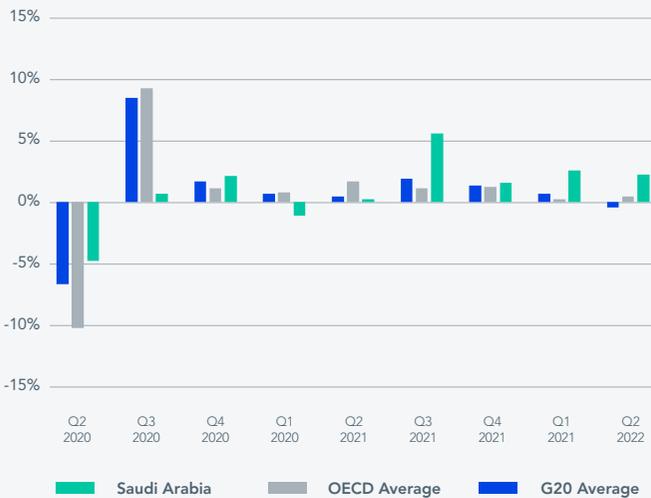
As 2022 progresses, Saudi Arabia has largely continued to enjoy the steady economic growth it experienced throughout much of last year. With the effects of the pandemic beginning to fade, the Kingdom has been well poised to capitalize on these conditions. Saudi Arabia's GDP grew 2.22% in the second quarter of 2022, over five times the OECD average GDP growth of 0.40%. Saudi Arabia's positive growth is even more striking when contrasted with the G20 average, which witnessed a GDP contraction of -0.40%.

Concurrently, the unemployment rate continued to decrease, falling to 9.70% in Q2 2022 from 10.10% in Q1 2022. While the decline in

unemployment should allow for an uptick in domestic demand, this is likely to be constrained by the continued global rise in inflation. On this front, except for a small 0.10% dip between April and May, Saudi Arabia has seen a steady month-on-month increase in inflation throughout 2022, in line with other economies around the world. Inflation rose slightly in June to 2.30% from 2.20% in May and increased further to 2.70% in July, reaching 3.1% in September, at the end of Q3.

Saudi Arabia successfully maintained the positive economic momentum it built over the course of 2021 through the halfway point of 2022. Despite the impact of varying geopolitical and economic events on global markets, the Kingdom has managed to sustain growth as it continues to recover from the impact of the pandemic.

GDP GROWTH Q-ON-Q



SOURCE: GDP AND SPENDING - QUARTERLY GDP - OECD DATA

SAUDI NATIONALS' UNEMPLOYMENT RATE Q-ON-Q



SOURCE: GENERAL AUTHORITY FOR STATISTICS (STATS.GOV.SA)

INFLATION RATE M-ON-M



SOURCE: INFLATION RATE (SAMA.GOV.SA)



Market Enhancements

Muqassa and Edaa announce changes to cash market clearing and depository center procedures (September 2022)

Muqassa and Edaa announced changes to the Saudi Exchange's cash market clearing and depository center procedures, further strengthening the stability of the Saudi capital market. As a result of the changes, the settlement date for failed trades made on the Saudi Exchange will go from two business days to 8 business days from the intended settlement date. Market members also have the option of obtaining securities from the main market and settle trades before mandatory buy-in is activated 5 business days after the intended settlement date. If the securities are not delivered by the intended settlement date, Muqassa will initiate the cash substitution process, whereby securities are substituted with a cash obligation. These changes avoid substitution and increase the chances of delivering securities to clients effectively.

Thomas Murray upgrades the central securities depository risk assessment for Edaa from 'A' to 'A+' with a stable outlook (August 2022)

The overall risk rating for the Securities Depository Center Company (Edaa) was upgraded from 'A' to 'A+' with a stable outlook by Thomas Murray, the leading global post-trade risk and custody specialist. Thomas Murray also reviewed and upgraded Edaa's component risk grades for Asset Commitment Risk from 'A-' to 'AA', Liquidity Risk from 'A' to 'A+' and Counterparty Risk from A- to AA- with a stable outlook. The revision comes following several enhancements including removal of pre-funding requirements, the introduction of a central counterparty in the cash market (Muqassa), and the recent roll-out of enhancements to improve trade and post-trade services, including expanded settlement over three daily batches and buy-in facilities.



Leadership Insights

إيداع
Edaa

من مجموعة تداول السعودية
From Saudi Tadawul Group



The Saudi Tadawul Group has made facilitating access for investors to the Saudi capital market a top priority as it works to continue developing a leading capital market and turn Saudi Arabia into an international investment destination of choice. Edaa, the Securities Depository Center Company, is a driving force behind the Group's efforts to increase and ease access to the Saudi capital market and enhance opportunities for existing and potential investors and other market participants.

Edaa is improving access to the Saudi market by introducing linkages with foreign depository centers and by investing in its infrastructure.

Raed Ibrahim Al-Humaid, Edaa's Chief Executive Officer, sheds light on how the linkages and recent enhancements are helping to transform the Saudi capital market.

Can you tell us more about Edaa's linkages with Euroclear and Clearstream and how they were developed?

The process of developing linkages began in 2021 when Saudi Arabia's Capital Market Authority approved Edaa's international central securities depository instructions (ICSD), which enabled Edaa to form linkages with international securities depository centers.

We announced our first linkage with Clearstream, the post-trading service provider of Deutsche Börse Group, in June 2021. Launching this linkage, which allows foreign investors to access the Exchange's sukuk and bond market and ETFs, was a significant step forward toward realizing our vision of opening the Saudi capital market to international investors. Soon after, in October 2021, Edaa signed an agreement with Euroclear Bank, a Brussels-based international central securities depository, to launch a fully-Euroclearable link that allows foreign investors to access the local sukuk and bond markets.

Importantly, these linkages allow investors to trade and safe keep Saudi government and semi-government bonds listed on the Exchange without holding QFI status, removing what can sometimes be a barrier to entry for foreign investors.

What are some of the recent enhancements implemented by Edaa and why are they significant for the Saudi capital market?

In April 2022 Edaa along with Muqassa and the Saudi Exchange implemented the largest set of enhancements introduced in the history of the Saudi capital market. Edaa aligned its depository system and post-trade services with international standards and introduced straight-through processing of ISO messaging as well as daily and ad-hoc reconciliation and reporting of participants.

Straight-through processing helps to reduce settlement risk by sharing information electronically, meaning data is received almost instantly.

In September 2022, we also changed the settlement cycle for failed trade from T+2 to T+8, increasing the effective delivery of trades to clients.

On a broad scale, the enhancements increase opportunity and access for foreign investors by strengthening the market infrastructure, improving risk management tools, enhancing the trading process, and increasing efficiency in the market.

Edaa's risk rating was recently upgraded, what does this mean for the Saudi capital market?

This upgrade serves as a testament to our efforts to align with international standards by introducing a new central securities depository system and improved post-trade services. We aim to continue enhancing the experience for market participants and offer secure depository services, while strengthening the Saudi capital market's infrastructure and increasing its attractiveness to investors and issuers alike.

How does Edaa plan to use this momentum going forward?

An important element of Vision 2030 is to bring international investors into our capital market. The linkages with Clearstream and Euroclear build on the growing excitement internationally about the Saudi debt markets. We are eager to capitalize on this excitement by continuing to invest in our infrastructure and systems. Moreover, we will reach out directly to foreign investors to better understand their needs and improve our market experience through honest conversations and listening to their direct feedback.



Equities

The Saudi Exchange’s Main Market declined in Q3 2022, however the Nomu – Parallel Market grew.

The total value traded on Saudi Exchange’s Main Market decreased by 26.64% from the previous quarter, and its market capitalization decreased by 5.34%. Still, the number of newly listed companies on the main market continued to grow, in line with last quarter, with two new companies listing on the main market during the quarter.

The Nomu–Parallel Market grew both in terms of total listings and market capitalization, adding seven new listed companies in Q3 2022 with its total market capitalization increasing by 3.44%.

Main Market - Q3 2022		Nomu - Parallel Market - Q3 2022	
10.83 trillion (5.34%) ↓ Market capitalization (SAR)	363.10 billion (26.64%) ↓ Value traded (SAR)	35.82 billion (3.44%) Market capitalization (SAR)	1.97 billion (3.37%) ↓ Value traded (SAR)
217 (+2) Listed Companies	11,405.32 (1.02%) ↓ Tadawul All Share Index (TASI) Closing	38 (+7) Listed Companies	19,870.82 (7.94%) ↓ Parallel Market Capped Index (NomuC) Closing

Over the Q3 period, average daily traded value rose significantly from SAR 5.63 billion in July to SAR 6.91 billion in August, only to fall to SAR 5.43 billion by the end of the quarter in September.

AVERAGE DAILY VALUE TRADED & VELOCITY



PERFORMANCE OF TASI & VOLUME TRADED

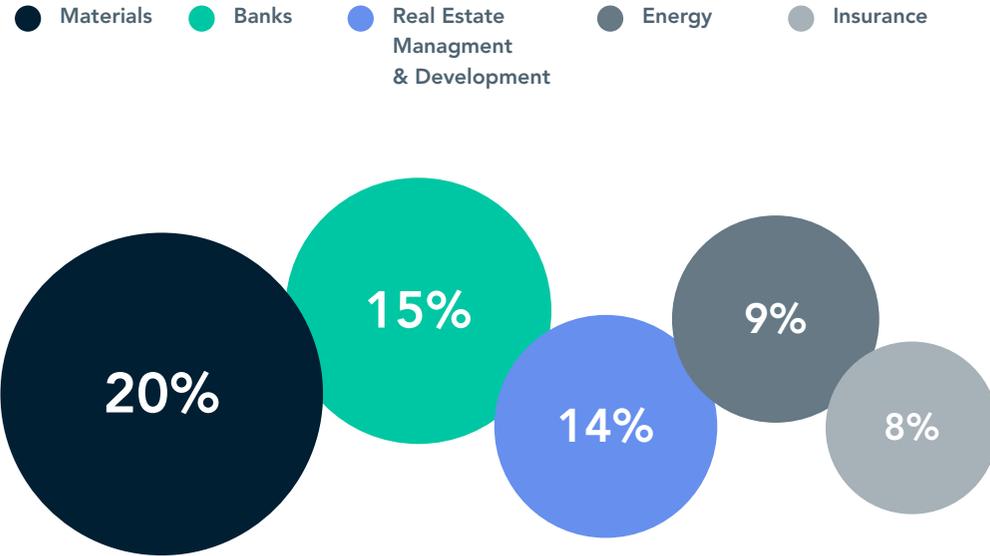


Note: No trading during the second week of July due to Eid Al Adha.



During Q3 2022, materials and banks were the most active industry groups in terms of both volume and value traded.

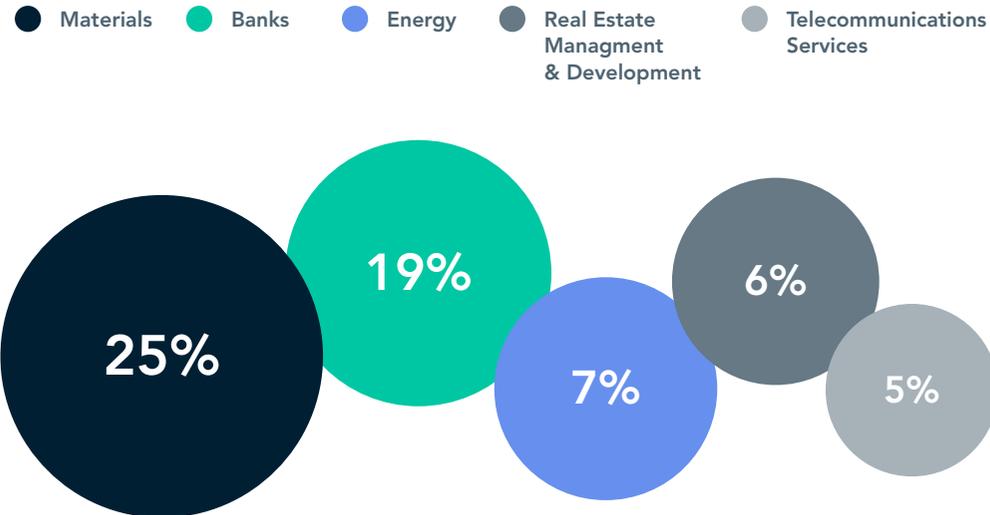
TOP 5 INDUSTRY GROUPS TRADED BY VOLUME - Q3 2022



Other Industry Groups:

- Telecommunications Services 5.40%
- Food & Beverage 3.58%
- Consumer Services 3.32%
- Capital Goods 3.09%
- REITs 2.26%
- Transportation 2.26%
- Diversified Financials 2.17%
- Retailing 1.97%
- Food & Staples Retailing 1.91%
- Consumer Durables & Apparel 1.81%
- Utilities 1.57%
- Health Care Equipment & Svc 1.54%
- Commercial & Professional Svc 1.19%
- Software & Services 1.13%
- Media & Entertainment 0.29%
- Pharma, Biotech & Life Science 0.16%

TOP 5 INDUSTRY GROUPS TRADED BY VALUE - Q3 2022



Other Industry Groups:

- Food & Beverages 4.17%
- Software & Services 4.15%
- Insurance 4.05%
- Consumer Services 3.77%
- Capital Goods 3.22%
- Utilities 2.96%
- Food & Staples Retailing 2.80%
- Diversified Financials 2.58%
- Health Care Equipment & Svc 2.57%
- Retailing 2.47%
- Transportation 1.64%
- Commercial & Professional Svc 1.49%
- Consumer Durables & Apparel 1.23%
- Media and Entertainment 0.93%
- REITs 0.54%
- Pharma, Biotech & Life Science 0.12%



Sukuk & Bonds

The Saudi Exchange’s total size of sukuk and bonds issuance fell slightly by 0.22% to SAR 511 billion in Q3 2022, with six delistings and no new listings. However, sukuk and bonds performed extremely well compared with the previous quarter—the number of trades increased by nearly 11%, while the value traded significantly increased in Q3 from Q2, rising by 260.60% to reach SAR 2.47 billion.

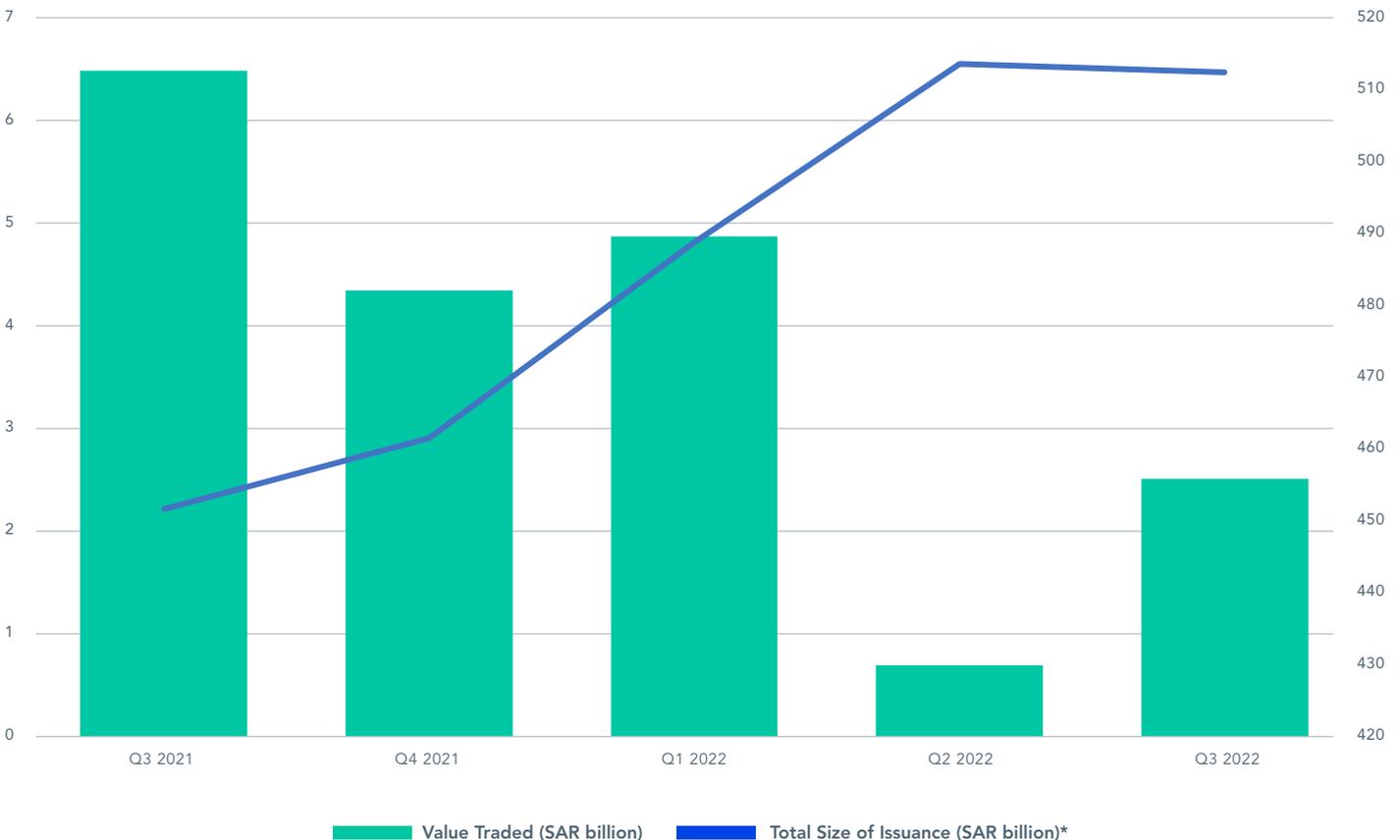
Sukuk / Bonds – Q3 2022 Overview

511 billion (0.22%) ↓ Total Size of Issuance (SAR)	956.46 (0.10%) ↓ Sukuk and Bonds Market Index closing	77 (6 delistings) ↓ Listed sukuk and bonds
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Q3 2022 VS. Q2 2022

Number of Trades 525 (+10.99%) ↑	Value Traded (SAR) 2.47 Billion (+260.60%) ↑	Nominal Value Traded (SAR) 699.36 Million (+261.92%) ↑
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SUKUK & BONDS TOTAL SIZE OF ISSUANCE AND VALUE TRADED



*As at the end of the quarter



Derivatives

The volume of derivatives contracts traded on the Saudi Exchange in Q3 2022 was 301, an increase from 187 in Q2 2022. However, the total value traded decreased to SAR 4.55 million in Q3 2022 from SAR 32.6 million in Q2 2022.

Derivatives – Q3 2022 Overview

4.55 million
Value Traded

25
Number of Trades

DERIVATIVES MONTHLY TRADING STATISTICS – Q3 2022

Month	Volume Traded	Value Traded (SAR)	Number of Trades
July 2022	146	884,430	15
August 2022	135	3,511,600	9
September 2022	20	152,400	1

VOLUME & VALUE TRADED OF DERIVATIVES CONTRACTS





Ownership

Ownership of firms listed on the Saudi Exchange is becoming increasingly institutional and international in nature. The value of foreign investors' holdings in the Main Market remained relatively stable, at SAR 353.14 billion in Q3 from SAR 353.69 billion in Q2. Concurrently, the Nomu - Parallel Market fell slightly to SAR 378.65 million in Q3, down from SAR 387.82 million in Q2 2022. Importantly, the Saudi Exchange continues to work closely with the Capital Market Authority to make the Saudi market attractive to international investors by improving market function and efficiency, expanding access, improving corporate governance, and increasing transparency.

Foreign Investor Ownership* - Q3 2022 Overview

353.14 billion
Main Market Holding Value (SAR)

378.65 million
Nomu - Parallel Market Holding Value (SAR)

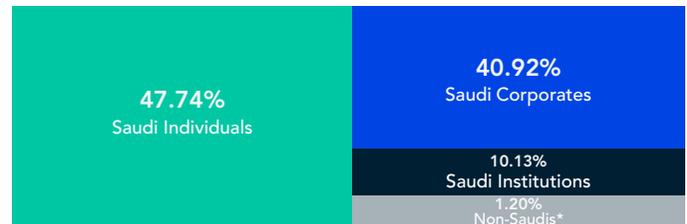
*Includes SWAP Holders, Foreign Residents & Others, QFIs, Foreign DPMs and Foreign Strategic Investors

OWNERSHIP BY INVESTOR TYPE Q3 2022 (Main Market)



*Excluding GREs **Includes (Foreign & GCC)

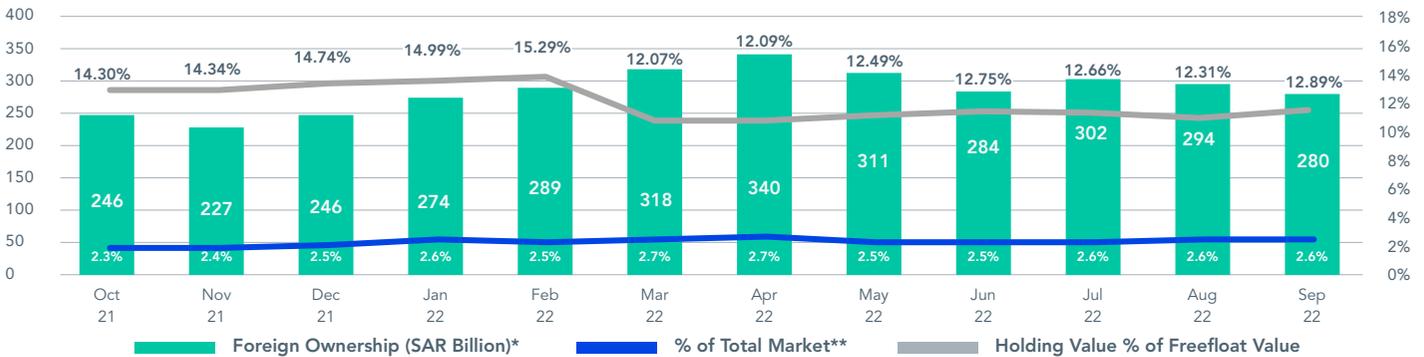
OWNERSHIP BY INVESTOR TYPE Q3 2022 (Nomu-Parallel Market)



*Includes (Foreign & GCC)

QFIs are playing an increasingly significant role on the Saudi Exchange, and by the end of Q3 2022 their holdings in Saudi-listed firms stood at SAR 280 billion. The percent of the total market that QFIs represents continued to hold steady at around 2.6% throughout the quarter.

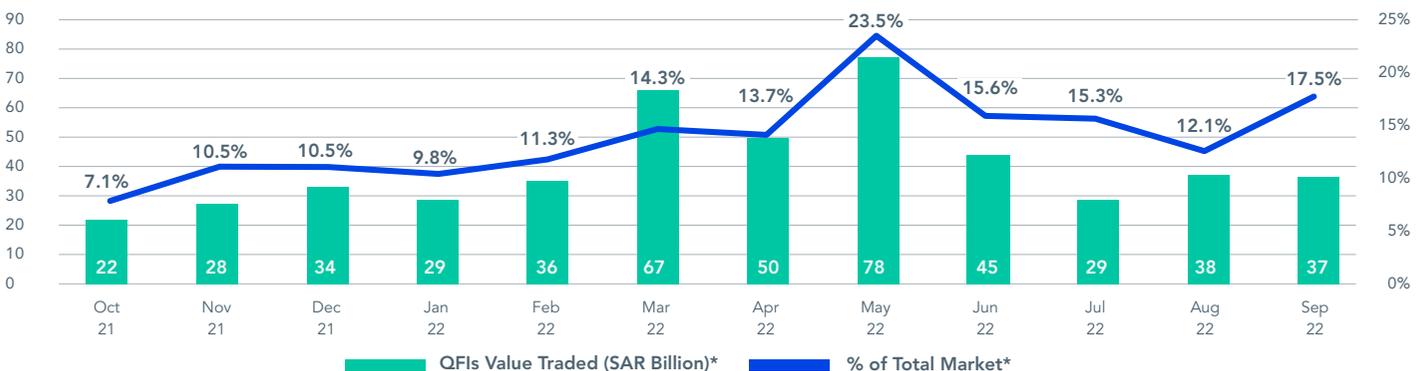
QFI OWNERSHIP - MAIN MARKET (BILLION SAR)



* As at the end of the month **For issued shares

During Q3 2022, value traded by QFIs fell to SAR 104 billion from SAR 174 billion in the previous quarter. However, in September QFI trading value represented 17.5% of the total market, its second highest peak over a 12-month period.

QFI TRADING VALUE - MAIN MARKET (BILLION SAR)



* As at the end of the month

