





السوق المالية السعودية
Saudi Stock Exchange
Annual Report 2019



“My primary goal is to create an exemplary and leading nation in all aspects, and I will work with you in achieving this endeavour.”

King Salman Bin Abdulaziz Al-Saud
Custodian of the Two Holy Mosques

“We are a G20 country. One of the biggest world economies. We are in the middle of three continents. Changing Saudi Arabia for the better means helping the region and changing the world.”

Mohammed Bin Salman Bin Abdulaziz Al-Saud
Crown Prince, Deputy Prime Minister and Chairman of the Council of Economic and Development Affairs

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The financial and operational aspects of Tadawul and its subsidiaries; Edaa (Securities Depository Center Company), and Muqassa (Securities Clearing Center Company) are covered in this Report. The Report covers the period from 1 January 2019 to 31 December 2019, which is consistent with our annual reporting cycle. The Report has been issued in both Arabic and English and in the event of any discrepancy the Arabic version shall prevail.

Reporting channels →

Our Annual Report 2019 is being released in multiple digital mediums and formats simultaneously to effectively meet the diverse interests of our different stakeholder groups.



Print/PDF version

The PDF version of our Report comprises our statutory annual report, which may be downloaded from our website.



HTML version

The end-to-end interactive online HTML version of our Report is identical to the PDF version, while it includes features for ease of finding, recording, extracting and sharing information.



<https://annualreport2019.tadawul.com.sa/>



Executive summary

The executive summary of the Report in both PDF and video formats is ideal for those who want a quick read while on the go and for sharing information through social media.



<https://annualreport2019.tadawul.com.sa/Resources/AnnualReport2019/esp>



<https://annualreport2019.tadawul.com.sa/Resources/AnnualReport2019/esv>

SHAPING THE CONTOURS OF A NEW ERA

Where we stand

Tadawul now ranks among the top 10 largest exchanges globally in terms of market capitalization. (USD Tn)

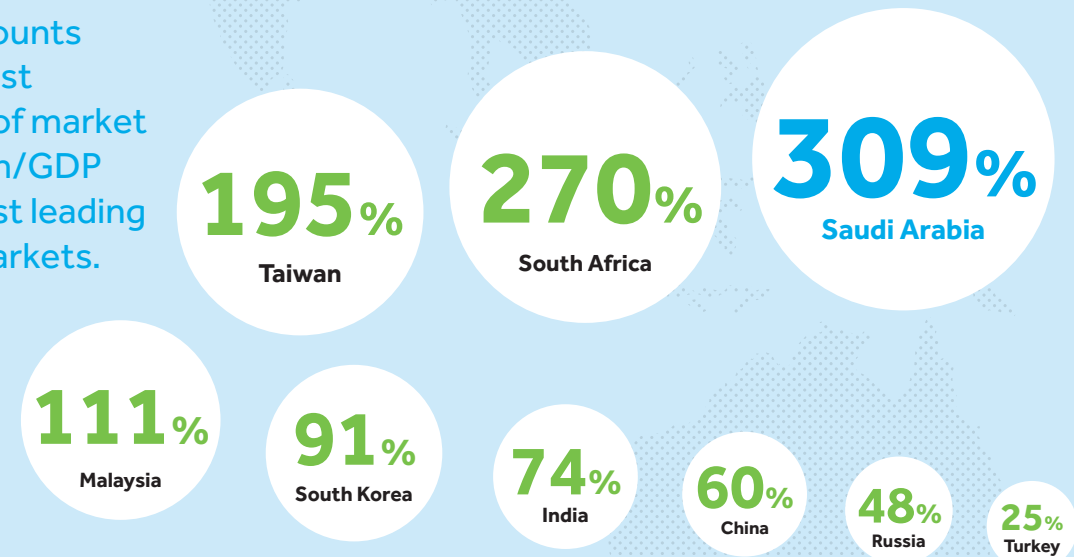


Tadawul accounts for 76% of the market capitalization in the Middle East and North African (MENA) region.



Tadawul has taken a step to the next level in its evolution, and is well placed to realize its goal of becoming a global stock exchange.

Tadawul accounts for the highest percentage of market capitalization/GDP ratio amongst leading emerging markets.



All statistics above are as at 31 December 2019.

Our history

From humble beginnings over six decades ago, we have grown to be a regional exchange for the Middle East.



2019

Tadawul becomes one of the 10 largest exchanges in the world

Listing of Saudi Aramco, the largest IPO in the world

Complete inclusion in MSCI and S&P Emerging Market Indices

Partial inclusion in FTSE Russell Emerging Market Index

Permitting foreign companies to list in Tadawul



2018

Formation of Securities Clearing Center Company (Muqassa)

Announcement of inclusion in three global indices



2016

Establishment of Securities Depository Center Company (Edaa)

2015

Opening the market to qualified foreign investors

2007

Tadawul was formed as a joint stock company and the sole entity authorized to act as a securities exchange

2003

Capital Market Authority was established as a regulatory and facilitatory body

The launch of a modified system known as Electronic Securities Information System (ESIS) by Saudi Arabian Monetary Authority (SAMA)



1991

The launch of the Automated Saudi Stock Information System by Saudi Arabian Monetary Authority (SAMA)

1984

The Saudi Company for Share Registration was officially established after being regulated by a Special Ministerial Committee

1980

Acquired some formal status as the Saudi Company for Share Registration

1970s

Continued as such with only 14 listed companies

1954

Began as an informal financial market

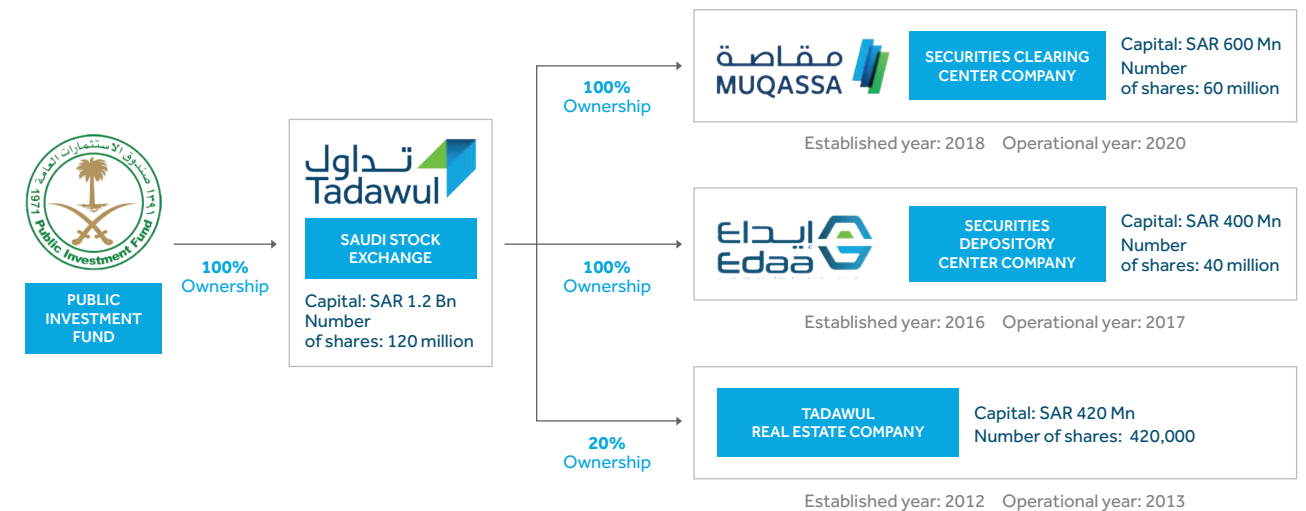
Who we are

Tadawul was formed on 19 March 2007, as a joint stock company and is authorised to act as a securities exchange in the Kingdom of Saudi Arabia.

The Exchange is regulated by the Capital Market Authority but has become a partially self-regulating organization since 2018. It is supported in its operations by two wholly-owned subsidiary companies. The Securities Clearing Center Company (Muqassa), was established in 2018, to play an intermediary role in the trading process and reduce counterparty risk. The Securities Depository Center Company (Edaa), established in 2016, operates and maintains the Depository and Settlement System which is used to record and maintain securities as well as to register the ownership of securities.

Tadawul is an affiliate member of the International Organization of Securities Commissions (IOSCO), the World Federation of Exchanges (WFE), the Arab Federation of Exchanges (AFE), and is also a member of the United Nations Sustainable Stock Exchanges (UNSSE). The share capital of Tadawul is SAR 1.2 Bn divided into 120 million shares of equal value of SAR 10. All shares have been subscribed to by the Public Investment Fund.

Ownership structure





VISION

To be an integrated financial exchange that fosters the development of a diverse Saudi capital market and competes internationally.



MISSION

To offer sound, efficient and attractive capital market products and services that deliver superior value to our market participants and stakeholders.

CORE VALUES

Focus



We scrupulously observe the dynamics of the market and this allows us to make sound decisions for the future, leveraging the use of sophisticated market tools. All decisions we make are based on accurate information, keeping us at the forefront. We are very cognizant of the implications of the environment that we operate in and always factor the possibility of the unexpected into our plans.



Agility

We understand the time-sensitivity in the financial market and have equipped ourselves with a team that is always alert and proactive. We understand external factors come into play to impact the market's stability, yet we are always ready to intervene as required and create the necessary balance. We are an Organization that responds swiftly to requirements and our decisions are not constrained by bureaucratic processes.



Fairness

We apply self-imposed filters in our dealings with different parties to ensure fair treatment of everyone. We apply objectivity in evaluating our employees and provide equal opportunities to all our human resources. We have a commercial responsibility yet abide by the highest ethical standards in our operations.

What we do

Tadawul provides a platform for the listing and trading of a variety of securities such as equities, Real Estate Investment Traded Funds (REITs), Exchange Traded Funds (ETFs), Corporate bonds, Government bonds, and Sukuks.

Tadawul's objectives and strategies are closely aligned with those of the Kingdom's Vision 2030. The goals which both share include increasing the private sector's contribution to the economy, drawing in more foreign investment, and growing the SME sector.

A securities exchange provides the infrastructure where corporates can raise equity or loan finance. It also provides a secondary market where securities can be traded. Today, record of the ownership of securities and the trading process has moved almost totally to the electronic medium. Prices of securities are usually fixed through an auction process where offers to buy and sell are matched.

A core function of the exchange is the depository, which maintains records of ownership of shares (by way of an account for each investor); it also records and confirms transfers of ownership. A registry is the record of the complete details of the ownership of the securities of an individual corporate.

The clearing is a procedure for calculating the obligations arising from the concluded transactions in securities and the preparation procedure for the settlement of such transactions by checking the availability of the required securities and cash. The conclusion of the transaction happens at the settlement stage where funds and securities are transferred to the respective parties.

ERA DEFINING MOMENTS

Benchmarking

Inclusion in three global indices



completion in March 2020

Launch of MT30 joint index



Resulting in

Nearly quadrupling the number of QFIs to

1,800
from 500 in 2018

Supported by

Allowing listing of foreign companies	Signing agreements with Abu Dhabi Stock Exchange and Bahrain Clear to promote uniformity in listing procedures and requirements	Structural changes on Nomu – Parallel Market	Changes in the Edaa and Muqassa legal regulations	Changing the Government debt instrument face value to SAR 1,000 to ease access for retail investor	Reduction in debt market trading fees
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New listings

أرامكو السعودية
saudi aramco
The largest IPO in history



Five other listings with a total market capitalization of around

SAR 17.5 Bn

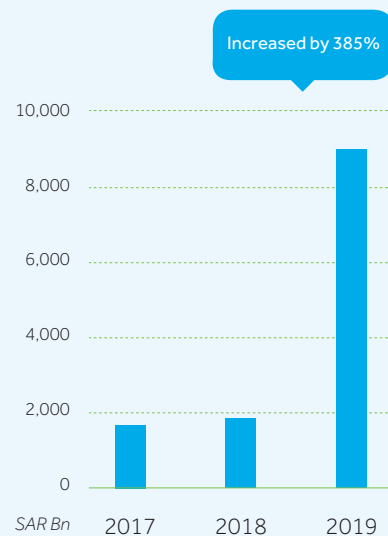


Total number of listed companies reached **199**

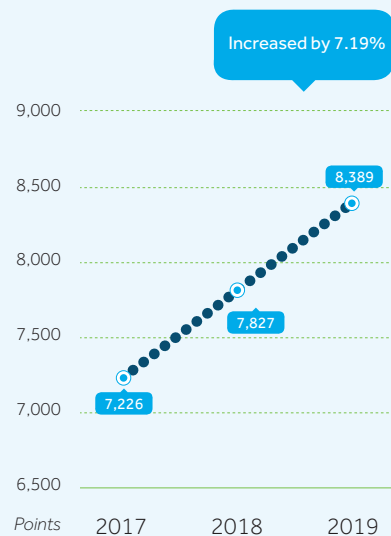
Pipeline for 2020

Introduction of derivatives	Completion of FTSE Russell inclusion	Introduction of market makers	Listing of Closed Ended Funds (CEFs)	Listing ETFs with new diversified underlying products (debt instruments and commodities)	Enhancement in the short selling, securities borrowing and lending regulations
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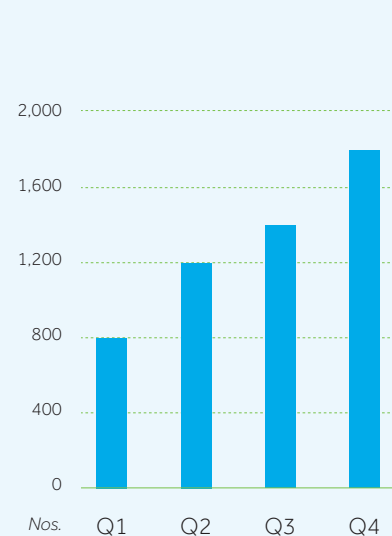
Market capitalization



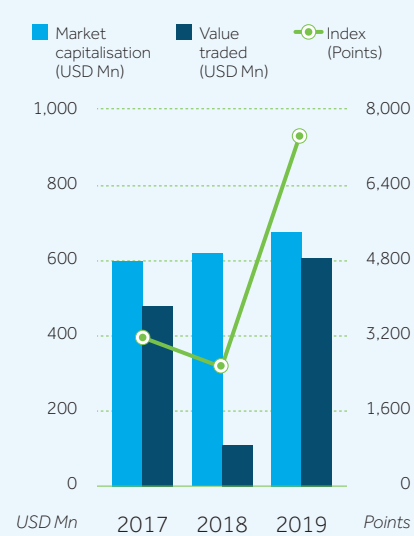
Tadawul All Share Index (TASI)



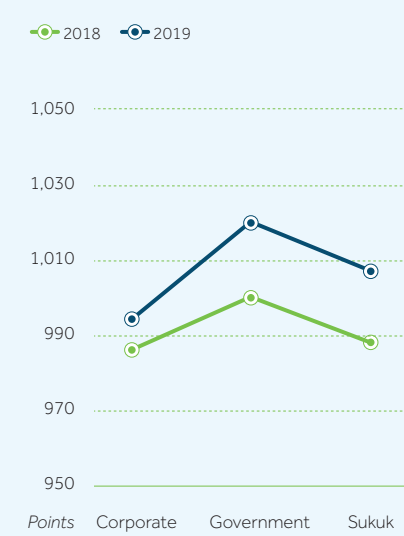
Number of QFIs (2019)



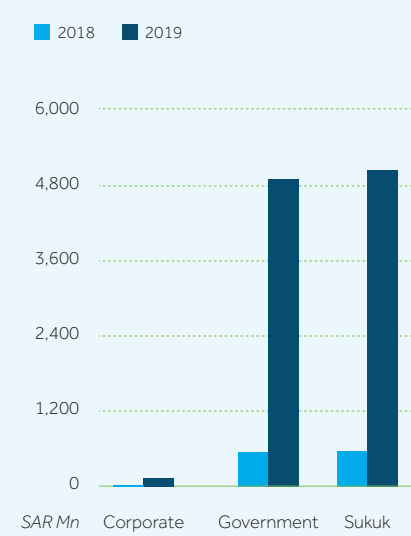
Nomu – Parallel Market



Debt securities – Indexes



Debt securities – Value traded



All statistics above are as at 31 December 2019.

THE MAKING OF AN EPOCH

Building on what we had achieved in preceding years, in 2019 we transformed ourselves and entered the ranks of another tier of global stock exchanges.

A memorable year

For the Saudi Stock Exchange, this was indeed a year to remember. A year in which we made, not incremental changes as in the previous years, but a quantum leap. Two global indices included us in their emerging market lists, while another will follow shortly. This was noteworthy in itself; what is remarkable is that we achieved this after being on watch lists for only one year. The Aramco listing at the close of the year brought us within the ranks of the leading exchanges globally, with a near five-fold growth in market capitalization. We began 2020, with the certitude that we were on the threshold of a new era.

Through the development of the Exchange we enhanced our contribution to the economy of the Kingdom and the goals of Vision 2030.

Underpinnings of an epoch

Tadawul's Vision, Mission and strategies are closely aligned with those of Saudi Arabia's Vision 2030, which will chart the course of the Kingdom for the next decade. One of the themes of Vision 2030 is building a thriving economy. Tadawul, by the very nature of its function and operations, contributes to this goal. The Financial Sector Development



Program (FSDP), which is the most prominent of thirteen delivery programmes launched under Vision 2030, also has as its first objective the formation of an advanced capital market. The Exchange can also be confident that it will make a major contribution to some of the specific goals of Vision 2030; becoming the 15th largest economy in the world; increasing the SME contribution to the GDP to 35%; increasing foreign direct investment (FDI) to 5.7% of the GDP; and raising the share of non-oil exports in non-oil GDP to 50%. In 2019 we made a very significant contribution to the SME sector through major developments in the parallel market. There was also an exponential growth in the number of Qualified Foreign Investors (QFIs), which will continue to bring returns by way of increased FDI flows in the future.

Tadawul has now acquired more international visibility and is seeking to expand its activities regionally and worldwide. We do not adopt a short-term insular approach.

We seek to break boundaries and look for new opportunities. An example is the MOUs we signed with Abu Dhabi Stock Exchange (ADX) and Bahrain Clear. These agreements open the door for the parties to share knowledge and expertise, promote people development, align policies, and promote cross-listings. We expect that the results will be win-win for stakeholders in the respective markets. Our subsidiary Edaa also signed an MOU with Euroclear Bank which will help forge links between the depositories, in turn enhancing access to local and foreign investors. Tadawul has positioned itself as an innovator and not a follower. A demonstration of this was the entry of ETFs into the debt market which was a pioneering step.

Tadawul does not confine its strategies to those which will lead to immediate economic and financial outcomes. We are increasingly concerned with environmental, social and governance (ESG) considerations, a trait we share with many stock exchanges globally. During the year, we strengthened our alignment with the goals of the United Nations Sustainable

Stock Exchanges (UNSSSE). In 2018, we identified five of the United Nations Sustainable Development Goals (SDGs) as the most relevant and appropriate ones to focus on in our sustainability activities and have developed programmes which support most of these goals.

As the new era dawns

The year under review was indeed an exceptional one for Tadawul. Our accomplishments give us much to build on and look forward to a great future for the Exchange. We expect to expand our global and regional links to further enhance our image in the global stock market arena. We also look forward to the introduction of new products and services that will provide an even better fit with the needs of diverse investors.

A development that has crucial implications for the future is the new Capital Market Law. The amendments brought through the Law have better aligned us with international standards of capital markets. The changes will strengthen mechanisms for compensating unfairly affected investors, fast-tracking the related procedures and increasing security of investors. This will enable new classes of securities and attract even more foreign investment.

I have to thank the CEO and the Board of Directors for their dedication and for contributing the wealth of knowledge and experience they have between them. The Senior Management Team has performed extremely creditably in keeping operations flowing smoothly amidst a plethora of changes; this was also made possible due to the dedication and commitment of our employees. I also have to acknowledge the very constructive role played by our regulator, the Capital Market Authority (CMA). I should not forget the brokers, investors, custodians, information service providers and other market participants whose association keep the wheels of our business turning. I look forward to the continued support of our stakeholders in ensuring that the Exchange realises its vision.

We look forward to expanding our reach geographically while broadening our product and service portfolio.

Sarah Al-Suhaimi
Chairperson

TRANSCENDING BOUNDARIES

It was a year of great achievement in markets and technology as well as in people development.

Navigating challenges and seizing opportunities

The year under review was one where Tadawul recorded many extraordinary and multi-faceted achievements. The Exchange dramatically elevated its standing in the global stock market landscape. This not only bolstered our brand image in the global investor community, but was also a great achievement for the Kingdom as a whole, and one which our citizens could take pride in. Major developments and innovations took place in market, products, technology, and organization. In tandem with these changes there was the supporting development in our people skills.

Looking back, we can discern a great enhancement in our value proposition over a five-year period. This is visible in the change of the composition of our investor profile; from being a largely Saudi retail-based one, it has evolved into one encompassing institutional investors and with a global composition. The results of our successes are not immediately visible in the financial results for the year. However, this is explainable by the fact that additional expenses incurred will bring results in subsequent years.

The exchange has been in a process of rapid development for several years. However, the great events of 2019 had their immediate precursors in the two years preceding which set the stage for the transformation during the year. Measures such as the formation of the subsidiary companies, launching of the parallel market, updating of the independent custody model, introduction of auction method for closing prices, and the announcement on the part of three global indices of intention to grant Tadawul emerging market status laid the foundation for the year's achievements.



Triumphs of the market

While the year was a remarkable one on the whole, the watershed moment came as the year was coming to an end, the listing of Aramco. This was the culmination of about two years of arduous preparatory work, especially in markets and technology. The massive increase in volume created a need for a major revamping of infrastructure and systems. The listing turned out to be the largest IPO in history.

During the year, two global indices, MSCI and S&P completed the process of including Tadawul in their Emerging Market Indices. A third, FTSE, is expected to finalise the inclusion in H1 2020. This was instrumental in bringing about the massive influx of QFIs that occurred during the year, with the numbers almost quadrupling from 500 to 1,800.

The MT30 joint Index with MSCI was also launched. This Index was designed to reflect the performance of the 30 largest and most liquid stocks in the market. It is based on free float market capitalisation subject to capping restrictions. The developments in the Nomu – Parallel Market, were another noteworthy achievement. A major step taken this year was to permit direct listings on Nomu without an IPO, making us pioneers among regional exchanges in this respect. The process of transitioning from Nomu to the Main Market was also eased. Nomu contributes to the goals of Vision 2030 by facilitating the growth of the SME sector. The parallel market also provides an exit route for investors and venture capitalists, who may be otherwise reluctant to invest in the SME sector.

We took steps to stimulate the debt market by revamping the fee structure for Sukuks and Bonds. The changes brought our fee structure in line with those of more advanced exchanges. They also bore fruit by way of a dramatic increase in the number of debt instruments and value traded. The profile of debt instruments also diversified with different yields and maturities.

Supporting the frontline

Besides the preparations for Aramco listing, a large number of initiatives were executed in IT and operations such as introduction of derivatives, systems to bring Muqassa on-stream, and development of market information. A large number of changes and enhancements had to be implemented

concurrently without disruption to existing processes and within stringent time frames.

Our human resources development programmes continued for all levels of staff. Leadership-oriented programmes were executed for executive and managerial levels to equip them with the skills to drive the organization towards its goals and execute its strategies. The Graduate Development Program (GDP) was revised to give more focused training for specific job roles, enabling the trainees to apply the academic knowledge they have gained, in practical work situations.

Looking at the highlights of our financial performance, the operating profit declined by 43.3% to SAR 42.1 Mn. This was the result of a decline in gross profit coupled with an increase in general and administrative expenses. The decline in gross profit was caused by decreases in trading commission and income from securities depository services. However, there was an offsetting increase in non-operating profit by 50.4% to SAR 111.2 Mn. Consequently, the net profit increased by 3.4% to SAR 153.3 Mn. The financial results have to be interpreted in the context of the heavy expenses incurred, both in technology and people, in preparation for and in connection with the Aramco listing, more of an "investment" for the future. The returns can be expected in subsequent years when the shares are actively traded.

Towards a better future

The developments in 2019 set the stage for further improvements. In 2020, we will see the clearing subsidiary, Muqassa, becoming fully operational. This will bring about greater security for investors, as Muqassa will act as an intermediary in the trading.

The introduction of derivatives will be another major step in the Stock Exchange's journey to becoming on par with developed exchanges. The MT30 Index Futures will be launched first, to be followed by stock futures and options. Commodities may follow at a later stage.

In conclusion, I wish to thank the Chairperson for her judicious and unstinting guidance and support. I also thank the Board of Directors for their oversight and guidance. Our achievements would also not have been possible without the dedication and commitment of our team.

It required the highest degree of professionalism to execute the extensive changes required within the time frames, while averting interruptions to operations.

Eng. Khalid Abdullah Al-Hussan
Chief Executive Officer

MAKING HISTORY TOGETHER

Taking on the largest IPO in history was a major challenge for an emerging Stock Exchange. Onerous preliminary work on a number of aspects of the listing had to be completed. Yet Tadawul faced up to the task and concluded this epoch making event with flying colours.



The crown jewel

Saudi Aramco, which was wholly state-owned prior to the listing, is the flagship of the economy of the Kingdom. The company has expanded and diversified through its 80-year history to become the giant in the global oil industry it is today. Aramco is now the largest company exporting crude oil globally, accounting for one in every eight barrels of the global oil supply. The Company has evolved from being a mere crude oil producer, to becoming a leader in hydrocarbon exploration, refining, distribution, and petrochemicals.

The backdrop to the event

What drove the listing

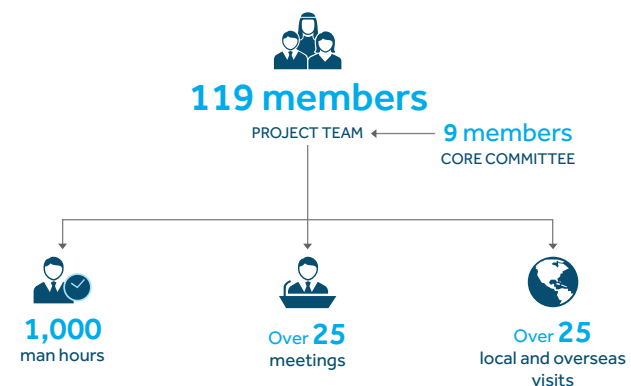
The idea of divesting a share of Aramco's ownership was first mooted about four years ago. Tadawul had then not reached the state of maturity it has today, and the Capital Market Authority (CMA) had given approval to admit Qualified Foreign Investors (QFIs) only shortly before. Recognition by global indices was yet to come. His Royal Highness, Crown Prince Mohammed Bin Salman launched the Vision 2030 plan to diversify Saudi Arabia's economy and improve the living standards as well as the educational and cultural standards of its people. The listing of

Aramco was seen as a means to raise funds for the enormous capital investments required. There were many arduous decisions to be made such as where to list the Company and what percentage of the ownership should be divested in the listing. There were also transparency requirements to be met if Aramco was to go public and the amount the shares were to be priced at in the IPO was also a contentious issue.

Behind the scenes

A historic listing of this magnitude required a great deal of arduous preliminary steps to be taken. While financial requirements for the investments needed to fulfil the Vision 2030 plans loomed large, divesting even a small share of such a prized national asset was not easy.

The planning and preliminary work required a huge time and human resources commitment over a period of two years. The project team consisted of 119 members with a core committee consisting of nine members. A total of around 1,000 man hours were spent; over 25 meetings were conducted. It was also necessary for team members to travel, overseas and within the Kingdom, over 25 times in connection with the project.



For an emerging stock exchange, to undertake hosting such a massive IPO was indeed a giant leap. There had to be certain disclosures made before the listing could be launched. The books of accounts of Aramco had to be opened to international listing agencies and profit figures had to be publicly divulged.

In order to minimize time-to-market during the initial book building process, an overlapping retail and institutional subscription process was introduced. Both the retail and the institutional sharebooks were validated daily. The testing process verified not only the resilience of the system but also the readiness of the members and data vendors. Three stress tests with market participants were conducted to test the capabilities of market participants' systems. Hours of the opening auction were extended so that the end-of-auction would take place later than that of the rest of the market. Rigorous risk mitigation activities were also undertaken to reduce the risks of any potential system failures.

The Securities Depository Center Company (Edaa), too had to revamp its procedures for the IPO. New processes had to be developed, including daily account opening for subscribers, and they needed to be tested and validated. Workshops were conducted with brokers and receiving banks to familiarize them with the process. The end result was an effective and efficient subscription process for all parties – issuer, investors, brokers, and receiving banks. Finally, the IPO was completed with nearly two million subscribers. The issue was oversubscribed by 465%. More than 1,800 transfers were executed from the Lead Manager's distribution account to the institutional investors.

The unprecedented magnitude of the listing created a need for major systems development and hardware upgrading to handle massive volumes at the required speed and reliability.

The volume of the listing and the resulting load on systems, necessitated major technological developments. Many functional and non-functional trading systems had to be developed, delivered, tested, and implemented to be in tandem with the Aramco listing plan and milestones.

The IPO Issuer Upload Application was upgraded to meet the increased requirements. However, to ensure that the shares allocated to institutional investors are deposited in the correct portfolios, these deposits were made by way of Free of Payment (FOP) transfers and not through the IPO upload application.

Enhancements and optimization parameters were implemented in all applications to increase processing speed and throughput. Multiple enhancements were made to the network performance by increasing members' backhaul links and internet bandwidth.

The infrastructure capacity of Tadawul's website and other related applications were enhanced to optimize the server performance and handle the increased loads during the Aramco listing. New pages were introduced in the website and menus were modified accordingly to highlight Aramco.

Eight physical servers were also provisioned and added to the existing server infrastructure. The cloud capacity was also upgraded to cope with the requirements of the listing. The Index Capping feature was introduced to regulate the index after the listing.

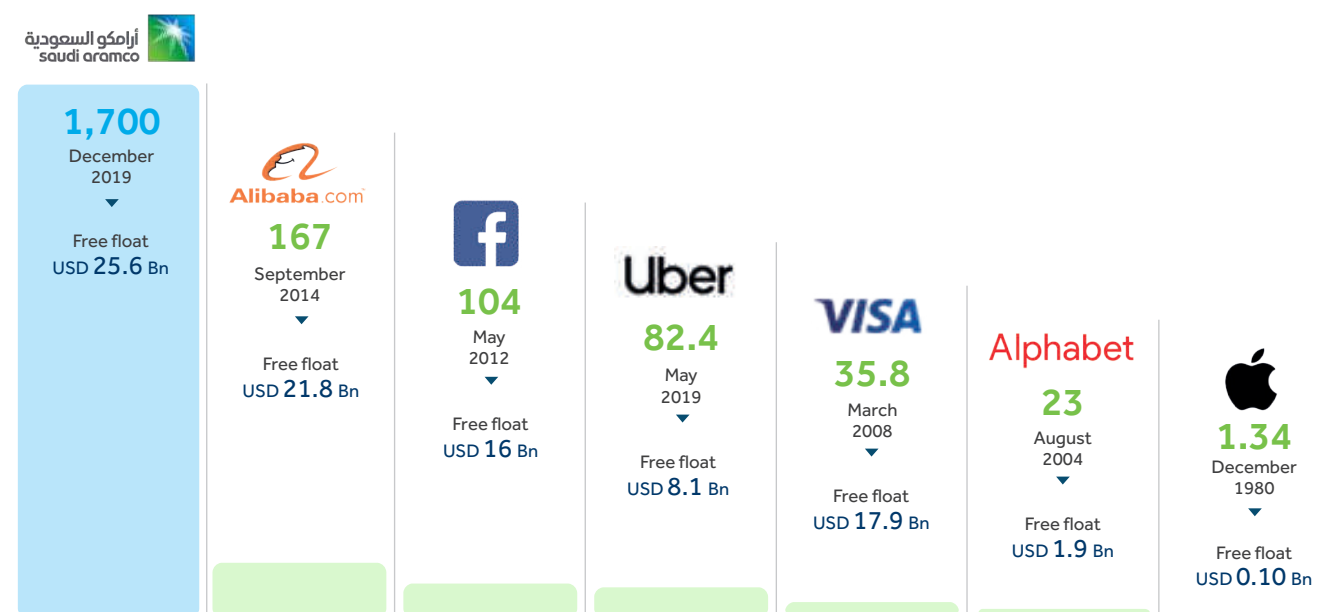
Standing out

Comparison with precedents

The listing turned out to be the largest in history in terms of the total market capitalization. On the second day of trading the market valuation of Aramco touched USD 2 Tn.

The Saudi Aramco listing, as anticipated, proved to be the largest IPO in history in terms of market capitalization. To place this in context, let us take a look back at a few other history-making IPOs.

Market capitalization (USD Bn)



It is clear that Aramco is by far the largest in terms of market capitalization. Although it is leading in the free float as well, it is not so far ahead of the others as only a small fraction of the ownership has been divested.

The event

The listing was approved on 3 November 2019, and after a book building period of about five weeks it was opened for trading on 11 December. The listing initially raised USD 25.6 Bn making it the largest IPO ever; the shares were priced at 32 Riyals valuing the Company at USD 1.7 Tn. Aramco pulled ahead of Microsoft and Apple to become the world's most valuable listed company.

After increasing by 10% on the first day of trading, the Aramco share price rose by another 10% on the second day, resulting in a market capitalization of USD 2 Tn. The time commitment on all the preparatory work on infrastructure yielded results when the initial allocation of shares was uploaded within 18 hours.

The listing is expected to uplift the liquidity in the market and draw new foreign investment portfolios focussed on hedging.

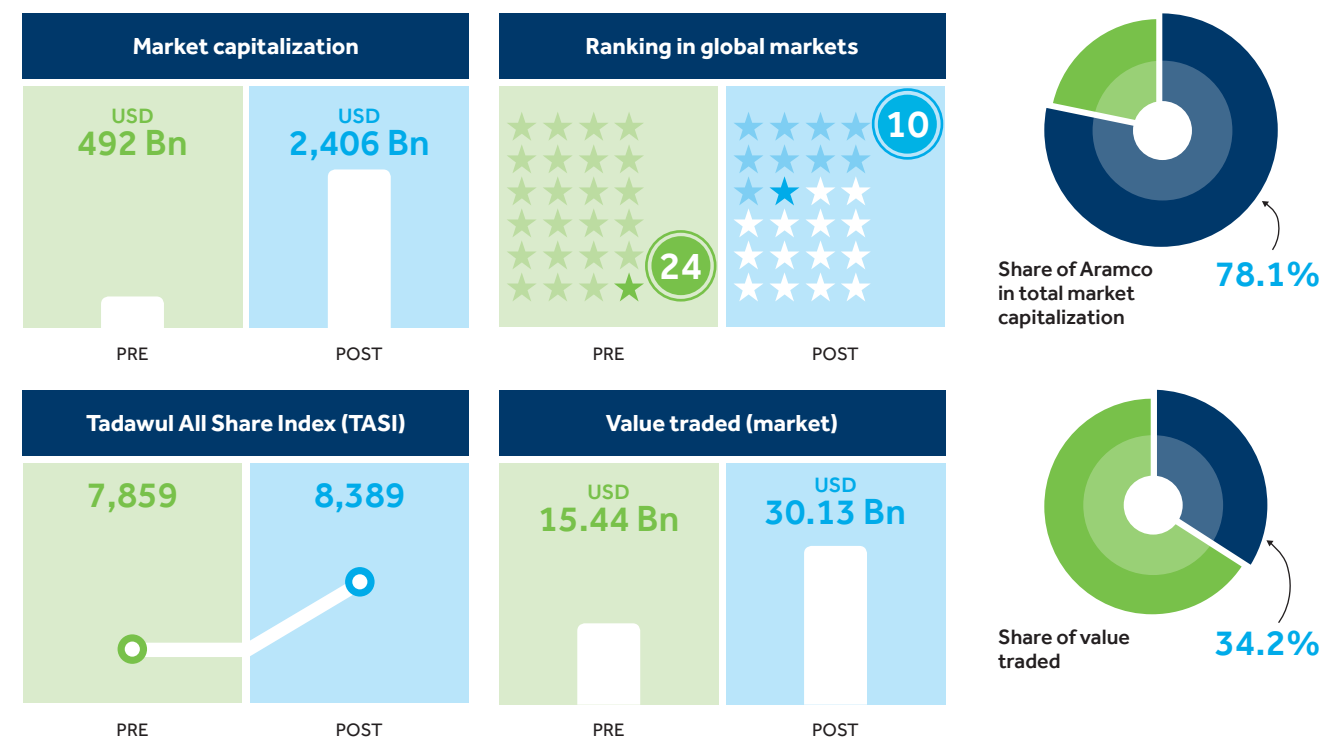
In January 2020, Aramco exercised its "greenshoe" option to sell additional shares for USD 3.8 Bn, bringing the total amount raised to USD 29.4 Bn.

Post-listing impact

At the end of December the Tadawul All Share Index (TASI) increased to 8,389 from 7,859 at the end of the previous month, an increase of 6.7%.

The market capitalization of Aramco as at 31 December 2019 was USD 1,880 Bn which was 78.13% of the total market capitalization. The total market capitalization at the end of

November was USD 492 Bn, so there was an increase of nearly 400% in the market capitalization as a result of the Aramco listing. The launch vaulted Tadawul into the position of the world's tenth largest stock exchange. The total value of shares traded in December 2019 was USD 30.13 Bn of which Aramco accounted for USD 10.32 Bn (34.2%). The value traded in November 2019 was USD 15.44 Bn, and the figures show that the Aramco listing has accounted for the bulk of the increase. The corresponding figures for the TASI were 8,389 and 7,859. Aramco's index weight based on free float market capitalization was around 10% at the end of 2019.



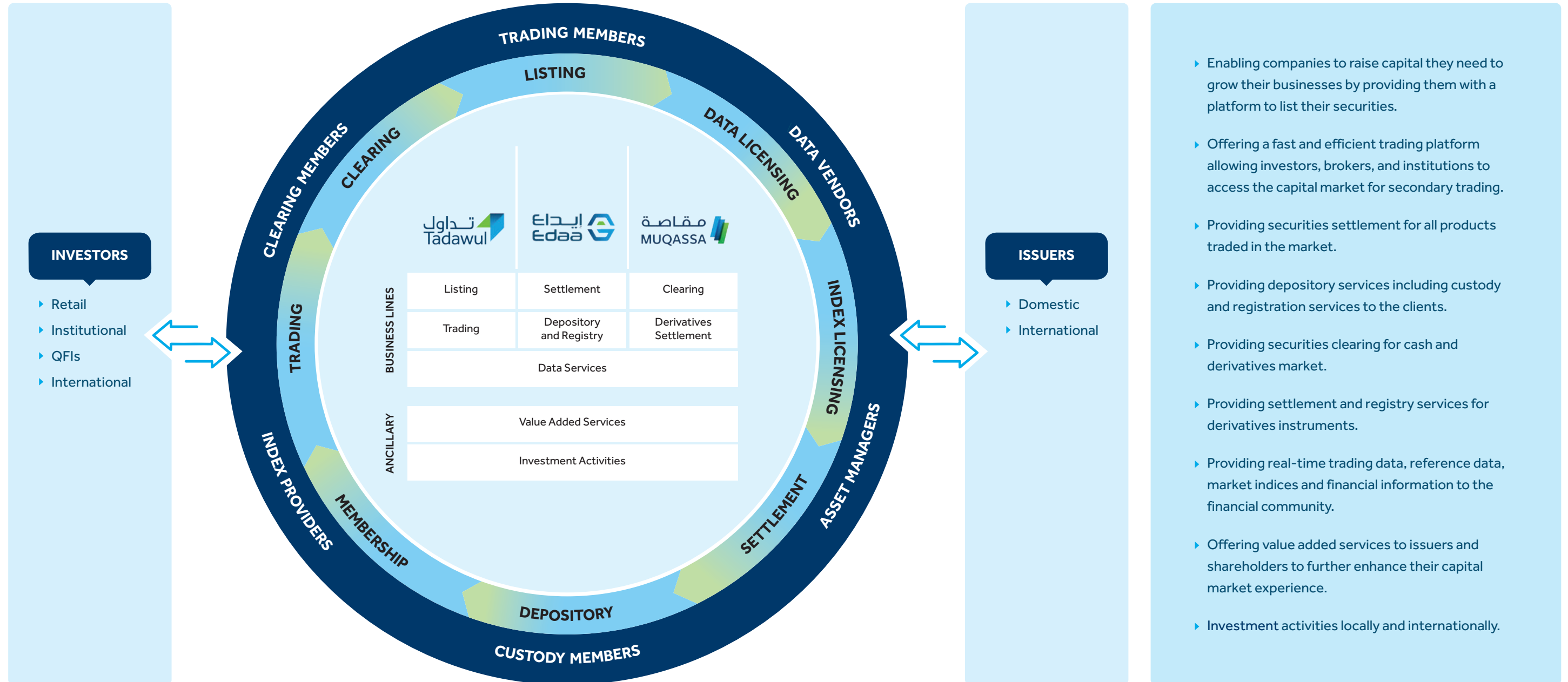
The Aramco listing is expected to increase the liquidity in the market and facilitate entry of new foreign investment portfolios. This is anticipated to spur the development of derivative products.

Initially only a small fraction of the Aramco ownership (1.5%), was divested and released for trading, with the "greenshoe" option increasing it to 1.725%. However, with the possibility of a larger share being made available to the market in the future, Aramco could play an even greater role in the expansion of the Exchange and contribute further towards attaining the goals of Vision 2030.

We have seen the dawn of a new era and greater vistas lie ahead.

POWERING THROUGH

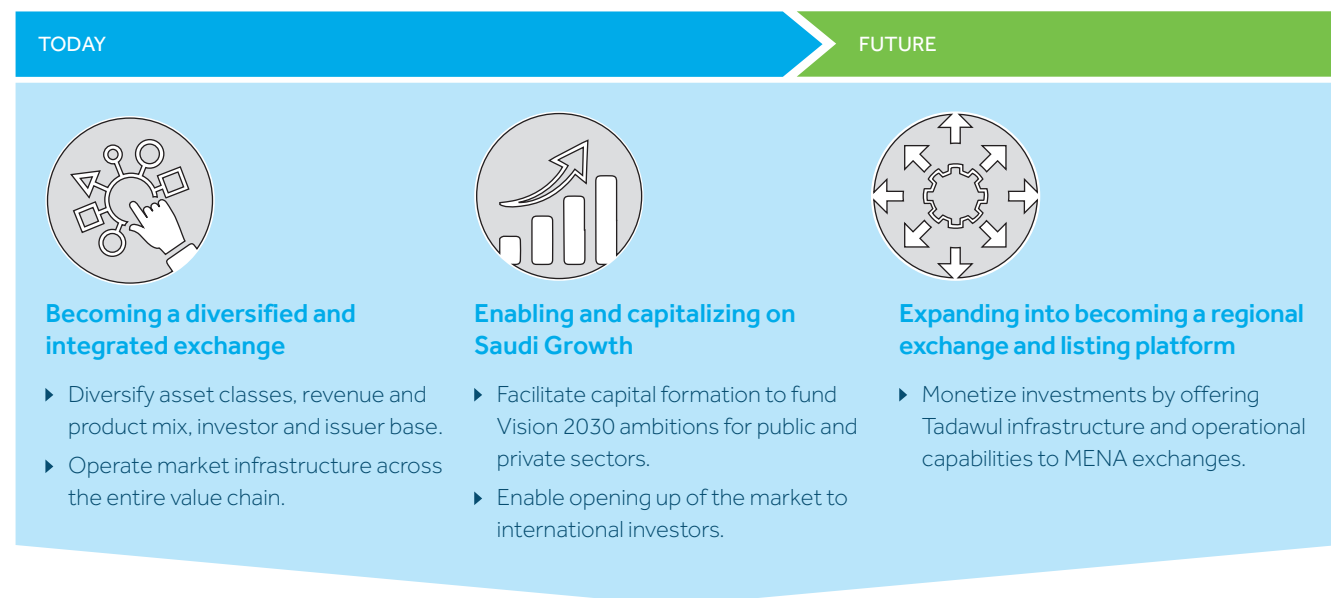
▶ OUR INTEGRATED AND SUSTAINABLE BUSINESS MODEL



► A ROBUST STRATEGY

The strategic framework

In 2019, Tadawul continued to function within the framework laid down in the 2018-2022 Strategic Plan. The Plan encapsulated seven strategic pillars which in turn have 29 strategic initiatives under them. The overall strategy is underpinned by three value drivers. Key Performance Indicators (KPIs) are developed which are derived from the corporate KPIs to monitor the execution of the strategy.



PILLARS	A	B	C	D	E	F	G
	ASSET CLASSES	ISSUERS	INVESTORS	POST-TRADE	MARKET INFORMATION AND ANALYTICS	TECHNOLOGY AND OPERATIONS	ORGANIZATION ENABLERS
STRATEGIC OBJECTIVES	Enhance existing asset classes while developing derivatives and commodities markets in line with investor needs.	Become a partner to KSA's privatization and debt listing and encourage Saudi and GCC private companies to list.	Diversify investor base by attracting international and institutional investors.	Establish a CCP Clearing House and enhance post-trade products and services.	Develop a comprehensive suite of information and analytics services.	Build and operate a regional exchange platform across the value chain.	Build an agile, digitized and business oriented organization collaborating with local, regional, and international stakeholders to implement the strategy.

Aligning with the Kingdom's goals

Our strategy is crafted within the overarching national strategies of Vision 2030, the Financial Sector Development Program (FSDP) and the Capital Market Authority (CMA). Vision 2030 is the grand national strategy that aims to bring Saudi Arabia into the ranks of developed nations; culturally, educationally, socially, economically, and technologically. Vision 2030 has a framework of targets and Tadawul's strategies are closely intertwined with several of them, the following in particular.



The FSDP is a plan which aims to create a vibrant financial sector that will serve as a key enabler in achieving the goals of Vision 2030. It is underpinned by the following three pillars.

1. Developing an advanced capital market
2. Enabling financial institutions to support private sector growth
3. Promoting and enabling financial planning

Tadawul contributes to the first objective by facilitating the raising of capital by both Government and private sector institutions; creating efficient and transparent infrastructure to promote investment; diversifying and growing the investor base (including foreign investors); promoting new investment products; introducing incentives for unlisted companies to list; and minimizing risk by institutional arrangements such as establishing a clearing house.

Strategy implementation in 2019

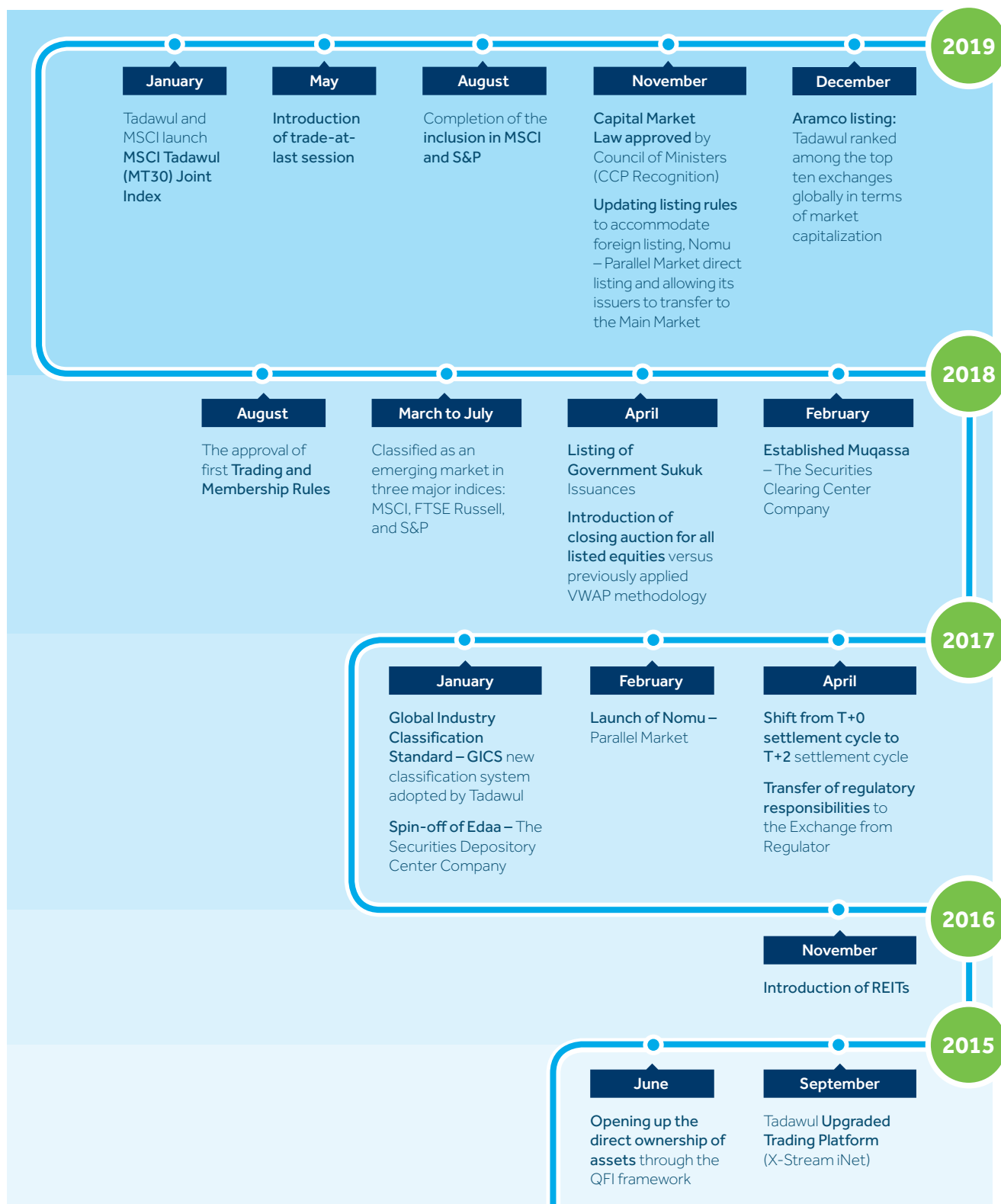
There have been many landmark achievements during the year, building on the successes of 2017 and 2018. Tadawul has been included on two Emerging Market Indices and the third is nearing completion. We are ready to make Muqassa, the counterparty clearing house, operational which will minimize counterparty risk. This will pave the way for launching of new products such as derivatives. Another major development was the revamping of the Nomu – Parallel Market and easing of the transition from Nomu to the Main Market. We ended the year

with the listing of Aramco, which more than tripled our market capitalisation and which will pave the way for several other major IPOs.

➔ Looking ahead

- ▶ The many achievements of the year have positioned us to look beyond the goals and initiatives of the current strategic plan. Many of the identified initiatives are either completed or underway. However, there are some initiatives such as the Post-trade Technology Program (PTTP), launching of derivatives, and development of the debt market that will continue well into 2020. New initiatives are being added in order to attain the pillar objectives. The process lays the groundwork to formulate long-term plans.
- ▶ A strategy review was conducted in 2019, which included workshops and meetings with the business units, where possible new strategic opportunities were considered. Some of them were presented to the Management Committee for more detailed study with a view to implementation in 2020. In addition, several sub-initiatives have been identified and incorporated into the strategy.
- ▶ The past three years have been extremely eventful for Tadawul. There have been challenges and achievements. Looking ahead, we intend to chart our own course without merely being a follower. We look to the future with optimism, confident that we can attain our goal of making Tadawul an exemplary stock exchange.

▶ A RAPIDLY GROWING AND EVOLVING MARKET



Landmark year for the Main Market

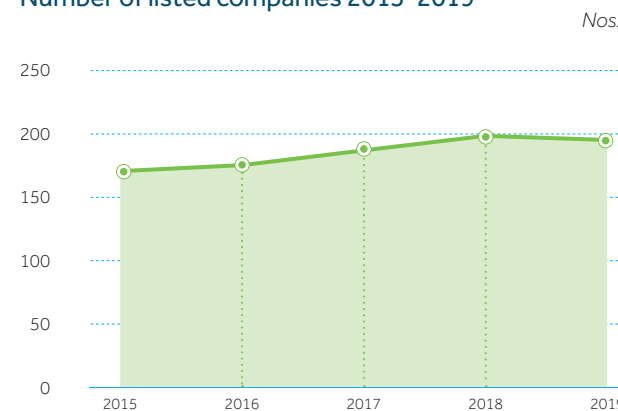
In addition to a large number of other achievements, in the year 2019 Tadawul recorded a remarkable growth in its market. This was especially reflected in the increase of the market capitalization, which was largely driven by the Aramco listing. Tadawul leapt in its ranking among global stock exchanges from the 24th to the 10th position while it continues to be the largest stock exchange in the MENA region. This milestone not only instilled a sense of pride among Saudi citizens but also bolstered Tadawul's brand image among the global investor

community. The achievements of 2019 were built on those of the previous two years which were also very eventful. For further details refer: Shaping the Contours of a New Era, Where We Stand on pages 6 and 7; and Era Defining Moments on pages 12 and 13.

As at 31 December 2019, compared with 31 December 2018, the market capitalization grew by 385.51% from USD 495 Bn to USD 2,406 Bn; the Tadawul All Share Index (TASI) recorded a growth of 7.19% from 7,826 to 8,389; the value traded increased by 1.06% to reach USD 234.70 Bn.

An in-depth look at the growth of the Stock Exchange

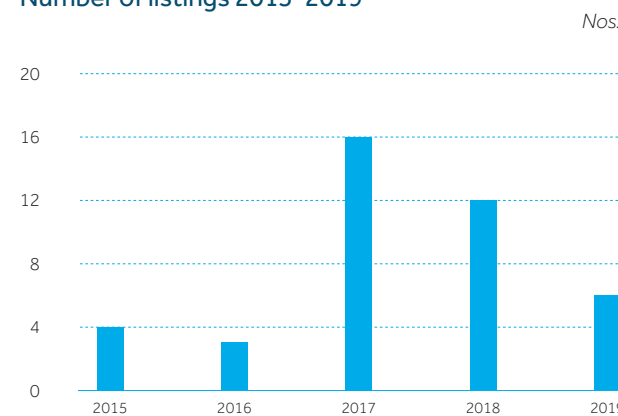
Number of listed companies 2015-2019



199
listed companies at the end of 2019.

This shows an increase of **20%** over a five-year period.

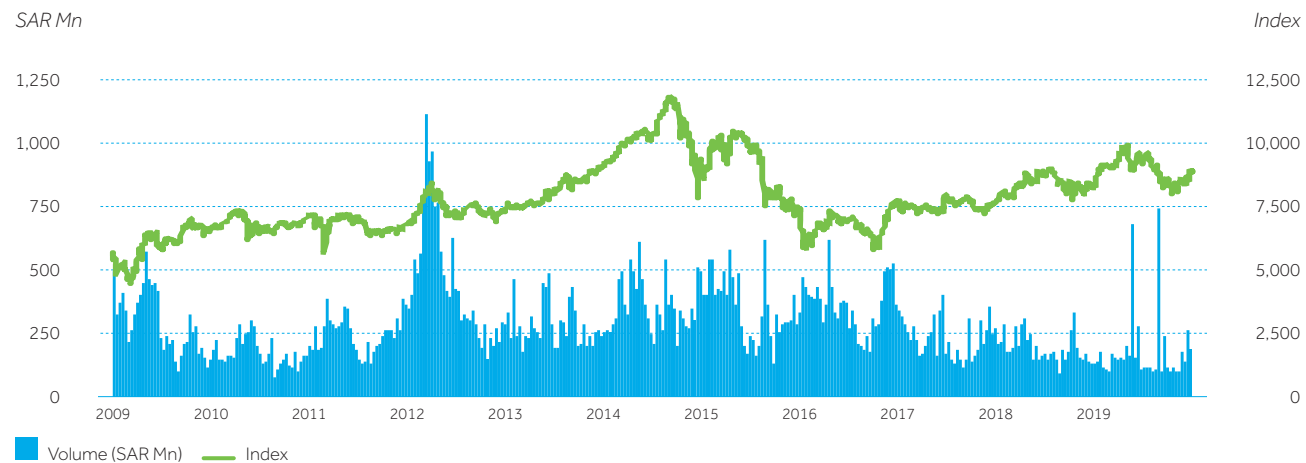
Number of listings 2015-2019



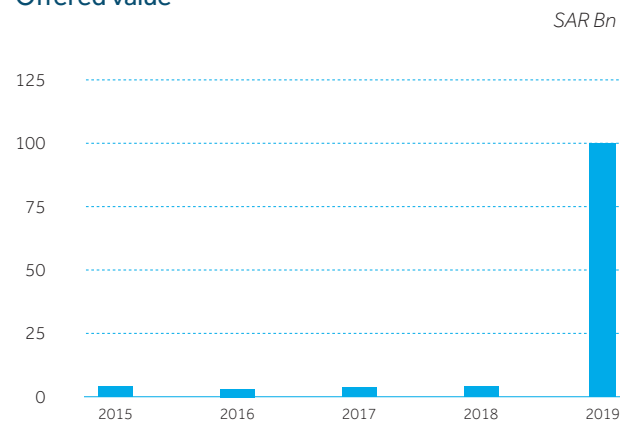
41
companies were listed during the period 2015-2019.

Numbers peaked in 2017 with **16** new companies being listed.

Tadawul All Share Index (TASI)



Offered value



16%

premium over the MSCI Emerging Market Index (MSCI EM Index) was achieved by Tadawul over the past five years.

Total offered value since 2015:

USD 29.52 Bn

Number of securities listed since 2016

98

Number of sectors the market encapsulates

21

▶ Market capitalization (SAR Bn) **9,028**

▶ Price Earnings (PE) ratio (times) **19.51**

Pharma	Software and service	Media and entertainment	Utilities	Commercial and professional services
1	1	2	2	3
Telecommunications	F & S retailing	Diversified financials	Energy	Transportation
4	4	4	5	5
Consumer durables	Healthcare	Retailing	Consumer services	Banks
6	6	8	10	11
Real estate	Capital goods	Food and beverages	REITs	Insurance
11	12	12	17	33
Materials				
42				



New listings in the Main Market



Looking back over a period of five years, we can see a great change in the value proposition of Tadawul. Back then we largely had Saudi retail investors. Today we have a much broader investor profile with more institutional investors, investors from the GCC, and the rest of the world.

Recognition by global indices and increasing Qualified Foreign Investors (QFIs)

The inclusion of Tadawul into the Emerging Market Indices of MSCI and S&P, which was announced the previous year, was completed in 2019. Inclusion into the FTSE Russell Emerging Index was also largely completed, with the last out of five tranches being due in March 2020. It is very commendable that Tadawul achieved these inclusions after being on watch lists only for one year, which is an unprecedented achievement. The inclusion in these indices resulted in an enhancement in the visibility and image of the Exchange and greater confidence on the part of foreign investors. The latter is reflected in the dramatic increase in QFIs from 500 to over 1,800 in the course of a year. Increase in QFIs has also resulted in an increase in velocity and foreign investor share in the value traded. The launching of the Tadawul MSCI Tadawul MT30 Index provided market participants with an index based on the largest and most liquid securities listed on the Tadawul Main Market.

Inclusion in Emerging Market Indices resulted in:

- Enhanced market liquidity by allocating weight in global indices

Increases attractiveness and liquidity of the capital market
- Enhanced level of market accessibility and increased investor base

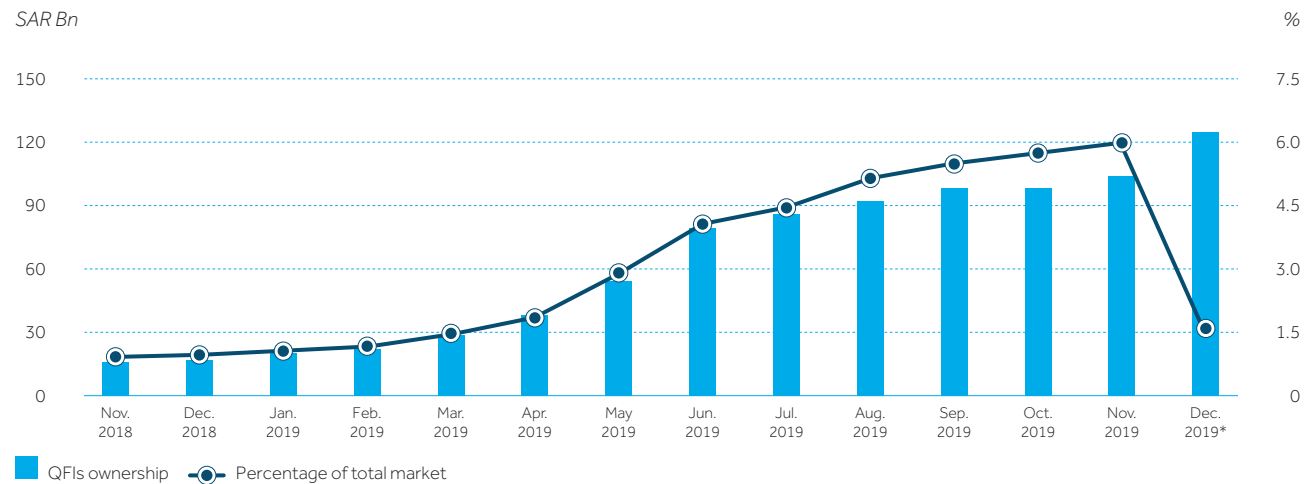
Increases market stability and efficiency by supporting institutional investors
- Increased level of disclosure and enhanced regulatory frameworks

Further support the role of Authorized Persons (APs)
- Enhanced quality and quantity of studies covering companies listed in global indices published by financial analysts

Encourages participation of experienced investors in listed companies' General Meetings (GMs)

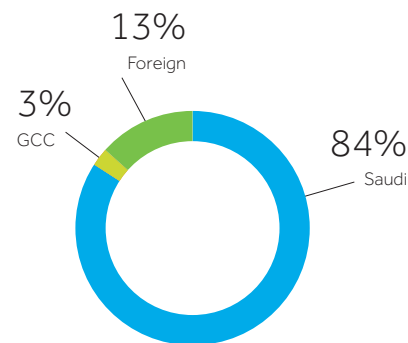
During inclusion in Emerging Market Indices, Tadawul and Edaa introduced a number of changes to the Exchange's procedures based on feedback received from market participants. These included extension of the closing auction and trade at last sessions. Both were extended to 20 minutes from the previous 10 minutes. There was also an extension of the trade rejection window.

QFI participation in the Stock Exchange



*Substantial increase in market capitalisation due to Aramco listing

Stock market trading activity



Inclusion in the Emerging Market Indices has had a marked impact on foreign investor participation in 2019.

- ▶ Increase of **309%** in QFI registration
- ▶ Value increase of **665%** in QFI holdings
- ▶ Value increase of **558%** in QFI contribution to traded value

Ownership value

	GCC	SAUDI	FOREIGN
ISSUED SHARES	0.50%	97.30%	2.20%
FREE FLOAT	2.69%	84.58%	12.73%
	SAR 45.09 Bn	SAR 8.76 Tn	SAR 197.95 Bn
TOTAL	9.00 Tn		

A major step which is in progress is the introduction of market makers, which will enhance liquidity in the market.

Citigroup Saudi Arabia became a member of Tadawul, with the right to deal as a principal and an agent in addition to performing brokerage services.

The Nomu – Parallel Market has much lighter listing requirements than the Main Market. The differences are:

- Lower minimum market capitalization
- Lower minimum percentage of shares to be offered to the market
- Lower minimum number of public shareholders
- Less stringent disclosure requirements

	Minimum market capitalization	Percentage offered	Public shareholders	On-going obligations
Main Market (TASI)	▶ SAR 300 Mn	▶ At least 30%	▶ At least 200	▶ Standard disclosure requirements and quarterly financial disclosure
Nomu – Parallel Market	▶ SAR 10 Mn	▶ At least 20% or SAR 30 Mn worth of shares, whichever less	▶ At least 50	▶ Lighter financial disclosure requirements (with regards to time permissible to disclose); semi-annual financial disclosure

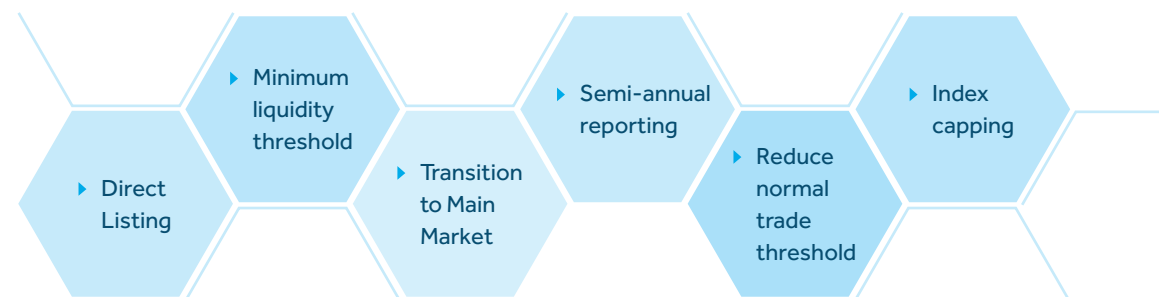
Developments of the Nomu – Parallel Market

A major revamping was carried out of the Nomu – Parallel Market, to facilitate SMEs entering the capital market.

- Among the steps taken were permitting companies to directly list in Nomu without an IPO, with Nomu being the first Exchange in the GCC region to do so. This measure will enable SMEs which do not require additional funds to create a liquid market for their shares.
- The percentage of the total share capital that needs to be listed has also been reduced.
- The process of transitioning from Nomu to the Main Market has been eased and five companies have already taken advantage of this with more anticipated in 2020.
- The reporting frequency has also been reduced from quarterly to semi-annually to reduce the regulatory burden.
- The Nomu Capped Index was also introduced to limit the weight of a single security. These changes have also brought about an increase in market liquidity.

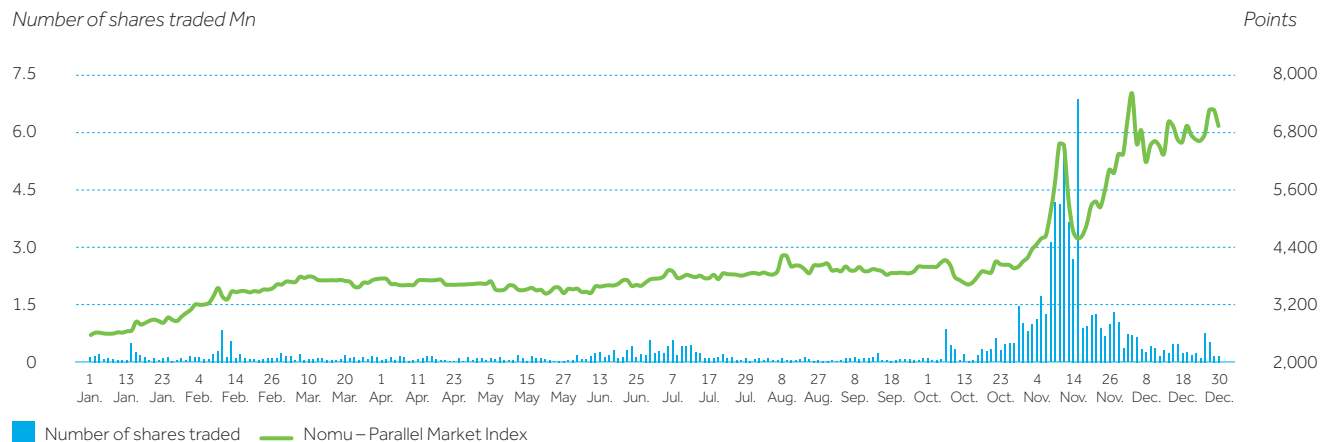
Nomu – Parallel Market has recorded the following growth

- ▶ Increase of **309%** in the index
- ▶ Increase of **9.4%** in market capitalization
- ▶ Increase of **452.7%** in value traded



The development of Nomu, by providing easy access of funds to SMEs, further affirms our commitment to the goals of Vision 2030. Apart from funding, the listing will also provide facilitation to the SMEs for branding and promoting their business. For the key statistics of the Nomu – Parallel Market 2017-2019 refer Era Defining Moments on pages 12 and 13.

Nomu – Parallel Market Index 2019



Development of debt market

Major steps were also taken to develop the debt market. Changes have been made to the fees and bonds structure in coordination with the Capital Market Authority (CMA) and the National Debt Management Center. Edaa's fees for IPO upload and annual registry of Sukuks and Bonds were reduced which will benefit issuers. Tadawul has also reduced its minimum annual listing fees and introduced caps on same. Trading commissions have also been reduced. These changes have brought our fee structure in line with those of advanced exchanges.

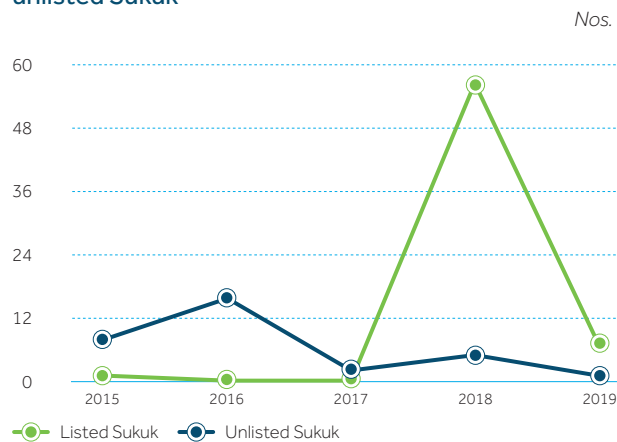
The par value was reduced to SAR 1,000 for Government Sukuks. Yield calculation was activated on fixed coupon Sukuks and Bonds giving investors a real-time view of return based on current market prices. The Sukuk and Bond trading hours were aligned with the rest of the market. Suspension of trading of Corporate Sukuks prior to coupon payment was removed.

The information available on the Tadawul website on Sukuks and Bonds was enhanced.

An agreement was signed with IHS Markit, a leading global provider of fixed income indices. Under the agreement fixed income securities traded on Tadawul will be included in IHS Markit's iBoxx Bond Index. MOUs were signed with two of the largest international clearing houses, Euroclear and Clearstream, to give international investors access to the Saudi debt market.

This has resulted in a diversity of products with different yields and maturities, giving investors a wider range of options and corporates more diverse alternatives to raise funds. The trading engine has been designed to execute multiple types of orders which will serve investors' needs. A pioneering step that has been taken is the entry of ETFs into the Debt market after approval for this was obtained. For more statistics on debt securities refer Era Defining Moments on pages 12 and 13.

Number of issuances of listed and unlisted Sukuk



Total Debt Market size

SAR 446 Bn

Total number of Sukuks and Bonds

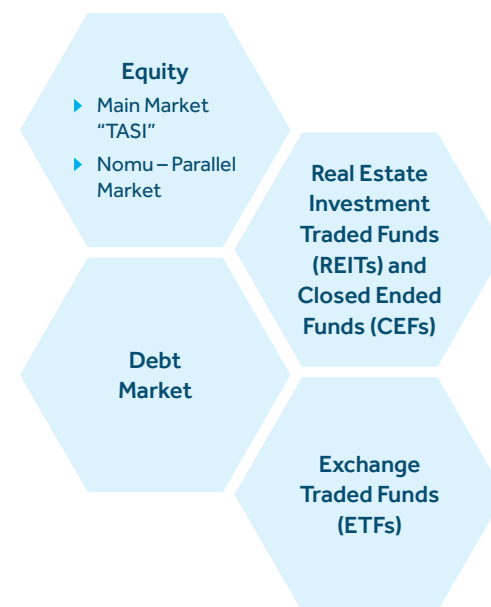
108

Another significant development was the inclusion of Saudi REITs in FTSE EPRA/Nareit Emerging Index, an index specializing in real estate.

Inclusion in the global indices brought about greater interest in investing on the part of portfolio managers. This in turn has created a need for derivatives to enable portfolio managers to hedge their positions. It is planned to start a cash-settled index futures contract, SF30, with MT30 as the underlying index in Q1 of 2020. Subsequent to this, Tadawul plans to launch single stock futures. These measures will promote further foreign investment.

Broadening the product portfolio

Capital market offering



Extensive preparatory work was done for the launching of derivatives. A complete new infrastructure, including a new trading engine and a new clearing system has been set up. Muqassa has been enabled to clear and settle derivative contracts. Tests have been successfully and proactively conducted on all new systems to ensure they are functioning according to requirements. Members and banks have been familiarised with the new systems and procedures through workshops and training programmes.

Closed Ended Funds (CEFs) is another new product that is due to be introduced. These are instruments which will be traded on the Exchange similar to equities. They will give an added investment opportunity, increase diversification and reduce risk.

Achievements of the Market Information Division

Major improvements were also made in market information and indices during the year. Enhancements were made to the e-reference Data Portal making a wide range of data sets and reports available to its subscribers. Index rules and methodology were also updated after sharing with all market participants and the public. Market Information Division conducts continuous dialogues with portfolio managers, data vendors, and index providers to obtain their feedback on existing products and services and potential for new innovations and enhancements. New equity and fixed income indices are anticipated to be introduced in 2020 including Sharia Index, Corporate Governance Index, and Environmental, Social and Governance Index.

Achievement of the Listing Department

Reaching out to the market



As part of the Division's efforts to promote the importance of a good investor relations (IR) function in an organization, it has been carrying out a campaign to raise awareness on the subject amongst organizations in the Kingdom. The campaign which has been running for three years now, had the following achievements during the year under review.











- 6 IR workshops conducted for the market, one of which was in partnership with the Middle East Investor Relations Association (MEIRA). The 30 largest companies were invited for this workshop, with a >50% attendance rate.
- Began collaborations with universities on IR lectures for students.
- 5 university visits receiving a 100% positive feedback on programmes conducted.
- 2 IR post listing support presentations.
- Began CIRO Exam preparation to be provided in the KSA. Further discussion is in progress with the CMA to assist fund the exam's costs.
- Increased IR awareness by making multiple media posts regarding the value of the IR function.

Another focus area was making listed companies more conscious of the importance of investor relations. Our efforts in this direction have included launching of the Investor Relations

toolkit, workshops and training sessions. The fact that our endeavours have been fruitful is shown by the fact that a Saudi company won the Grand Prix Award for 2019 of the Middle East Investor Relations Association (MEIRA).

In pursuance of the initiative "Incentivize and encourage private companies to offer and list their shares on the stock market" of the FSDP, a number of incentives have been provided to encourage private companies to offer and list their shares.

Incentives for listing on the Saudi Stock Exchange (Tadawul)

 <p>Saudi Customs</p>	 <p>Saudi Industrial Development Fund</p>	 <p>Saudi Food & Drug Authority</p>	 <p>Ministry of Health</p>
<ul style="list-style-type: none"> ▶ Giving listed companies priority in applying to the Authorized Economic Operator Program. 	<ul style="list-style-type: none"> ▶ Increased loan limits granted to listed companies. 	<ul style="list-style-type: none"> ▶ Fast track services at the Authority's Business Support Center and advisory services including training courses on the Authority's electronic systems. 	<ul style="list-style-type: none"> ▶ Priority on training programmes, reporting and statistical data and advertisement at Ministry events.
 <p>Ministry of Investment</p>	 <p>Ministry of Finance</p>	 <p>Agricultural Development Fund</p>	 <p>General Authority of Zakat and Tax (GAZT)</p>
<ul style="list-style-type: none"> ▶ Facilitated approval process for listed companies to register foreign partners (joint ventures). 	<ul style="list-style-type: none"> ▶ Preference in business and Government procurement (under competition and Government procurement rule) for listed companies in the Stock Exchange. 	<ul style="list-style-type: none"> ▶ Increased funding percentage, and increased credit services limits for each customer. 	<ul style="list-style-type: none"> ▶ Providing a relationship manager for listed companies to help settle all transactions with the Authority and follow up on all tasks related to Zakat or income taxes.
 <p>Projects Priority Office (PPO)</p>	 <p>Ministry of Human Resources and Social Development</p>		<ul style="list-style-type: none"> ▶ Providing a fast-track service to deal with the requests of companies listed on the Stock Exchange.
<ul style="list-style-type: none"> ▶ A fast track to overcome Governmental challenges that the listed companies might face. 	<ul style="list-style-type: none"> ▶ Inclusion of all listed companies on SAFWAH Program. 		

These incentives, numbering 10 in all, have been initiated by the Capital Market Authority in partnership with the relevant Government entities. Some of the incentives are financial such as increasing the loan limits granted by the Saudi Industrial Development Fund (SIDF) to listed companies. Others are non-financial like providing a dedicated relationship manager to handle all transactions with a listed company and providing a fast track service to handle requests and surmount difficulties.

Achievements of marketing and communications

The following marketing and communication activities were conducted during the year which significantly contributed to building awareness of Tadawul's operations and development not only locally, but regionally and globally as well.

- Conducted **16 events** including listing events
- Implemented **92 communication activities**:
 - 30 press releases;
 - 42 media interviews;
 - 20 announcements
- Produced over **1,800 pages of marketing materials** (30% growth over 2018)
- Over **2,800 social media posts** were made (30% growth over 2018)
- Reached **338,000 followers** (35% growth over 2018)

The Exchange is constantly seeking to enhance its customer experience through its website, mobile, contact centre, and surveys. An enhanced Search Engine Optimization (SEO) process was implemented for the website. The Contact Centre handles enquiries from Tadawul and its subsidiaries through e-mail, chat, calls, and social media.

The following are some highlights of the customer experience:

- **39,437 customer engagements** (22.35% higher than 2018) – a focus on enhanced customer experience
- **98% customer satisfaction rate** across all channels in terms of Service Level Agreements (SLAs)
- **1 hour 18 minutes turnaround time** achieved by the Contact Centre, out of a target of 2 hours for social media inquiries, in line with international standards and best practices
- **One of only two exchanges included in MSCI EM Index** that have Contact Centre live chat and social media
- **Over 40 surveys conducted** with feedback collected from 11,000+ individuals
- **Customer Relationship Management System:**
 - Has **40 trained users**
 - Covers **14 sales processes**
 - Recorded **400 new leads**
 - Achieved **3,000 new contacts**
 - **10,000 new Contact Centre cases**

➔ Opportunities and developments

- ▶ A preliminary step was taken towards expanding regionally when Edaa signed MOUs with Abu Dhabi Stock Exchange and Bahrain Clear to permit foreign firms to list on Tadawul. This is only a first step and further developments can be expected.
- ▶ The Ifsah Professional Certification was launched in collaboration with the Financial Academy relating to disclosure information for listed companies and investment funds. It aims to achieve compliance in disclosure with listing rules, related regulations, corporate advertising and investment fund announcements. The certificate will be mandatory for all liaison officers of public securities and funds from 1 January 2021.

► UPGRADED AND PROVEN TECHNOLOGY

The year under review was an unprecedented year for Tadawul, where challenging projects were planned and implemented successfully to fulfil multiple corporate critical initiatives. Major development efforts involving complex technical changes were executed with no interruption to Tadawul's normal business operations and services. Despite the large number of technical changes and enhancements, associated risks, and tight time frames, all the strategic/business initiatives and projects were delivered on target dates. Successful completion of these initiatives could not have been accomplished without the extraordinary effort from all Division staff and effective leadership.

Leveraging technology

The stock exchange domain is by nature highly information technology intensive. The importance of timely and accurate information, systems stability and availability, for issuers, members, investors, and other market participants cannot be overstated.

Tadawul's IT strategy is closely intertwined with the corporate strategy. All the IT initiatives are embedded within corporate strategic pillars and have been crafted to play a major role as enablers to the Stock Exchange. Since the Exchange is in a rapidly growing phase, major technology infrastructural enhancements have been done not just catering to current needs, but anticipating future growth as well.

Technology made a major contribution to the landmark event of the year, the Aramco listing. Planning and preparatory work for the initiative continued for a period of about two years prior to the event. Major technology enhancements were applied to all Tadawul systems and infrastructure to accommodate the massive expected increase in market activities and volume. Using Tadawul's Quality Assurance & Readiness Framework, all technology changes went through an intensive testing and readiness exercises, with the participation of all stakeholders. Despite the demands of such a massive undertaking, other major technology initiatives such as Post-trade Technology Program (PTTP) and Tadawul New Data Centre setup ran in parallel as planned.

Post-trade migration and derivatives market

Tadawul entered into an agreement with Nasdaq in 2017, for the US exchange to migrate its post-trade technology inclusive of registry, depository and risk management systems. It will also include cash and derivative clearing systems which bring Tadawul's infrastructure in line with those of global stock markets. The agreement includes provision of a new counterparty clearing solution. The new technology will also facilitate introduction of new asset classes and new services to investors by both Tadawul and market participants. This massive programme is due to continue into 2021.

Developments completed in the post-trade area have included infrastructure setup and configuration, development of data migration plan and members' readiness plans. Early customer testing and data migration for same have also been completed.

A major development that is targeted for Q2 2020 is the launching of the derivatives market. Derivatives include a large number of different products such as index futures, options, and commodities. The business processes involved differ substantially from those of normal trading. The derivative application was integrated with the Tadawul website to extract and display the derivative market information, smoothen the user experience, facilitate trading and prudently manage risk exposures. Multiple rounds of testing for derivative-related applications were completed to ensure reliability of the new developments. The dry run and rehearsal activities were also concluded.

Serving stakeholders through digitalisation

The development of the market, as well as requirements of regulators, brings new information requirements in its wake. A major effort was also mounted to upgrade the information services and data analytics to be on a par with global standards and best practices. The objective was to provide the information relevant to each user group as comprehensively as possible and make it easily accessible. The features of the Tadawul website were enhanced to make the site a valuable source of market information. The subsidiaries' websites were also developed and launched. Partnerships with other organizations were entered into and leveraged where they would add value.

Since adoption of International Financial Reporting Standards (IFRS) is now mandatory for listed companies in the Kingdom, the Disclosure Project, which facilitates financial reporting in accordance with IFRS was implemented.

The following enhancements were carried out in the IFSAH and Tadawul websites:

- Functional features of the websites were enriched as part of the Nomu – Parallel Market disclosure initiative.
- Developments to the websites in introducing Nomu REITs and Nomu Closed Ended Funds.
- Improvements to facilitate foreign companies listing on Tadawul.

Similar changes were made to support a new release of the trading system, and to also support foreign companies listing in Tadawul. A dedicated web service was developed, the main user of which will be the Capital Market Authority (CMA), to gather business and financial information in digital XBRL format.

The Tadawul website was also upgraded to display ETF information in accordance with global standards. The Exchange is planning to jointly develop data services and indices, in a partnership with IHS Markit. As a preparatory step a new Sukuk Price Delivery Report has been produced as a base for index calculation. Tadawul Incident Ticketing and Services Request Portal (MyIT) services were enabled for participants.

Managing change effectively

The challenge we had to face was to meet a plethora of new requirements and consequent changes in infrastructure, systems and services. The enhancements and upgrades impacted almost all aspects of the existing technology. Changes had to be accomplished without any disruption to the existing functions whilst maintaining full system availability. Furthermore, all new systems had to be brought on-stream with adequate testing to ensure their accuracy and reliability.

Hardware development has kept pace with the demands of new applications and increased volumes during the last few years while achieving the necessary performance standards. Cutting-edge technology has been leveraged to cater to the needs of trading systems, storage and backup, network and network security. Network upgrades have included firewalls and switches using the most secure technologies. These developments have also optimized the capacity of our Data Centre. Despite all the increasing demands, the performance and processing time has improved remarkably; concurrently the maintenance and downtime has been reduced. Both core and non-core systems have achieved 100% system availability.

The achievements of our Operations and Information Technology department are a tribute to the stringent planning process and the dedication, knowledge and professionalism of our staff and rigorous adaptation of international ISO standards.

Security, efficiency, and governance

There have also been several significant achievements in the areas of IT security and governance. Annual surveillance was successfully completed on ISO 9001:2015 and ISO 20000:2011 standards by a global certified audit and inspection entity. On an ongoing basis we conduct continuous reviews and enhancements for all IT and Operations policies and processes to ensure that we are aligned with international ISO standards. Several enhancements to security systems also ensured compliance with cybersecurity policies and National Cybersecurity Authority (NCA) regulations. Multiple test activities were conducted, with the participation of members, to ensure the readiness and continuity of the business. System developers coordinated with information security to conduct multiple penetration testing for all major system changes. A number of sessions were conducted for the IT and Operations staff to promote their awareness of risk and information security.

➔ Opportunities and developments

- ▶ **The new Data Centre project is on track and planned to be complete by end H1 2020. The discovery phase, implementation phase, planning and vendor selection have been completed. The necessary hardware has been procured and the network discovery exercise was also completed successfully.**
- ▶ **Looking into the future, 2020 should see some further important developments. These include hardware replacements for trading system and database; multiple upgrades in different platforms including systems and operating systems to enable use of the latest releases to enhance security; PTTP user acceptance testing and go-live; Websphere upgrading; go-live of the (CCP) Derivative Market Application; enhancement of the Tadawulaty performance; and more focus on digital transformation.**
- ▶ **Our prowess in IT is driven by our technological skills, the dedication and commitment of our staff, and our structures of governance. In whatever challenges lie in the future for the exchange we can count on IT being in the vanguard to overcome them.**

► TALENTED AND COMMITTED PEOPLE

Our strategic approach

Just as technology is a major enabler of excellence in a securities market, so are human resources. Tadawul's HR policies and practices are geared towards aligning the staff and their development to contribute to the goals of the Stock Exchange. In the process they also build dedication and commitment among the staff who in turn see an alignment with their own career development. Considering the fast moving industry we are in, we need to identify and nurture talent, provide our employees with fulfilling job roles, and create a "can-do" work culture. We also need to provide the leaders of today with the necessary skills and competencies to perform their roles, while preparing the leaders of tomorrow to take on greater responsibilities. Appropriate training and development programmes have to be crafted for the different levels of staff. The essence of our HR strategy is that we develop a robust employee value proposition that will not only attract the cream of the talent but retain and nurture the existing employees.

A conducive working environment has to be built within which our values will be inculcated to the employees. Fair and equitable reward schemes are necessary to keep our staff motivated. For Tadawul employees to make the contribution required of them towards the development of the Exchange, it is necessary to develop a creative engagement process rather than an operational one.

The organisational design and job roles have to be aligned to the Exchange's goals and strategies. The process of revamping the organization structure of Tadawul and its subsidiaries commenced during 2018. In 2019, we continued the process with an eye on best design practices which fit the Organization's needs. Redrawing the organization structure was carried out with specific organization functions in mind. This brought about closer alignment with corporate objectives and business requirements. To complement this, job roles have also been designed to facilitate effectiveness and a smooth work flow. With the increasing demands of the market and operations there were demands for greater technical skills and professional competencies. New recruitment channels were introduced to fulfil these needs.

Extensive leadership development programmes were introduced for executives that were developed after assessing the skills of the current executive team. The training provided them with comprehensive programmes that included coaching, mentoring, and leadership training. In addition,

middle management development programmes (MMDP) were introduced as well, based on relevant assessments conducted by the employees. MMDP has been targeting leadership and behavioural competencies through developing the candidates with top leadership schools worldwide. This would in turn promote sustainable leadership and facilitate succession planning. New reward structures were put in place to align our pay management practices with goals and targets. New allowances and benefits contributed to this end. Career progression plans were introduced in 2018 to increase employee motivation.

The fruits of this are now evident from the fact that employees have a clearer vision of their career future. The above mentioned policies and practices have succeeded in instilling a performance-based culture. They have also helped inculcate a "can-do" attitude among the employees. Enhancing employee experience was a key HR objective during 2019. A number of activities were conducted to this end including team building exercises. During 2019, all key HR objectives were achieved as planned. However, some employee engagement and development plans had to be postponed to 2020 due to the focus on Aramco listing.

Identifying focus areas



Surveys were conducted to ascertain the level of staff engagement and satisfaction. The most important one was the Organization Health Index Survey which aimed to measure leadership and cultural indicators as well as the level of staff engagement and satisfaction. The participation rate in the survey itself was heartening in that it showed the degree of commitment on the part of the employees. The focus areas

for improvement were identified as emphasizing frequent and clearer communication on direction and vision; getting the employees involved in discussions and to providing them empowerment; addressing and rectifying low motivation levels by instilling a culture of positive reinforcement.

Sponsors were identified to lead the required initiatives. The target set for 2020 is a 6% increase in the current engagement level.

Motivation and development



As with our broad HR strategy, our people development and motivation strategy is aligned with the Exchange's goals, albeit with a more future oriented emphasis. We have put in place a Career Path Programme which gives direction to the employees for their future progress while filling the Exchange's needs in the years to come. The programme facilitates employees to make career decisions in a well-informed manner and have control over their future. It has also been complemented by a promotions policy that gives opportunities for talent, and gives employees the confidence that they can realise their aspirations.

An important aspect of building employee morale and commitment is more transparent internal communications. The internal communication function has been developed using tools that were already existing. This has resulted in clear channels of communication to, from and between all tiers of the Organization. The employees also now feel a stronger sense of kinship with the Exchange.

The importance we give to staff development is shown by the fact that over 9,000 hours were spent on training during the year. The training covered technical business needs, the company strategy achievement, and leadership development.

These training programmes helped the employees to deliver the expected results in a timely manner.

We have been innovative and have employed out-of-the-box thinking in our HR policies. One such activity is the Talent Discovery Programme. This programme unlocks hitherto unutilized talents within the Organization and nurtures them so that the special talent of the employees' are developed in alignment with the Exchange's growth strategies. All our HR development policies and strategies are crafted with an eye on the broad context of the Exchange's organizational practices. The Tadawul School Programme seeks to identify champion employees and create an engaging environment, which will lead to a more engaging culture and foster morale-building.



In our development programmes we judiciously balance the short term and long term considerations. While we impart the necessary skills to those who hold leadership positions today we also give a great deal of importance to training the leaders of the future.

Tadawul and its subsidiaries launched the second cycle of the Graduate Development Program (GDP) during the year, with some enhancements over the previous programme. Through this programme we create a talent pipeline out of which future leaders can be groomed. The benefits will accrue in the long-term, not only to the Exchange but to the Kingdom as a whole. We received a total of 15,700 applications out of which 41 were selected. Enhancements to the Graduate Development Program were carried out to enable trainees apply their existing academic knowledge to practical situations that they will encounter in the workplace. The programme now focuses on giving the GDP trainees a specific job title and preparing them for a specific job role, so that they will be able to fulfil the full job potential of that role. This will be achieved by giving the GDP trainees actual job duties, responsibilities and accountabilities.

Furthermore, the programme offers an intensive five-day CME 1 preparation course that ends with the official CME 1 exam, which is a requirement for all employees at Tadawul, Edaa, and Muqassa. We also offer our GDP employees options from four to six training courses including soft and technical skills. These courses are designed to upgrade GDP employees' career potential and professional skills.

Some other changes were also made to the programme to attract more candidates such as:

- Commencing quarterly rather than annually to meet business needs and offer more opportunities to fresh graduates around the year.
- Hiring on an existing vacancy to guarantee employment upon a good evaluation.

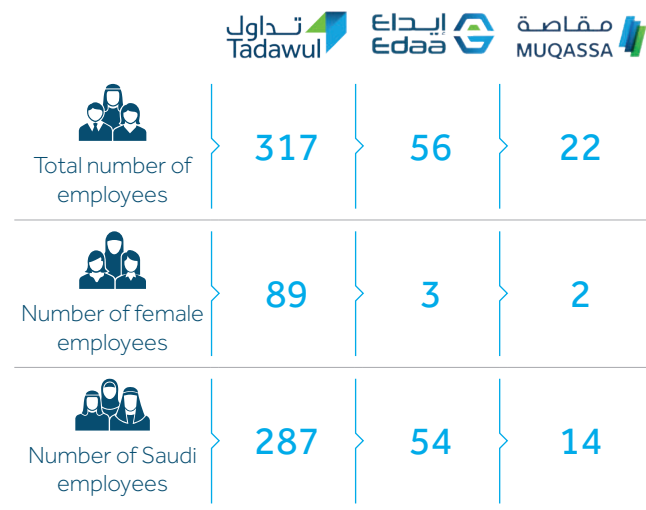
We have also fostered other learning and development initiatives that take an innovative approach.

What the numbers tell

Our total staff strength grew by 11.6% from 2018 to 2019.



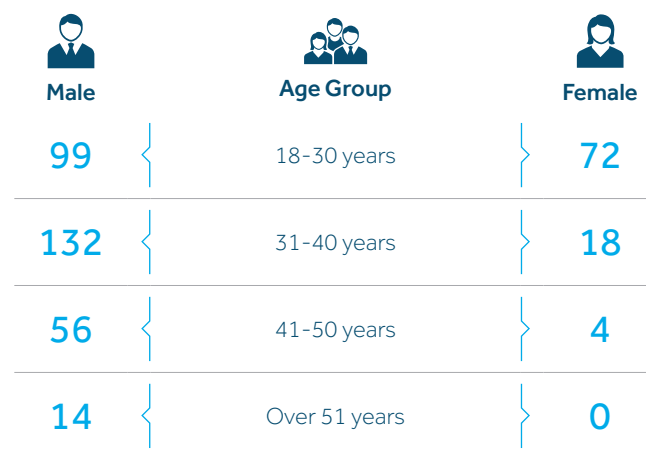
Analysis by Companies – 2019



Women account for **23.8%** of our total staff strength while Saudis account for **89.9%**.

This illustrates our commitment to Saudization and gender equality.

Employees by age group – 2019 (Group-wide)



Out of the age brackets the largest number of men are in the group 31-40 years while the largest number of women are in the group 18-30 years. This reflects the trend of increasing number of women recruited in recent times.

Training and development

Specific training includes capital market professional certifications with New York Institute of Finance and training programmes with the London Stock Exchange. It also includes training on IT Infrastructure, IT database, and business relevant IT software.



➔ Opportunities and developments

- ▶ In 2020, the emphasis will be on employee engagement and the building of a resilient internal culture which will serve organizational goals. We will seek to embody the culture in work procedures and practices. This will require a transformation from being a top-down culture to one driven by employee engagement. Realizing this will require all organizational units to take ownership of the process.
- ▶ To continue our human resources development we have to foster and reward innovation. We also have to continually upgrade and reposition employees to keep up with new business needs and evolving technology.
- ▶ As the Exchange grows and diversifies, it faces increasing challenges in terms of required skills and competencies. The strategies, procedures and skills of today may not be adequate to meet the challenges of tomorrow. We will need to do more to enable innovation, expand job roles, upscale employees, and proactively foresee new business needs and technology. To keep up with the challenges, we will have to continually refine our HR strategies and policies to attain our corporate goals.

► PROMOTING BEST PRACTICES IN SUSTAINABILITY

The ethos which guide us

For Tadawul, performance is not market statistics and the bottom line alone. The impact made on the economy, the environment, and the society in general is equally important.

Tadawul does not take a narrowly focused, purely bottom-line oriented or market-centric approach in its activities. It is very much aware of the importance of environmental, social and governance (ESG) aspects in the present global context. Issues such as climate change are increasingly in the forefront. Frequency and magnitude of natural disasters are on the rise. Dialogues that occur at global economic and business forums constantly remind us of the need for action.

The Vision 2030 is the blueprint that guides all aspects of the developmental plans of the Kingdom. The core of the Vision is its three themes; a vibrant society, a thriving economy, and an ambitious nation. They intrinsically mesh with the sustainability concept. In today's context, safeguarding the environment is indispensable when building a vibrant society. Likewise, nurturing the skills of the population is essential for economic development. A socially conscious business sector is a vital facet for an ambitious nation. Tadawul contributes to all the aforementioned activities under the respective themes in its sustainability programmes.

Thirteen delivery programmes have been launched under the overarching framework of Vision 2030, the most prominent of which is the Financial Sector Development Program (FSDP). The first objective of the Program is the formation of an advanced capital market. The FSDP has also identified the major challenges facing the financial services sector; among them are gaps in financial inclusion and a relatively low rate of financial literacy.

In 2018, Tadawul became a member of the Sustainable Stock Exchanges (SSE) which is a United Nations (UN) partnership programme including 96 stock exchanges globally. SSE seeks to provide a framework where stock exchanges, together with market participants, can drive enhanced performance on ESG issues.

To fulfil its commitments under the membership of SSE, Tadawul has identified five of the UN Sustainable Development Goals (SDGs) towards which its advocacy activities and assistance to market participants on sustainability issues will be primarily targeted. The five goals are:



Today, there is a global trend for corporate and fund managers to incorporate ESG factors into their decision-making. The focus of corporate governance discussions has also accordingly broadened.

Stock exchanges are playing an increasingly important role in promoting the cause of sustainable development. They are well placed to build capacity by promoting understanding of new ESG standards, products, services, and practices. This can be done through training activities such as seminars, workshops, large conferences and online courses. Such activities can be supplemented by printed educational materials and mentorship programmes. Other promotional activities such as bell-ringing ceremonies and communication campaigns can also contribute to the cause.

Details of our efforts are given under the respective sections below.

Our contribution

Tadawul fervently believes that it has a role to play in the sustainable development of the Kingdom, and the realization of the goals of Vision 2030, the FSDP and the UN SSE initiative. It also works towards the sustainability of local communities.

Tadawul endeavours to improve financial literacy and investor savviness among members of the society to augment its contribution to the economy.

Economy: improving financial literacy and investor savviness

One facet of Tadawul's efforts towards the economic aspect of sustainability, targets increasing awareness of investment possibilities and financial literacy. A key programme that is ongoing, Invest Wisely, provides a platform designed to educate participants on investing. This programme has much potential, and is likely to be continued for several years. The programme is tailored to be beneficial to users of varying levels of knowledge and experience. They are taken through a learning experience where they can learn, engage, and practice in a realistic situation through simulation exercises. The participants trade in virtual money, but based on actual market prices.

The programme completed its fourth year, during which a number of workshops in subjects such as financial statements analysis, savings, investment and speculation were conducted. In line with Tadawul's policy of engaging with users at its events, the Invest Wisely platform was showcased at the Financial Sector Conference which was held in April 2019 in Riyadh. The main objective of the conference is to increase the Saudi financial sector's contribution to Gross Domestic Product (GDP).

Another aspect of our contribution to the economy is our role in assisting the small and medium enterprises (SMEs), through the Nomu – Parallel Market which is dedicated for this sector. SMEs play a major role in the economy and in job creation in emerging economies. However they face many constraints including impediments to accessing finance. This has brought demands on capital markets and stock exchanges to help overcome this barrier.

LEARN	ENGAGE	PRACTICE																		
<p>Users are educated on the basics of investment, instruments traded in the market, common mistakes and the like.</p>	<p>Users can engage with each other by attending workshops organized by Tadawul.</p>	<p>Users can test their knowledge by virtual trading on Tadawul's trading simulator mobile app.</p>																		
<p>Specific topics the training covers:</p> <ul style="list-style-type: none"> Balancing risk and return Matching investment strategies with financial goals Frequency of trading Borrowing to invest Reading financial statements 	<table border="1"> <tr> <td>Workshops</td> <td>13</td> </tr> <tr> <td>Attendees</td> <td>2,000+</td> </tr> <tr> <td>Speakers</td> <td>10+</td> </tr> <tr> <td>Topics</td> <td>10</td> </tr> </table>	Workshops	13	Attendees	2,000+	Speakers	10+	Topics	10	<table border="1"> <tr> <td colspan="2">Trading simulation summary</td> </tr> <tr> <td>New registrations</td> <td>24,811</td> </tr> <tr> <td>Active users</td> <td>19,153</td> </tr> <tr> <td>Total orders</td> <td>261,928</td> </tr> <tr> <td>Total number of users</td> <td>627,666</td> </tr> </table>	Trading simulation summary		New registrations	24,811	Active users	19,153	Total orders	261,928	Total number of users	627,666
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Nomu – Parallel Market has lighter listing requirements than the Main Market, which facilitates listing by smaller companies. By listing on Nomu, SMEs can raise finance for expansion and gradually make the transition to the Main Market. Our efforts to assist the smaller companies dovetail well with our commitment to the SSE's **SME Growth and sustainable development** initiative.

Environment: safeguarding the planet



Our activities in this focus area are aligned with SSE's **Reporting on environmental, social and governance** initiative.

Tadawul has a commitment towards reducing its footprint on the natural environment by better utilization of resources leading to a higher level of efficiency and sustainability. One initiative in this direction is the recycling of paper and plastic waste.

We also conduct advocacy activities to encourage companies, large corporates in particular, to adopt sustainability practices and include sustainability criteria in their reporting cycle. Tadawul intends to provide documented guidelines on ESG to listed companies in 2020. Workshops were also held in collaboration with MSCI and FTSE Russell on ESG practices to disseminate knowledge on the subject.



Looking ahead, one of the SSE initiatives we have to address is **Climate action and green finance**. Green finance products and services are becoming important in the global economic and financial scenario. The underlying concept is to increase the financial flows to sustainable development initiatives. We see much potential for the Exchange in this area and look forward to making a major contribution in the future.

Education: promoting awareness of the market

Tadawul opened its first trading floor at the College of Business, Princess Noura University. The trading floor was inaugurated in the presence of the Chairperson of Tadawul, Mrs. Sarah Al-Suhaimi and under the patronage of the University Rector, Professor Einas Al Eisa. The Exchange also pays frequent visits to the University to educate students on Tadawul's role and strategy.

To educate market participants and potential investors, Tadawul conducted sessions at universities, which are ongoing, to disseminate awareness of the Exchange's role. In the course of the year, more than 400 students were hosted at eight universities across the Kingdom.

To demonstrate its commitment to protecting investors' interests, Tadawul joined the World Federation of Exchanges (WFE) during the World Investor Week 2019 to raise awareness about the importance of investor education and protection.

Community: lending a helping hand to society

The Exchange also addresses community needs by conducting social events in which employees actively participate. During Eid, Tadawul's employees conducted a major CSR event by celebrating the occasion at hospitals with child cancer patients and injured soldiers. Tadawul also sponsored an International Children's Day celebration for children of the Disabled Children's Association.



Tadawul also collaborated with the GCC Board Directors Institute (GCC BDI) in organizing an event which was attended by the Chairperson and the Chief Executive Officer (CEO), Khalid Al-Hussan. We also sponsored some events of the Saudi Organization for Certified Public Accountants (SOCPA). Our support for the two professional institutions highlights our commitment to the uplifting of professional and management standards in the Kingdom.

Tadawul also demonstrated its interest in upgrading its employees' skills by conducting a training programme for some of its staff, such as security staff, to learn basic computer skills and Microsoft Office.

Tadawul was the first Saudi company to sign the Women's Empowerment Principles. This affirms our dedication to enhancing the position of women in the financial sector, the business community and the society in general.

Gender equality is an issue that is today at the forefront of the global sustainability agenda. Advancing the position of women in business can lead to utilization of a wider talent base, higher productivity, and more purchasing power among customers. Stock exchanges are in a strong position to promote gender equality in the corporate community.



Tadawul has included empowering women in our community-oriented activities, and it is one to which we give a great deal of importance. Our activities in this domain highlight our alignment with the SSE's **Board room diversity and gender equality** initiative.



Tadawul promotes gender equality, by encouraging diversity in the Boards and Management teams of listed companies, as well as advancing gender equality in the workforce.

On International Women's Day 2019, Tadawul hosted the "Ring the Bell for Gender Equality" event. Tadawul's Chairperson, CEO, and employees attended the event which drew wide participation from leading women in the financial, government and private sectors. The event featured success stories which demonstrated the tremendous potential that women

have. On the occasion, Tadawul's CEO signed the Women's Empowerment Principles, the first Saudi company to do so. The principles are directed towards strengthening the role of women in the capital market sector as well as in listed companies.



Tadawul also participates in many networking activities with other stock exchanges to promote sustainability issues in tandem with its pledge to support SDGs – in this case aligning with the SSE's initiative of **Partnership for sustainable and transparent capital market**.

Some of the activities are:

- Tadawul participating in dialogues conducted by the SSE through quarterly conference calls with member exchanges and other partners.
- Participating in the global dialogue led by SSE, conducted every two years, designed to bring together market leaders to analyse, communicate, and foster communication on stock exchange sustainability initiatives.

➔ Opportunities and developments

- ▶ The Invest Wisely programme has already brought results in terms of educating users. However, going forward, functional and technical enhancements that would add value are clearly identifiable. Opportunities to expand the reach of the programme by leveraging new technologies and communication media (such as search engine optimization, digital ads, and email newsletters) are also foreseen.
- ▶ We have made contributions to preserving the natural environment; both by limiting our own environmental footprint and our advocacy activities to inculcate environmental consciousness among listed companies. There is however, much potential for us to broaden our impact in this area. We need to do more to educate market participants that profit and environmental sustainability can be compatible.
- ▶ In 2020, the Company is poised to move to the next level in sustainability by adopting an international ESG model that will serve as a framework to enable us to take more targeted action in this domain.
- ▶ We believe that the growth of the Exchange and our contribution to society go hand in hand. We are confident that as the Exchange grows in its market volume and profitability, so will our role in benefiting society. Tadawul will make its contribution, not only through its own activities but also by raising awareness of ESG issues among the market participants.

► TADAWUL SUBSIDIARIES



About Edaa

The Securities Depository Center Company (Edaa) was established in 2016 as a closed joint stock company in accordance with the Saudi Companies Law, with an authorized share capital of SAR 400 Mn divided into 40 million shares, with a nominal share value of SAR 10, and it is fully owned by Tadawul.

Edaa aims to emulate capital market strategic objectives in relation to developing infrastructures and implementing resulting procedures to execute transactions in alignment with international standards. It also seeks to enhance the efficiency of securities deposit and registration services offered by the Securities Depository Center. This in turn will contribute to achieving the Vision 2030 goals through developing a more conducive environment that fosters excellence within all sectors related to the Capital Market.

The principal activity of Edaa is to operate and maintain the Depository and Settlement System (DSS), used to record and maintain securities and to register the ownership of securities in electronic format. Edaa also offers several additional services such as the management of issuers' General Meetings (GM) including remote voting services (E-Voting), reporting,

notifications, and maintenance of critical core data. The types of securities that Edaa handles include equity, Debt, Sukuk and Bonds, ETFs, REITs, Mutual Funds, and CEFs.

There are a large number of initiatives in the Strategic Plan coming under the purview of Edaa. These include fund platform, international and regional CSD links, Repo, fee restructuring, and fund administration. All these initiatives are either already executed or on track to be executed according to the Plan.

Achievements in 2019

Expanding the reach

Edaa entered into agreements with both Bahrain Clear and Abu Dhabi Securities Exchange (ADX) to enhance bilateral cooperation with Bahrain and UAE financial markets. This was in-line with Edaa's strategy of linking with other regional CSDs. These agreements will facilitate in allowing GCC issuers to cross-list on the Saudi Stock Exchange.

Edaa also signed a Memorandum of Understanding (MOU) with Euroclear Bank to establish cross-border links between the depositories and enhance access for international members to participate in Government Bonds through this link.

Services to issuers

An optional Dividends Distribution service (Paying Agent) was introduced whereby Edaa can distribute dividends on behalf of issuers through market members. This service will standardize dividend distribution procedures, reduce costs to issuers, and enable issuers and market members to access detailed reports and profit data as well as update their records through Edaa's system.

Edaa's Tadawulaty platform, continued to grow in scope during 2019, adding various features and enhancements to the platform. Through Tadawulaty investors (plus their proxies) cast their vote in General meetings, streamlining the entire voting process.

Investors and market

Edaa contributed to the supporting functions for the inclusion into the Emerging Market Indices MSCI and FTSE Russell. The inclusion was smoothly managed through special measures taken for execution.

There were several significant developments regarding registry and custody services. Northern Trust, one of the major global custodians, became our first international custody member. The migration of accounts to Northern Trust and another newly activated custodian, J.P. Morgan was facilitated. An agreement was signed with Scopeer crowdfunding platform, to provide registry and custody services to the closed joint stock companies (CJSCs) funded through the platform.

Split voting was introduced for Qualified Foreign Investors (QFIs) and institutional investment was managed by several fund/asset managers to facilitate more flexibility in exercising their voting rights.

A large number of initiatives were also undertaken as part of preparatory work for the Aramco listings. For further information regarding Aramco listing please refer to Making History Together on pages 18 to 21.

Communications

Edaa participated in events such as Biban (in Asharqia, Al Madina, and Jeddah) and the Financial Sector Conference. Emirates Securities and Commodities Authority (SCA), the Regulatory Authority for the UAEs financial markets, visited Edaa to obtain more information about Edaa services.

➔ Opportunities and developments

- ▶ Edaa develops its systems to enable enhanced business services to be introduced through state-of-the-art technology and improved reporting services. These developments are aligned with many of the strategic initiatives and are being implemented accordingly.
- ▶ A fund platform is to be implemented which will enable new fund service offerings. This will facilitate subscription/redemption of fund units issued by different fund managers and will pave the way to introduce new products. The process will be supported by fund administration services to provide economies of scale to the fund markets.
- ▶ International CSD links will be developed to give easier access to international investors and create a single pool of liquidity for Saudi Government Bonds/Sukuks at Edaa.
- ▶ The securities borrowing and lending (SBL) framework is being enhanced to facilitate access and widen the participants eligible to participate in SBL transactions. The roadmap to introduce Repos (short-term dealing in government securities) has been drawn up.
- ▶ Given its current achievements and the capabilities it has demonstrated we can be confident that Edaa will meet any challenges the future may bring, and play an expanding role in the development of the Saudi Stock Exchange.



About Muqassa

The Securities Clearing Center Company (Muqassa) was established in 2018 to carry out securities clearing activities as a wholly owned subsidiary of Tadawul. Muqassa has an authorized share capital of SAR 600 Mn divided into 60 million shares with a nominal share value of SAR 10 each. Muqassa will

commence operating in the market by clearing index futures contracts, anticipated to be initiated in 2020. Muqassa's entry to market operations will in effect implement one of the Financial Sector Development Program (FSDP) initiatives. It will improve the integrity of the market by introducing new mechanisms to guarantee the settlement of trades, ensuring the settlement is complete and that all parties to the trade meet their obligations. This will further strengthen the current market infrastructure and increase its operational efficiency. The establishment of a clearing centre is an essential step if the Saudi Market is to expand further to include new products and services.

Before Muqassa



After Muqassa



Achievements in 2019

In the year under review, preparatory activities were carried out to lay the groundwork for Muqassa to commence operations. The first step of the preparations was to enact the necessary changes to the rules and regulations that resulted from the latest Capital Market Law (CML) update. This update recognized Muqassa's role in the market and will facilitate the introduction of clearing regulations, rules and procedures. The culmination of the preparatory work was to draw up the structure and processes of the organizational entity including roles and responsibilities of individual departments.

Opportunities and developments

Plans have been made to commence derivative clearing operations in 2020. All the regulations, rules, procedures and operations have been laid down for this upcoming major development to the Saudi market. Muqassa will continue to work on other initiatives such as Equities, ETF's, REITs, Sukuks and Bonds clearing along with expanding clearing services regionally. Considering all the careful and well thought out planning and preparatory work that has gone into Muqassa, we can be confident that the operations of the Company will be launched and executed smoothly.

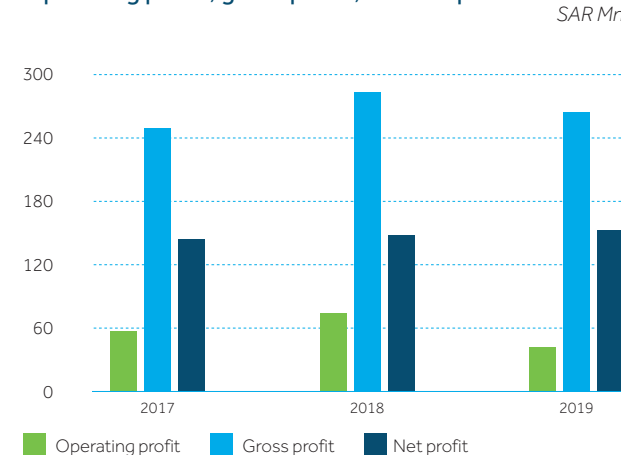
FINANCIAL PERFORMANCE VINDICATING THE VAST INVESTMENT PHASE

In preparation for the listing of Aramco, Tadawul revamped its systems and procedures making substantial investments in technology as well as in human resources. These investments undoubtedly had an impact on the results of operations reported for 2019. However, there is no doubt that Tadawul will be able to generate substantial returns on these investments in 2020 and beyond, when Aramco shares listed only in December 2019 are actively traded.

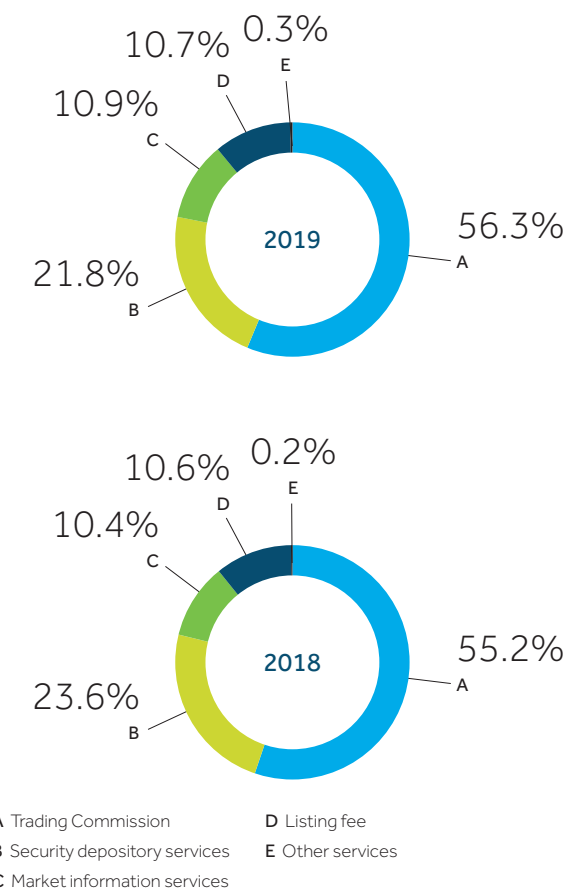
Results of operations

The operating profit declined from SAR 74.3 Mn in 2018 to SAR 42.1 Mn in 2019, a decline of 43.3%. This was the combined impact of the gross profit declining by 6.7% from SAR 284.8 Mn in 2018 to SAR 265.6 Mn in 2019, and the general and administration expenses increasing by 6.1% from SAR 210.6 Mn to SAR 223.5 Mn during the year. The decrease in gross profit was mainly due to decreases in trading commission and income from securities depository services. Over the same periods, non-operating profit increased by 50.5% from SAR 73.9 Mn to SAR 111.2 Mn as a result of a growth in investment and other incomes. Consequently, the net profit for the year rose by 3.4% from SAR 148.2 Mn in 2018 to SAR 153.3 Mn in 2019.

Operating profit, gross profit, and net profit



The composition of operating revenue

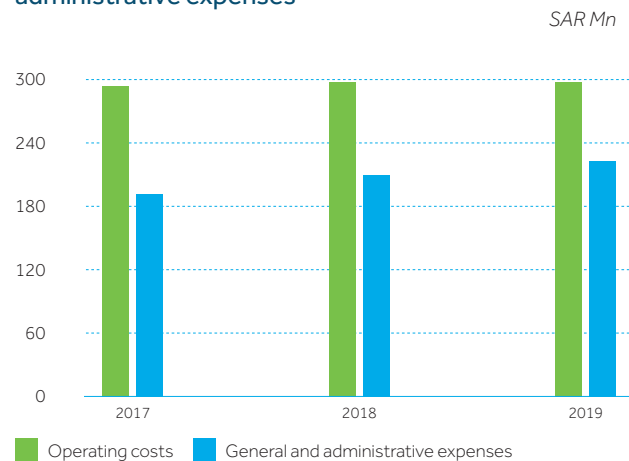


Expenses

Operating costs have shown a marginal increase of 0.2% from SAR 298.5 Mn in 2018 to SAR 299.2 Mn in 2019. Although there has been a marked reduction in CMA annual fees from SAR 130 Mn to SAR 79 Mn, this has been offset by substantial increases in salaries and related benefits, maintenance, cost of data network lines, and marketing and sponsorship. Salaries and related benefits have increased by 16.6%; the expenditure being SAR 92.8 Mn and SAR 108.2 Mn in 2018 and 2019 respectively. Total staff numbers have increased from 354 to 395, an increase of 11.6%. The other increases in expenses have to be viewed in the context of the expansion of the market and increased demands for technology services.

General and administrative expenses have increased by 6.2% from SAR 210.5 Mn to SAR 223.5 Mn. This increase is commensurate with the increased administrative needs resulting from the development of the exchange.

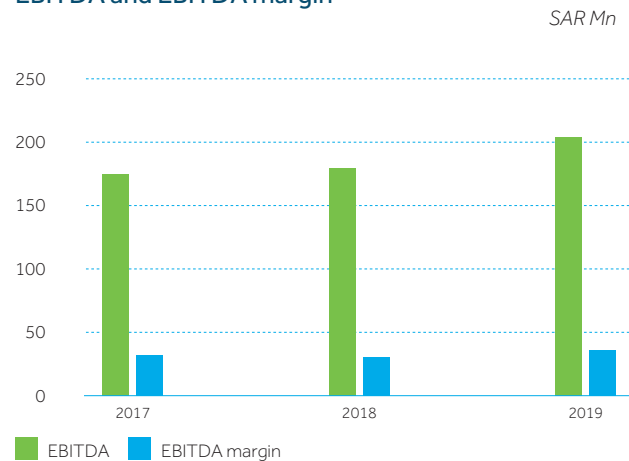
Operating costs and general and administrative expenses



EBITDA and EBITDA margin

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 13.7% from SAR 179.9 Mn in 2018 to SAR 204.6 Mn in 2019. The increase is due to slight increases in net profit and depreciation and amortisation. Correspondingly, EBITDA margin (EBITDA/operating revenue) too improved from 30.8% in 2018 to 36.2% in 2019.

EBITDA and EBITDA margin



Financial position

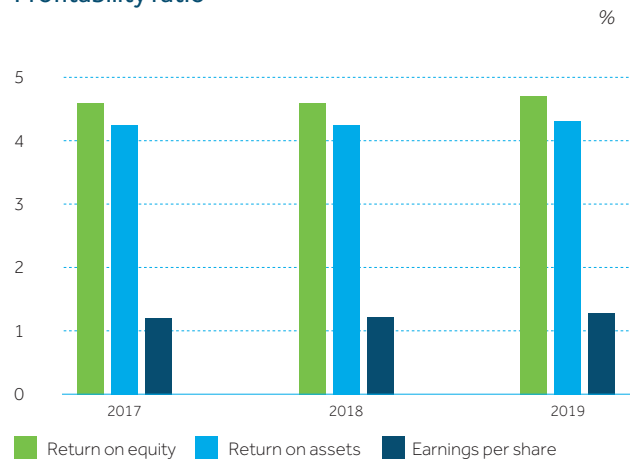
Total assets marginally increased from SAR 3,531.9 Mn in 2018 to SAR 3,546.8 Mn in 2019, an increase of 0.4%. Non-current assets have shown a decrease by 1.4% to SAR 474.0 Mn in 2019, from SAR 481.9 Mn a year before. The composition of non-current assets too, recorded substantial changes. Intangible assets have increased from SAR 114.6 Mn to SAR 176.6 Mn. Due to some of the Sukuk investments becoming current assets, non-current investments declined from SAR 306 Mn to SAR 232 Mn.

Current assets have increased by 0.4% from SAR 3,531.9 Mn in 2018 to SAR 3,546.8 Mn in 2019. While cash and cash equivalents declined from SAR 363.1 Mn to SAR 268.5 Mn this was offset by an increase in prepaid expenses and other current assets from SAR 32.0 Mn to SAR 102.9 Mn.

Profitability

Growth in profit after tax by 3.4% and the relatively lower growth (1.9%) in average assets and average equity (0.9%) caused the Return on Assets and the Return on Equity too to marginally improve from 4.27% and 4.61% in 2018 to 4.33% and 4.72% in 2019 respectively. Earnings per share too increased from SAR 1.23 to SAR 1.28 from 2018 to 2019.

Profitability ratio



DRIVING A VISION

- 52 Transition of the Board of Directors
- 53 Board of Directors
- 56 Executive Management
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DRIVING A VISION

► TRANSITION OF THE BOARD OF DIRECTORS

► Board of Directors for the years 2017 – 2019

The Tadawul team would like to express their gratitude to the integral role of the previous Board of Directors for their efforts and contribution to the success that has been achieved during their tenure.



Mrs. Sarah Jammaz Al-Suhaimi
Chairperson of Board of Directors



Mr. Abdulrahman Al-Mofadhi
Deputy Chairman of the Board of Directors



His Excellency Mr. Suhail Abanmi
Board Member



Mr. Tariq Al-Sudairy
Board Member



Mr. Ali Al-Gwaiz
Board Member



Mr. Abdulaziz Bin Hassan
Board Member



Mr. Abdullah bin Nasser Al Dawood
Board Member



Mr. Hashem Othman Al-Hekail
Board Member



Mr. Rayan Fayeze
Board Member

► Board of Directors for the years 2020 – 2023

The composition of the fifth term of its new Board of Directors, to build on the achievements and take the Exchange to greater heights in the years to come.



Mrs. Sarah Jammaz Al-Suhaimi
Chairperson of Board of Directors



Mr. Yazeed Abdulrahman Al-Humaid
Deputy Chairman of the Board of Directors



Eng. Khalid Abdullah Al-Hussan
Board Member



Mr. Hashem Othman Al-Hekail
Board Member



Mr. Sabti Sulaiman Al-Sabti
Board Member



Mr. Yousef Abdullah Al-Benyani
Board Member



Ms. Rania Mahmoud Nashar
Board Member



Mr. Xavier Rolet
Board Member



Mr. Mark Makepeace
Board Member

► BOARD OF DIRECTORS

Mrs. Sarah Jammaz Al-Suhaimi

Chairperson of the Board of Directors

Sarah is currently the Chief Executive Officer and Board member of Al-Ahli Capital, the investment arm of NCB, in addition to her membership in the International Financial Reporting Standards Foundation trustees. She worked for two years as Vice-Chairperson of the Advisory Committee of the CMA Board of Directors.

Previously, she led the Asset and Wealth Management Division at Jadwa Investment Company, where she was also the Chief Investment Officer and a member of the Jadwa Management Committee. Prior to that, she was a member of the Asset Management team and Investment Management at Samba Capital.

Sarah received a Bachelor's Degree in Accounting with Honours from King Saud University, and a Certificate of Public Administration Executive Program from Harvard Business School.

→ Memberships in Board Committees: Nomination and Remuneration Committee

Mr. Yazeed Abdulrahman Al-Humaid

Vice-Chairman of the Board of Directors

Currently he is the Chief of Staff of the Public Investment Fund, Chairman of the Board of Directors of the National Security Services Company, and Vice-Chairman of the Samba Financial Group. He is also a member of the Board of Directors of the Saudi Arabian Airlines, the Saudi Civil Aviation Holding Company and Flyadeal Company.

He previously worked at PwC from 2004 until 2008, and then moved to the Capital Market Authority and took over the management of mergers and acquisitions. In 2015, he joined the Public Investment Fund as consultant to His Excellency the Governor.

Yazeed obtained a Bachelor's Degree in Accounting with Honors from King Saud University. He also followed executive programs provided by major educational institutions such as Harvard University and London Business School, in financial, administrative, and leadership fields.

→ Memberships in Board Committees: Audit Committee

Eng. Khalid Abdullah Al-Hussan

Board Member

Currently he is the CEO and Board Member of the Saudi Stock Exchange (Tadawul), Chairman of the Securities Depository Center Company (Edaa) and Securities Clearing Center Company (Muqassa).

Khalid has more than 13 years of capital market experience. His experience spans from business development and corporate planning to strategy and operations. Before being appointed as the Chief Executive Officer of Tadawul in March, 2016, he assumed executive roles that covered cash markets, listings, operations and deposits as well as strategy and market data. He has sponsored key programmes within Tadawul that covered the introduction of QFIs framework, introduction of Independent Custody Model and Tadawul's inclusion in main international indices. He also sponsored the restructuring programme of the Financial Infrastructure companies. Prior to that, he worked in various sectors including the insurance sector, business management and product development, marketing, PMO, and strategy.

He obtained a Bachelor's Degree in Engineering, in addition to an MBA from the University of Colorado in the United States of America in which he is also a certified entrepreneur.

→ Memberships in Board Committees: Regulatory Policy and Oversight Committee



Mr. Hashem Othman Al-Hekail

Board Member

He previously worked as Deputy Governor of the Saudi Arabian Monetary Authority (SAMA) for developing the financial sector and national initiatives, and he also co-founded Dirayah Finance, and has worked as a CO-CEO responsible for operations and technology.

He has 30 years of experience in the field of technology, analysis, system design, and engineering work procedures and investment accounts. He began his career in 1983 as an auditor at SAMA; after holding several positions there, he then moved to NCB, where he supervised systems development projects in addition to supporting and maintaining existing systems.

He obtained a Bachelor's Degree in Social Services from King Saud University in 1981, and a professional Diploma in Financial Supervision from the Institute of Public Administration in 1983. He has also participated in technical and management training programmes at various institutions, including Harvard University and the Massachusetts Institute of Technology.

➔ **Memberships in Board Committees: Audit Committee**

**Mr. Sabti Sulaiman Al-Sabti**

Board Member

Currently he is the CEO of Riyadh Capital, an investment bank that works in all areas and activities of financial markets.

He started his career with PwC, and previously worked as Vice President of the Listed Companies and Investment Products Agency in the Capital Market Authority, where he assumed responsibility for overseeing six different departments in the Authority, performing many organizational and development tasks in the following areas: public and private securities offers, mergers and acquisitions, investment product development, asset management, disclosure and corporate governance of listed companies.

He obtained a Bachelor's Degree in Accounting from King Saud University, and a Master's Degree in Business Administration from Colorado Technical University, and he also obtained a Certified Public Accountant's license from the Saudi Organization for Certified Public Accountants (SOCPA).

➔ **Memberships in Board Committees: Risk Management Committee**

**Mr. Yousef Abdullah Al-Benyan**

Board Member

Currently he is the CEO and Vice-Chairman of the Saudi Basic Industries Corporation (SABIC), Chairman of the Board of Directors of the Saudi Arabian Fertilizers Company (SAFCO), Chairman of the Yanbu National Petrochemical Company (Yansab), and a member of the Board of Directors of the General Authority for Foreign Trade.

Previously, Yousef worked as Deputy Chief Financial Officer, and Executive Vice President of the strategic Chemicals Business Unit in Saudi Basic Industries Corporation (SABIC).

He obtained a Bachelor's Degree in Economics and a Master's Degree in Industrial Management.

➔ **Memberships in Board Committees: Risk Management Committee**

**Ms. Rania Mahmoud Nashar**

Board Member

Currently she is the CEO of Samba Financial Group, and a member in the Boards of Directors in Samba Capital, Samba Bank Limited in the Republic of Pakistan and Samba Global Markets Limited Company. Rania has also been a member of the advisory committee of the Capital Market Authority since 2019. In addition, she is a member in the Board of Directors of the International Finance Institute and the Board of Directors of the Saudi Space Authority.

Her career in the Banking sector started in 1997 when she joined the Samba Financial Group and moved between several banking sites and departments within the group. She had a major role in developing Samba's e-banking strategy and launching the Samba banking services system online.

She obtained a Bachelor's Degree with Honours in Computer Science from King Saud University, in addition to joining the Leadership Development Program from Darden College of Business Administration at Virginia American University, and then she obtained a certificate in Governance, Risk Management and Compliance with Cooperation from the School of Business in George Washington University.

➔ **Memberships in Board Committees: Nomination and Remuneration Committee**

**Mr. Xavier Rolet**

Board Member

Currently he is the CEO of CQS Mgt (Ltd) and he previously worked as a CEO of the London Stock Exchanges Group (LSEG) from 2009 until 2017. While Xavier was heading the London Stock Exchange, the market capitalization of the exchange increased from GBP 800 Mn (USD 1.2 Bn) to GBP 14 Bn (USD 21 Bn).

Prior to that, he worked at Lehman Brothers in New York as head of trading in global equities and derivatives. In London, he worked as head of European and Asian stocks. In Paris, he served as CEO of Lehman Brothers. He also joined the Credit Suisse First Bank in Boston as the global head of European stocks.

After graduating from the CEDGE School of Business with a Master's Degree in Administrative and Financial Sciences in 1981, Xavier worked as a Second Lieutenant and a Trainer at the French Air Force Academy. He received a Master of Business Administration from the Columbia College of Business and Graduate Studies in 1984. He also obtained a certificate from the Institute of Advanced Studies in National Defence in Paris in 2008.

➔ **Memberships in Board Committees: Risk Management Committee**

**Mr. Mark Makepeace**

Board Member

Currently he is a Non-Executive Chairman of Information Services at the London Stock Exchanges Group (LSEG) and UNICEF Vice President in the UK since 2011.

Mark started his career in the financial services field in 1985 after joining the London Stock Exchange and worked during this period to develop the stock market's business in the field of information technology and services. He also led the securities organization in the United Kingdom, and participated in establishing the first international stock market across borders in Europe. He was the founder and CEO of FTSE Russell.

He also has experience of more than 20 years in developing successful joint ventures, and has succeeded in establishing alliances with stock exchanges, academics and leading industrial groups all over the world. He has founded large companies in Asia, Europe, the Middle East, Africa and the Americas, and was also the first Chairman and Founding Member of the Index Industry Association.

➔ **Memberships in Board Committees: Nomination and Remuneration Committee**



► EXECUTIVE MANAGEMENT

Khalid Abdullah Al Hussan

Chief Executive Officer

Profile given on page 52.

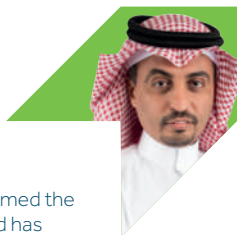


Raed Hamoud Al-Buluwi

Chief of Internal Audit

Raed joined Tadawul in 2011. In 2015, he assumed the responsibilities of Chief of Internal Audit. Raed has extensive experience in information technology and internal auditing.

In addition to various professional certifications, Raed holds a Bachelor's Degree in Computer Engineering from King Fahad University of Petroleum & Minerals.



Huseyin Erkan

Chief of Market Information and Indices

Huseyin joined Tadawul in 2017 as CEO Advisor. He was appointed as the Chief of Market Information & Indices in August 2018. He has over 30 years of work experience in which he assumed several leadership positions and roles in executive management in several regional markets and regulatory bodies.

Huseyin holds a Master's Degree of Business Administration and Finance from New York University.



Sree Kumar Nayar

Chief Derivatives Officer

Sree Kumar joined Tadawul in January 2018 where he held several administrative and leading positions. In March 2019, he was appointed as Chief Derivatives Officer.

He has wide experience in the financial sector, particularly in stock markets. He has successfully assumed various management roles in various segments of the stock market and derivatives industry.

Sree holds a Bachelor's Degree in Commerce, from Madras University, India.

He has also the CFTC Series 3 Derivatives qualification from USA and the Malaysia Futures and Options Qualification from the Securities Commission of Malaysia.



Khalid bin Abdulaziz AlGheriri

Chief of Regulatory Oversight and Authorization

Khalid joined Tadawul in 2006 where he held several administrative and leading positions, until he was appointed as Chief of Regulatory Oversight and Authorization at Tadawul in November, 2018. He has extensive experience in the financial sector where he has successfully led several roles and responsibilities. Over the past few years, he has successfully led various functions and projects within the Members Relations Department. Khalid holds a Bachelor's Degree in Computer Information Science from Minnesota State University, USA. He also has several Professional Certifications from various respectable institutions.



Shahrukh Qureshi

Chief Finance Officer

Shahrukh Qureshi joined Tadawul in March 2018 as Chief Finance Officer.

Shahrukh has over 20 years of experience in strategic financial planning, financial management and accounting, investment management, financial audits, company start-ups, mergers, acquisitions and asset liability management.

Shahrukh holds a Master's Degree in Commerce from the University of the Punjab in Pakistan. He is a fellow member of The Institute of Chartered Accountants of Pakistan and Institute of Public Finance Accountants.



Abdullah bin Abdullatif Al Elsheikh

Chief Legal Officer

Abdullah joined Tadawul in September 2018 as the Director of the Policies Department, and in March 2019, he was appointed as Chief Legal Officer. He has wide experience in the field of legislation especially those related to the capital market and listed companies.

Abdullah holds an LLM in Corporate Finance Law from the University of Westminster, London, UK.

He also holds a Bachelor's Degree in Law from King Saud University.

In addition he has followed several training courses from reputable institutions.



Mohammed Sulaiman Al Rumaih

Chief of Markets

Mohammed joined Tadawul in 2009 where he has held several administrative and leading positions. In April 2018, Mohammed was appointed as Chief of Markets at Tadawul. He has extensive experience in the financial sector, where he has successfully assumed several roles and responsibilities. Over the past years, he has successfully led various sales and marketing activities in Tadawul.

Mohammed holds a Bachelor Degree in Management Information Systems from King Fahd University of Petroleum & Minerals 2004, and holds an MBA from the Manchester Business School.



Maha Mohammed Al Beshar

Chief Human Resource Officer

Maha joined Tadawul in May 2018 as a Chief Human Resource Officer. She has wide experience in the field of human resources development, support services, corporate communications and leading FinTech initiatives. Maha holds a Master's Degree in HR from the Catholic University of America.



Hanadi Abdulrahman AlSheikh

Chief of Strategy

Hanadi joined Tadawul in 2006 where she has successfully assumed various roles and leading positions and was appointed as Chief of Strategy in October 2016. During her career, she has worked in several functions and assumed different responsibilities. In addition to various recognized professional certifications, Hanadi holds a Bachelor of Science Degree in computer science with first-class honours.



Waleed Abdullah Al Bawardi

Chief of Operations and Information Technology

Waleed has been with Tadawul since 2006, where he has successfully assumed various management roles and responsibilities. He was appointed as Chief of Operations and Information Technology in April 2018.

Waleed holds a Master's Degree in Computer Science from King Saud University. He also holds an MBA from the University of Liverpool, United Kingdom.



► GOVERNANCE IN TADAWUL

Compliance with Corporate Governance Guidelines and Regulations

- Governance is an important part of the values and practices of the Saudi Stock Exchange Company (Tadawul), which seeks to implement the best corporate governance practices for managing joint stock companies. In addition, the Company works towards raising the level of transparency and corporate integrity by maintaining the best governance practices based on the following: The Companies Law, the Capital Market Law and the Company's Bylaws.

In addition we draw guidance from the Corporate Governance Regulations issued by the Board of the Capital Market Authority.

Disclosure concerning the composition of the Board of Directors and Senior Executives

The formation of the Board of Directors of the Saudi Stock Exchange Company (Tadawul) was based on the Capital Market Law pursuant to Royal Decree No. (M/30) dated 2/6/1424 H. As Clause (b) of Article 22 states: "The Company shall be managed by a Board of Directors consisting of nine members, who shall be appointed by a resolution of the Council of Ministers upon nomination by the Chairman of Capital Market Authority. Members shall choose from among themselves a Chairman and a Vice-Chairman. Membership shall be as follows:

1. A representative of the Ministry of Finance.
2. A representative of the Ministry of Commerce and Industry.
3. A representative of the Saudi Arabian Monetary Authority.
4. Four members representing licensed brokerage companies.
5. Two members representing the joint stock companies listed on the Exchange."

Upon issuance of the latest amendments to the Capital Market Law on 17 September 2019, Clause (b) of Article 22 thereof stated that: "The Exchange, the Security Depository Center Company (Edaa) and the Securities Clearing Centre Company (Muqassa) shall present the names of their respective Board members nominees to the Board of the Authority to obtain its approval of their nomination prior to them being elected by the General Assembly."

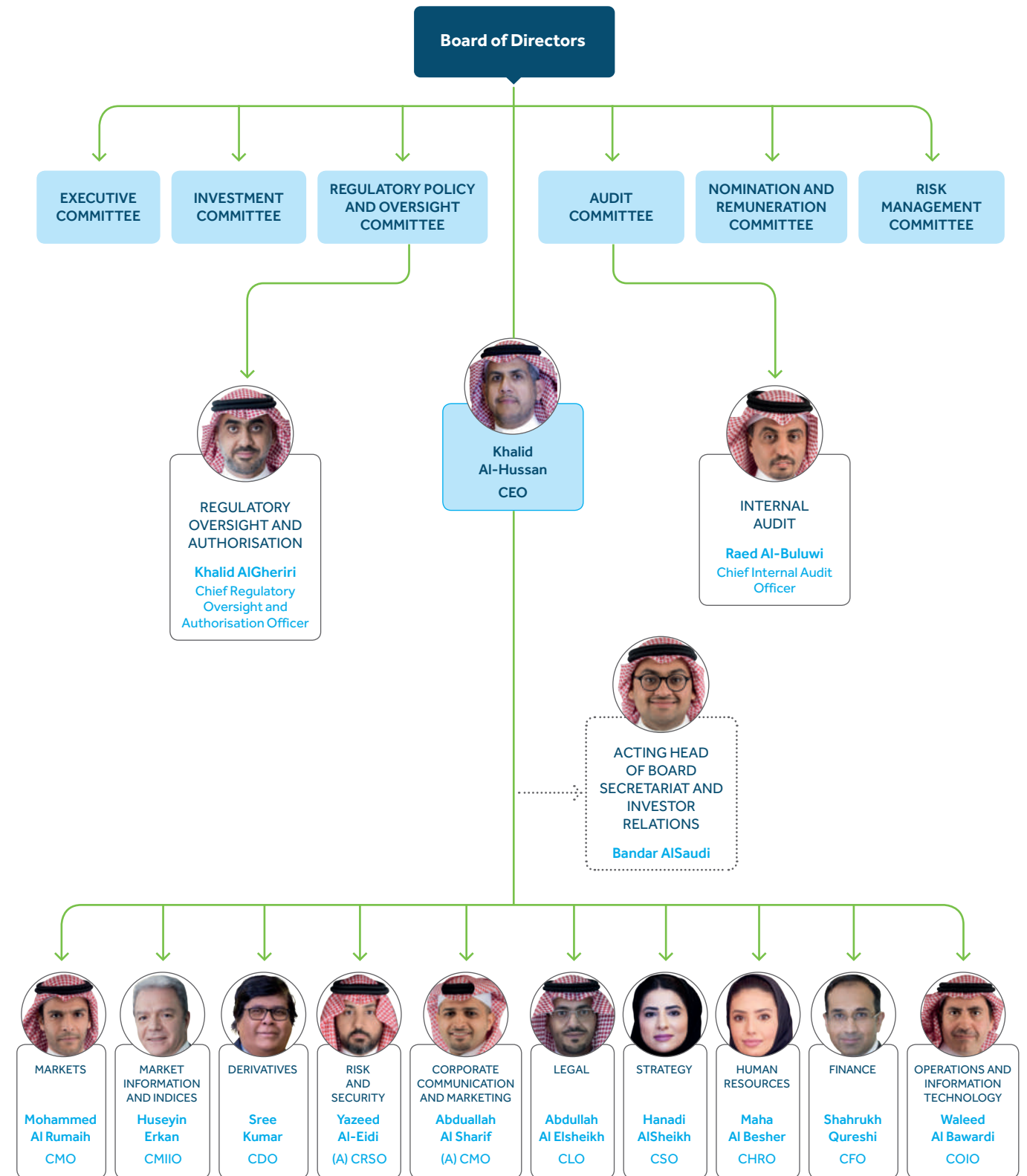
Therefore, the Extraordinary General Assembly held its meeting on Thursday, 2 January 2020 in which amending the Company's Bylaws was approved and Board members for the fifth term were elected and appointed starting from the date of the Extraordinary General Assembly and for a period of three years.

Roles and authorities of the Board of Directors

Subject to the functions reserved for the General Assembly in accordance with relevant laws, the Board shall have the widest authority to manage the business of the Company in order to attain its objectives, including:

1. The overall strategy and business plan of the Company;
2. Approval of the annual budget;
3. Approval of the Company's internal, financial, administrative, and technical regulations as well as employee-related policies and regulations and setting the Company's performance indicators;
4. Approval of establishment of companies, buying shares therein and mergers as well as obtaining and amending of commercial registers; and
5. Investment of Company's monies.

Governance structure in Tadawul



..... Department — Division

Statement of Current Board Members

No.	Member	Category	Positions in Other Companies
1.	Mrs. Sarah J. Al-Suhaimi	Chairperson of the Board of Directors (Non-Executive)	<ul style="list-style-type: none"> Al Ahli Capital – CEO, Board Member
2.	Mr. Yazeed A. Al-Humaid	Vice-Chairman (Non-Executive)	<ul style="list-style-type: none"> Public Investment Fund – Chief of Staff Saudi Arabian Airlines – Board Member Flyadeal Company – Board Member Saudi Civil Aviation Holding Company – Board Member Samba Financial Group – Vice-Chairman National Security Services Company – Chairman
3.	Eng. Khalid A. Al-Hussan	Chief Executive Officer	<ul style="list-style-type: none"> Securities Depository Center Company (Edaa) – Chairman Securities Clearing Center Company (Muqassa) – Chairman Tadawul Real Estate – Board Member and Chairman of the Audit Committee
4.	Mr. Hashem O. Al-Hekail	Non-Executive	
5.	Mr. Sabti S. Al-Sabti	Non-Executive	<ul style="list-style-type: none"> Riyadh Capital – CEO General Authority of Zakat and Tax – Board Member
6.	Mr. Yousef A. Al-Benyan	Non-Executive	<ul style="list-style-type: none"> The Saudi Basic Industries Corporation (SABIC) – Vice-Chairman and CEO The Saudi Arabian Fertilizers Company (SAFCO) – Chairman The Yanbu National Petrochemical Company (Yansab) – Chairman Saudi Information Technology Company – Board Member General Authority for Foreign Trade – Board Member
7.	Ms. Rania M. Nashar	Non-Executive	<ul style="list-style-type: none"> Samba Financial Group – CEO Samba Capital – Vice-Chairman Samba Bank Limited Pakistan – Board Member Samba Global Markets Group Limited – Board Member Samba Capital Asset Management and Investment Management Company – Board Member The Capital Market Authority – Member of the Advisory Committee Saudi Space Authority – Board Member
8.	Mr. Mark Makepeace	Non-Executive	<ul style="list-style-type: none"> London Stock Exchanges Group (LSEG) – Chairman of Information Services FTSE Russell – Chairman of the Information Services
9.	Mr. Xavier Rolet	Non-Executive	<ul style="list-style-type: none"> Shore Financial Markets Limited – Chairman

Attendance at Board meetings

➔ Number of meetings: (5)

Name of member	Position	On 20.03.2019	On 19.05.2019	On 26.08.2019	On 28.10.2019	On 18.12.2019
Mrs. Sarah Al-Suhaimi	Chairperson of the Board of Directors	✓	✓	✓	✓	✓
Mr. Abdulrahman M. Al-Mofadhi	Vice-Chairman	✓	✓	✓	✓	✓
His Excellency Suhail M. Abanmi	Member	✓	✓	✓	✓	✓
Mr. Tariq Z. Al-Sudairy	Member	✓	✓	✓	✓	✓
Mr. Ali A. Al-Gwaiz	Member	✓	✓	✓	✓	✓
Mr. Abdulaziz A. Bin Hassan	Member	✓	✓	✓	✓	✓
Mr. Rayan M. Fayez	Member	✓	✓	✓	✓	✓
Mr. Hashem O. Al-Hekail	Member	✓	✓	✓	✓	✓
Mr. Abdullah bin Nasser Al Dawood	Member	✓	✓	✓	✓	✓

Directors' remuneration

The members of the Board of Directors do not receive an annual remunerations for their membership in the Board of Directors nor an attending allowance for Board meetings.

This is in line with the Company's commitment to the provisions of Article (76) of the Companies Law issued pursuant to Royal Decree No. (M/3) dated 28/1/1437 AH, which regulates the remuneration of the members of the Board of Directors. The third paragraph of the same Article stipulates that "In all cases, the total amount of remuneration received by a member, whether financial or otherwise, shall not exceed SAR 500,000 annually, in accordance with rules prescribed by the Competent Authority."

Rewards and benefits of Senior Executives

Statement	Total SAR*
Salaries and allowances	9,181,360
Annual and other bonuses	8,125,000
Total	17,306,360

* Executives' emoluments represent the top five executives, including the CEO and the CFO.

Committees of the Board of Directors

The Board of Directors has six committees composed of members of the Board and other independent members with the necessary expertise and specialist knowledge relevant to the function of each committee. Committees are composed in accordance with the general procedures set by the Board of Directors. Committees shall submit their results and decisions to the Board which shall supervise the Committees' activities regularly to ensure the proper performance of their duties and functions. Each of these Committees shall have approved charters defining their authority and working procedures.

Executive Committee

The Executive Committee is responsible for examining the Company's business plan and projects and managing its strategies and following up on their implementation. In addition, it makes recommendations to the Board on adopting the policies of the Company and on entering into investment projects, the acquisition of companies related to its work or the development of its current activities in line with its strategic plan. The Committees' responsibilities also include making recommendations to the Board regarding the annual budget, following up on the Executive Management's commitment to the budget adopted by the Board and monitoring the financial performance of the Company and the companies

in which the Company owns more than half the capital or maintains control over the Board of Directors. The Committee consists of five members:

➔ Number of meetings: (2)

Name of member	Position	On 10.02.2019	On 01.03.2019
Mrs. Sarah J. Al-Suhaimi	Committee Chairperson	✓	✓
Mr. Tariq Z. Al-Sudairy	Member	✓	✓
Mr. Rayan M. Fayez	Member	✓	✓
Mr. Hashem O. Al-Hekail	Member	✓	Excused
Mr. Abdullah bin Nasser Al Dawood	Member	✓	✓

Audit Committee

The Audit Committee was formed pursuant to a resolution by the Ordinary General Assembly on 13 April 2017 and shall continue for a period of three years.

The Audit Committee supervises the business of the Company and verifies the integrity and accuracy of financial statements, reports and internal control systems. It also supervises risk management activities, approves the annual Internal Audit Plan and reviews the efficiency of the Company's business, including adherence to the International Professional Practices Framework (IPPF) standards. For this purpose, the Committee appoints an external entity to audit the activities of the Audit Committee and the Internal Audit Department every five years.

The Committee recommends the financial and accounting policies, and recommends to the General Assembly the appointment of the External Auditor and acts as a bridge between the Auditor and the Board. The Committee also studies the appointment of the Director-General for internal audit and adopts, evaluates, and makes decisions regarding his performance indicators. The Committee is also responsible for reviewing directives of the regulatory bodies and ensuring that the Company takes the necessary measures. The Committee is developing a mechanism which allows the Company's employees to confidentially report any violations in the financial reports.

In accordance with Article 59 of the Corporate Governance Regulations, the Committee, in order to perform its duties, may:

1. Review the Company's records and documents.
2. Request any clarification or statement from the Board members or the Executive Management.
3. Request that the Board calls for a General Assembly Meeting if its activities have been impeded by the Board or if the Company has suffered significant losses and damages.

➔ Number of meetings: 5

Name of member	Position	On 12.02.2019	On 18.03.2019	On 21.05.2019	On 20.08.2019	On 19.11.2019
His Excellency Suhail M. Abanmi	Committee Chairman	✓	✓	✓	✓	✓
Dr. Abdulrahman I. Al-Humaid	Independent member	✓	✓	✓	Attended through means of communication	✓
Dr. Abdullah A. Al-Shwer	Independent member	✓	✓	✓	✓	✓
Mr. Abdul Rahman M. Al-Odan	Independent member	✓	✓	✓	✓	✓
Mr. Hashem O. Al-Hekail	Member	✓	✓	Excused	✓	✓

Risk Management Committee

The Committee is responsible for risk management and information security, including recommending to the Board the policies for risk management in the Company, and giving consideration to the General Risk Management Department's recommendations on business risk analysis and identifying and maintaining an acceptable risk level, including risks relating to services and products provided by the Company and capital investment. The Committee will also study the risks of information technology systems and ensure the adequacy of such systems to conduct business, manage the mechanisms

of dealing with listed securities including deposit, registry, settlement, and publishing related information. In addition, the Committee studies the Business Continuity Plan and analyzes its impact on the Company's business. The Committee will also prepare detailed plans on risk exposure and proposed steps to manage such risks, and submit such reports to the Board of Directors. It ensures that the risk management employees are independent of the activities that may result in the Company's exposure to risk, and raise the risk management employees' awareness regarding the risk culture.

➔ Number of meetings: 4

Name of member	Position	On 13.03.2019	On 28.04.2019	On 09.10.2019	On 04.12.2019
Mr. Abdulaziz A. Bin Hassan	Committee Chairman	✓	✓	✓	✓
Mr. Abdullah bin Nasser Al Dawood	Member	Attended through means of communication	Excused	✓	Attended through means of communication
Dr. Yahya A. Al-Jabr	Independent member	✓	✓	✓	✓
Dr. Ibrahim A. Al-Kadi	Independent member	✓	✓	Attended through means of communication	✓
Mr. Jaser A. Al-Jaser	Independent member	✓	✓	✓	Attended through means of communication

Investment Committee

The Committee supervises the Management of the Company's capital investments, reviews the approved investment policy, ensures its adequacy and follows up on any corrective actions. In addition, it considers the investment strategy and studies and evaluates investment proposals submitted by the Department, and takes decisions thereon. The Committee also appoints investment managers, monitors their performance, determines their fees and dismisses them. The Committee consists of three members.

➔ Number of meetings: 4

Name of member	Position	On 04.03.2019	On 07.05.2019	On 18.09.2019	On 08.12.2019
Mr. Tariq Z. Al-Sudairy	Committee Chairman	✓	✓	✓	✓
Mr. Abdulrahman M. Al-Mofadhi	Member	✓	✓	✓	✓
Mr. Ali A. Al-Gwaiz	Member	Attended through means of communication	✓	✓	✓

Nomination and Remuneration Committee

The Committee undertakes the tasks related to the human capital of the Company and monitors the human resources strategy and related policies. The Committee should establish and evaluate performance criteria for the Chief Executive Officer and ensure that there is a long-term succession plan for the Chief Executive Officer and Executive Management and oversee its implementation. The Committee also considers the organizational structure of the Company and evaluates and develops the competencies and qualifications of the Executive Management. The Committee is also responsible for reviewing the performance of the Board and its members and recommending the appointment of independent members of the committees emanating from the Board. The Committee consists of four members.

Regulatory Policy and Oversight Committee

The Committee oversees the functions of the Regulatory Oversight and Authorization Division which is the executive arm directly responsible for the regulatory and supervisory activities. The Committee's tasks are consistent with the Transition and Activation of Responsibilities (TAR) Program which aims at implementing the regulatory and supervisory powers and functions of Tadawul. These functions are carried out in accordance with the provisions of the Capital Market Law, which includes several aspects such as listing securities in the market and regulating and following-up on the ongoing commitments of companies listed in the Exchange and participants in the market. Based on the TAR Program outputs, the CMA

➔ Number of meetings: 6

Name of member	Position	On 06.01.2019	On 10.03.2019	On 05.05.2019	On 06.10.2019	On 03.11.2019	On 08.12.2019
Mrs. Sarah J. Al-Suhaimi	Committee Chairperson	✓	✓	✓	✓	✓	✓
Mr. Ali A. Al-Gwaiz	Member	✓	✓	✓	✓	✓	✓
Mr. Rayan M. Fayez	Member	✓	✓	✓	Attended through means of communication	✓	✓
Mr. Bandar Bin Abdul Rahman Bin Muqrin	Member	✓	✓	✓	✓	✓	✓

continues to regulate the offering of securities while the listing of securities and details regarding the timing and format of disclosure mechanisms are handled by Tadawul.

Among the tasks of the Committee is to study the draft regulations and rules of the market and any amendments to them, and to supervise the communication and coordination between Tadawul and the Capital Market Authority in matters

relating to market regulations. Its responsibilities include studying the Division's recommendations regarding listing applications and suspending and delisting them, approving and supervising implementation of the listing decisions in the Main Market, the Nomu – Parallel Market and the debt markets, supervising requests to move from the Nomu to the Main Market. It also approves the issued capital change requests and applications for increasing the capital of the listed companies. The Committee consists of five members.

➔ Number of meetings: 9

Name of member	Position	On 28.01.2019	On 04.03.2019	On 08.04.2019	On 22.04.2019	On 05.08.2019	On 02.09.2019	On 10.10.2019	On 25.11.2019	On 25.12.2019
Dr. Abdullah H. Al Abdulqader	Chairman of the Committee – Independent	✓	✓	✓	✓	✓	✓	Attended through means of communication	✓	✓
Dr. Abdulrahman A. Al Khalaf	Independent member	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Abdulaziz A. Bin Hassan	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dr. Najim A. AlZaid	Member	✓	✓	✓	✓		✓	✓	✓	✓
Eng. Khalid A. Al Hussan	Executive member	✓	✓	✓	✓	✓	✓	✓	✓	✓

Remuneration of the Board of Directors members for their membership in the Board Committees

The members of the Board of Directors shall receive an annual remuneration of 200,000 SAR for their membership in the one committee or more from the Board committees. In addition, they shall receive 3,000 SAR for each committee meeting they attend.

A member of the Board of Directors who is a member in the regulatory policy and oversight committee shall be granted an additional amount of 200,000 SAR considering the nature of the work and responsibilities of the Committee.

Name of member	For attending committee meetings SAR	Annual committees membership remunerations SAR	Total SAR
Mrs. Sarah J. Al-Suhaimi	24,000	200,000	224,000
Mr. Abdulrahman M. Al-Mofadhi	12,000	200,000	212,000
Mr. Ali A. Al-Gwaiz	30,000	200,000	230,000
Mr. Tariq Z. Al-Sudairy	18,000	200,000	218,000
His Excellency Mr. Suhail M. Abanmi	15,000	200,000	215,000
Mr. Abdulaziz A. Bin Hassan	39,000	400,000	439,000
Mr. Rayan M. Fayez	24,000	200,000	224,000
Mr. Hashem O. Al-Hekail	15,000	200,000	215,000
Mr. Abdullah bin Nasser Al Dawood	15,000	200,000	215,000
Total	192,000	2,000,000	2,192,000

Dividend Policy

The Company's policy for distribution of annual net profits is based on the provisions of its Bylaws and the availability of liquidity to meet liabilities and strategic projects. Annual net profits (after deduction of all overheads and expenses) shall be distributed as follows:

- 10% of net profits are allocated to the statutory reserve. The Ordinary General Assembly may suspend this allocation once this reserve equals 30% of the Company's paid-up capital.
- The Ordinary General Assembly – at the Board of Directors' recommendation – may allocate a percentage of net profits for other special reserves.
- The Ordinary General Assembly may decide to establish other reserves to the extent that such reserves are in the interest of the Company or ensure distribution of fixed dividends for shareholders. The Ordinary General Assembly may deduct amounts from net profits to establish social institutions for the Company's employees or to support already existing ones.
- The Board of Directors may recommend that a certain percentage of the remainder of profits be distributed to shareholders. The Company may distribute quarterly or semi-annual dividends after fulfilling the requirements set by relevant entities.

The following are the proposed dividends for the year 2019, compared to dividends for 2018:

Dividend	2019 SAR	2018 SAR
Net profit/loss for the year	153,293,786	148,186,665
Allocating 10% of net profit as a statutory reserve	(15,329,379)	(14,818,667)
Dividends (5% of capital)	(60,000,000)	(60,000,000)
Dividends (additional share)	(60,000,000)	(60,000,000)
Net	17,964,407	13,001,158

Tadawul's subsidiaries

Name of subsidiary	Capital	Tadawul's ownership percentage	Activity	The main country of operations	Country of incorporation
Securities Depository Centre Company (Edaa)	400,000,000	100%	Depositing, registering, transferring, settling, clearing and recording the ownership of securities.	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Securities Clearing Center Company (Muqassa)	600,000,000	100%	Securities clearing	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

Transactions with related parties

The Company has entered into transactions with entities related to the Public Investment Fund (the Shareholder), as well as certain companies in which some members of the Board of Directors hold memberships. The terms of such transactions are similar to those with ordinary commercial debtors and creditors, and there is no preference or special treatment for the parties involved. The following are the significant transactions and amounts up to 31 December 2019:

Transactions with related parties	2019 SAR Mn	2018 SAR Mn
Trading commission	317,830,780	321,711,062
Market information services	61,345,104	60,808,776
Depository services	123,287,116	137,834,096
Listing services	60,615,484	61,580,174
Other services	1,669,415	1,345,932
Subsidiaries	7,462,037	5,511,881
Board of Directors' remuneration and allowances	5,437,049	5,963,239
Balance due from Tadawul Real Estate Company	130,000,000	130,000,000

The balances resulting from these transactions are included in the financial statements as at 31 December 2019 (in Saudi Arabian Riyals):

Description	Nature of the relationship	Balance at the beginning of the year	Charged during the year	Collected /Paid during the year	Balance at the end of the year
Receivables	Joint ownership and managers	12,682,167	341,807,541	344,353,443	10,136,265
Accounts payable	Joint ownership and managers	6,953,881	18,105,521	16,552,925	8,506,477
Advances and other assets	Associate company	130,000,000	–	–	130,000,000

In its transactions with related parties, the Company takes into account the procedures used to deal with cases of conflict of interest in accordance with the relevant regulations, in addition to the professional Code of Conduct of the Board of Directors, members of the Company, and approved by the Board of the CMA in its decision No. 02-20-2010 dated 27/08/1431 H corresponding to 8 August 2010.

Loans

The Saudi Stock Exchange (Tadawul) has no loans.

Company declarations

The Company's Management declares the following:

- The accounting records have been properly prepared.
- The internal control system is well established and effectively implemented.
- There are no substantive doubts about the Company's ability to continue its operations.
- There are also no deviations from the accounting standards issued by the Saudi Organization for Certified Public Accountants. There are no material comments from the Auditors on the Company's financial statements for the fiscal year 2019.

Regulatory payments due

Statement	SAR Mn	Description
Distributed profits	120,000,000	What is paid or charged to the period as dividends to government entities (Public Investment Fund)
Social insurance contributions	14,739,317	What is paid or charged to the period, in accordance with the provisions of the Labour Law in the Kingdom of Saudi Arabia
Deduction tax	2,283,316	What is paid or charged to the period, in accordance with the provisions of the Zakat and Income Tax Authority
Total	137,022,633	Represents statutory amounts payable and paid to government entities.

Sanctions or penalties from regulatory or governmental bodies

There are no penalties or sanctions from regulatory or government agencies.

Results of the annual review of the effectiveness of the internal control system

The Internal Audit Division reports periodically to the Audit Committee on the results of the audits, which are designed to verify the effectiveness of the internal control system in protecting the Company's assets and the assets of its subsidiaries (Edaa and Muqassa), assessing the business risks and measuring the efficiency and performance of the control procedures and systems in all respects (operational, administrative, and financial). The External Auditor performs an evaluation of this system as part of the audit of the final financial statements of the three companies, which includes the ability to review all the internal audit minutes and reports for the relevant financial period.

Based on the periodic reports submitted to the Committee in 2019 by the Internal Audit Division and External Auditors, the Audit Committee considers the financial and operational controls to be proper and efficient and believes that there are no control gaps or significant weakness in regard to the Company's business during the fiscal year 2019 that could affect the integrity of the financial statements.

Although the Internal Audit Division has conducted a risk-based audit in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA), no internal audit system can give an absolute guarantee of the integrity of the control system in the Company.

Risk management policy and control

The Risk and Security Division of the Saudi Stock Exchange (Tadawul) company follows the "Three Lines of Defence" methodology, the best among international standards. It also helps to define the responsibilities of each of the Company's Divisions, Executive Management and the Board Committees in a precise and effective manner with regard to risks. The important roles of Management are to approve and develop the standards and requirements of information security and business continuity for all Exchange members and data providers or vendors, in line with the ongoing changes within and relating to the market. This includes risk awareness, security and business continuity in line with market changes and the Company's vision.

The following types of risks are defined and approved by Tadawul:

Type 1 Operational risks

These risks arise due to poor efficiency or failure of internal and external processes, individuals, systems, or external events. These include risks due to issuances, clearing companies' transactions, market transactions, asset and deposit transactions, market regulation, HR and material assets. The Risk and Security Division reviews all operational risk sources in collaboration with the concerned departments with a view to develop suitable policies to minimize these risks.

Type 2 Technical risks

These are the risks associated with IT resulting from the possibility of a defect in information systems or technical structure or communication errors. IT risk management is concerned with understanding the ongoing operations and processes, identifying potential risks, and assessing the possible impact of any failures to processes or the information to be derived from them. Prevention and damage mitigation strategies must take into account human factors, especially the possibility of intentional damage, in addition to accidental damage. Such strategies include reducing the Company's responsibility for any risks, avoiding them, mitigating their adverse effects, or accommodating their consequences wholly or partially.

Type 3 Regulatory risks

These are the risks arising from improper decisions by the Company's Management, improper implementation of regulatory decisions or lack of timely decision-making, which may result in direct loss or loss of alternative opportunities. These risks may arise out of the Company violating laws and standards established by the regulatory authorities; they may be also due to the lack of a suitable strategy to achieve short-term and long-term goals.

Type 4 Financial risks

Financial risks are current or future risks that may affect the Company's revenues or reduce the efficiency of operating expenses. An example is the variable nature of trading commission which constitutes a large percentage of revenue. Other risks include variability in interest rates, exchange rates and the market value of stocks that may affect the return on investment. These are in addition to the liquidity, investment, insurance and financial analysis risks. A key risk mitigation strategy is to increase income not related to trading, in order to mitigate the risks arising from market variations. Also, within the ambit of financial risks are procurement and support services risks for which an approved strategy has been put in place to reduce the potential impact.

Type 5 Information security risks

These are risks arising from technical shortcomings and threats to information assets used by the Company that affect the achievement of business objectives. Such risks include internal and external threats to information security, threats to privacy, confidentiality and integrity of data, and risks to availability of information. The Risk and Security Division defines the level of data classification in order to ensure the efficiency of the tools, processes and controls required to grant access to such data. The Division also evaluates the ability of the Company to protect classified data considering the threats posed by any unauthorized disclosure or access.

Type 6 Business continuity risks

This is the risk that interrupts the Company's operations causing a disastrous impact and resulting in significant losses in the technical structure and level of services provided. These include risks due to infrastructure breakdowns, natural disasters, issues faced by logistic support providers, and threats to personnel.

The Risk and Security Division determines the requirements for restoring the services after major disruptive events and ensures the Company's ability to maintain the services provided to retain the credibility of the Exchange with the market and investors. The Division also works to establish controls and plans to reduce the risk of disruption of the system or public facilities to ensure the continuity of business in line with the requirements of raising the efficiency of the market.

Type 7 External risks

These are the potential risks or losses resulting from a number of external factors that constitute the external environment and affect the performance and business of the Company such as economic, political, and environmental conditions, which create risks to market members, legal risks, risks to data providers and risks to vendors and suppliers.



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INDEPENDENT AUDITORS' REPORT

Independent auditor's report


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Certified Public Accountants**

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Licence No. 46/11/323 issued 11/3/1992

TO THE SHAREHOLDERS OF SAUDI STOCK EXCHANGE COMPANY

Opinion

We have audited the consolidated financial statements of Saudi Stock Exchange Company ("Tadawul") ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with

the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the Regulations for Companies, and the Company's by-laws and for such internal control as Management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Board of Directors, is responsible for overseeing the Group's consolidated financial reporting process.



Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. "Reasonable assurance" is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Saudi Stock Exchange Company ("the Company") and its subsidiaries ("the Group").

For KPMG Al Fozan & Partners Certified Public Accountants



Khalil Ibrahim Al Sedais
License No. 371

6 Sha'ban 1441H
Corresponding to: 30 March 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019
(Saudi Arabian Riyals)

	Notes	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Property and equipment	4	13,693,404	18,321,065
Intangible assets	5	176,516,175	114,622,164
Equity-accounted investee	6	40,996,978	42,607,073
Investments	7	231,554,876	306,327,691
Right-of-use assets	8	11,271,347	–
Total non-current assets		474,032,780	481,877,993
Current assets			
Investments	7	2,660,288,572	2,616,337,849
Account receivables	9	41,179,879	38,594,342
Prepaid expenses and other current assets	10	102,841,000	31,959,881
Cash and cash equivalents	11	268,487,867	363,178,918
Total current assets		3,072,797,318	3,050,070,990
Total assets		3,546,830,098	3,531,948,983
EQUITY AND LIABILITIES			
Equity			
Share capital	1	1,200,000,000	1,200,000,000
Statutory reserve	12	326,911,746	311,582,367
General reserve	13	1,114,180,214	1,114,180,214
Retained earnings		618,313,284	608,896,618
Total equity		3,259,405,244	3,234,659,199
Non-current liabilities			
Employees' end-of-service benefits	14	77,294,401	72,059,827
Provision for specific obligations	15	–	17,430,875
Total non-current liabilities		77,294,401	89,490,702
Current liabilities			
Lease liability	16	4,263,087	–
Account payables	17	105,383,866	87,268,042
Balance due to Capital Market Authority		22,330,201	56,661,001
Deferred revenue		3,134,967	4,733,107
Accrued expenses and other current liabilities	18	75,018,332	59,136,932
Total current liabilities		210,130,453	207,799,082
Total liabilities		287,424,854	297,289,784
Total equity and liabilities		3,546,830,098	3,531,948,983

The accompanying Notes from (1) through (31) form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019
(Saudi Arabian Riyals)

	Notes	2019	2018
Operating revenue	19	564,747,899	583,280,040
Operating costs	20	(299,166,486)	(298,503,938)
Gross profit		265,581,413	284,776,102
General and administrative expenses	21	(223,525,052)	(210,520,277)
Operating profit		42,056,361	74,255,825
Investment income	22	94,343,939	79,211,522
Share of net loss in an equity-accounted investee	6	(1,610,095)	(6,629,084)
Other income		18,503,581	1,348,402
Non-operating profit		111,237,425	73,930,840
Profit for the year		153,293,786	148,186,665
Other comprehensive income			
Items that will not be reclassified to the consolidated statement of profit or loss			
Remeasurement of employee benefit liability	14	(8,547,741)	20,302,501
Other comprehensive (loss)/income for the year		(8,547,741)	20,302,501
Total comprehensive income		144,746,045	168,489,166
Basic and diluted earnings per share	23	1.28	1.23

The accompanying Notes from (1) through (31) form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019
(Saudi Arabian Riyals)

	Notes	Share capital	Statutory reserve	General reserve	Fair value reserve	Retained earnings	Total equity
Balance as at 1 January 2019		1,200,000,000	311,582,367	1,114,180,214	–	608,896,618	3,234,659,199
Total comprehensive income for the year:							
Profit for the year		–	–	–	–	153,293,786	153,293,786
Other comprehensive income for the year		–	–	–	–	(8,547,741)	(8,547,741)
Dividend	30	–	–	–	–	(120,000,000)	(120,000,000)
Transfer to statutory reserve		–	15,329,379	–	–	(15,329,379)	–
Balance as at 31 December 2019		1,200,000,000	326,911,746	1,114,180,214	–	618,313,284	3,259,405,244
	Notes	Share capital	Statutory reserve	General reserve	Fair value reserve	Retained earnings	Total equity
Balance as at 1 January 2018		1,200,000,000	296,763,700	1,114,180,214	9,360,408	567,428,470	3,187,732,792
Effect of the adoption of IFRS 9 on 1 January 2018		–	–	–	(9,360,408)	7,797,649	(1,562,759)
Restated balance at 1 January 2018		1,200,000,000	296,763,700	1,114,180,214	–	575,226,119	3,186,170,033
Total comprehensive income for the year:							
Profit for the year		–	–	–	–	148,186,665	148,186,665
Other comprehensive income for the year		–	–	–	–	20,302,501	20,302,501
Dividend		–	–	–	–	(120,000,000)	(120,000,000)
Transfer to statutory reserve		–	14,818,667	–	–	(14,818,667)	–
Balance as at 31 December 2018		1,200,000,000	311,582,367	1,114,180,214	–	608,896,618	3,234,659,119

The accompanying Notes from (1) through (31) form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019
(Saudi Arabian Riyals)

	Notes	2019	2018
Cash flows from operating activities:			
Profit for the year		153,293,786	148,186,665
Adjustments to reconcile net profit for the year to net cash generated from operating activities:			
Depreciation and amortization	20&21	51,272,542	32,271,083
Charge for credit losses on account receivables		148,493	3,839,671
(Reversal) for impairment on investments held at amortized cost		(342,923)	(65,573)
Loss on sale of property and equipment		–	49,355
Provision for employees' end-of-service benefits	14	10,966,445	14,418,075
Realized gain on investments	22	(5,425,998)	(10,679,758)
Unrealized (gain) on investments	22	(50,234,343)	(3,753,316)
Share of loss in equity-accounted investee	6	1,610,095	6,629,084
Interest expense on lease liability		149,208	–
Reversal of provision for specific obligation		(17,430,875)	–
Changes in operating assets and liabilities:			
Account receivables		(2,734,030)	(15,543,634)
Prepaid expenses and other current assets		(70,881,119)	(7,020,494)
Account payables		18,115,824	36,151,101
Balance due to Capital Market Authority		(34,330,800)	44,779,519
Deferred revenue		(1,598,140)	(1,096,690)
Accrued expenses and other current liabilities		15,881,400	10,625,595
Cash generated from operations		68,459,565	258,790,683
Employees' end-of-service benefits paid	14	(14,279,612)	(13,880,716)
Lease rental paid		(21,584,615)	–
Net cash flows generated from operating activities		32,595,338	244,909,967
Cash flows from investing activities:			
Purchase of investments		(1,219,357,541)	(1,224,838,967)
Proceeds from disposal of investments		1,306,182,897	907,992,408
Purchase of intangible assets and property and equipment		(94,111,745)	(57,467,089)
Proceeds from disposal of property and equipment		–	(475,228)
Net cash flows used in investing activities		(7,286,389)	(374,788,876)
Cash flows from financing activities:			
Dividend paid		(120,000,000)	(120,000,000)
Net cash used in financing activities		(120,000,000)	(120,000,000)
Net decrease/in cash and cash equivalents		(94,691,051)	(249,878,909)
Cash and cash equivalents at the beginning of the year		363,178,918	613,057,827
Cash and cash equivalents at the end of the year		268,487,867	363,178,918

The accompanying Notes from (1) through (31) form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019
(Saudi Arabian Riyals)

1. GENERAL

Saudi Stock Exchange Company (Tadawul) ("the Company") is a Saudi closed joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration number 1010241733 dated 2/12/1428 H (corresponding to 12 December 2007). The Company was established by the Royal Decree No. M/15 dated 01/03/1428 H (corresponding to 20 March 2007) and the Minister of Commerce and Industry resolution No. 320/k dated 1/12/1428 H (corresponding to 11 December 2007). The share capital of the Company is SAR 1,200 Mn divided into 120 million shares of SAR 10 each fully subscribed by the Public Investment Fund ("PIF").

The Company's main activity is to provide, create and manage the mechanisms of trading of securities, providing depository and registration of securities ownership, dissemination of securities information and engage in any related other activity to achieve the objectives as defined in the Capital Market Law.

These consolidated financial statements comprise the financial statements of Tadawul and its subsidiaries (collectively referred to as "the Group").

The Company's registered address is as follows:

6897 King Fahd Road – Al Olaya
Unit Number: 15
Riyadh 12211-3388
Kingdom of Saudi Arabia

Subsidiaries

Securities Depository Centre Company ("Edaa")

Capital Market Authority ("CMA") Board approved the formation of Securities Depository Centre Company ("Edaa") as a new Saudi joint stock company in the Kingdom of Saudi Arabia in accordance with the Capital Market Law issued by the Royal Decree No. M/30 dated 06/02/1424 H (corresponding to 22 March 2003). Edaa was registered as a Saudi joint stock company in Riyadh under Commercial Registration No. 1010463866 dated 11/27/1437 H (corresponding to 30 August 2016) with an authorized share capital of SAR 400 Mn divided into 40 million shares of SAR 10 each.

As at 31 December 2019, the Company held 100% of the issued share capital of Edaa. The main objective of Edaa is to provide depository and registration of securities ownership and clearing services of securities.

Securities Clearing Center Company ("Muqassa")

The Company's Board of Directors in their meeting dated 30 October 2017 under a decision number 03-04-2017/04-04-2017 approved the formation of a new company, Securities Clearing Center Company ("Muqassa"). Muqassa was registered as a closed joint stock company in Riyadh under Commercial Registration number 1010935131 dated 02/06/1439 (corresponding to 18 February 2018) with an authorized share capital of SAR 600 Mn divided into 60 million shares of SAR 10 each.

As at 31 December 2019, the Company held 100% of the issued share capital of Muqassa. The main objective of Muqassa is to provide, create and manage the mechanisms of trading of securities, providing settlement and clearing services of securities and engage in any other related activity to achieve the objectives as defined in the Capital Market Law. As of reporting date, Muqassa has not commenced its operations.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA").

The new Regulation for Companies issued through Royal Decree M/3 on 11 November 2015 (hereinafter referred as "the Law") came into force on 25/07/1437H (corresponding to 2 May 2016). The Company has amended its by-laws for any changes to align those with provisions of the Law. Consequently, the Company presented its amended by-laws to stockholders in their Extraordinary General Assembly meeting for their ratification on 2 January 2020 and Extraordinary General Assembly approved it.

2.2 Basis of measurement

These consolidated financial statements have been prepared on historical cost basis, except for financial assets measured at fair value through profit and loss and at amortized cost, and employees' end-of-service benefits, which are measured using actuarial techniques, using accrual basis of accounting and the going concern concept.

2. BASIS OF PREPARATION (CONTINUED)

2.3 New standards, amendments and standards issued:

(i) New standards, amendment to standards and interpretations:

The Group applied IFRS 16 "Leases" for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described in Note 3.2.

Several other interpretations and amendments apply for the first time in 2019, but do not have an impact on the financial statements of the Group.

(ii) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. The following new standards and amendment to standards are not expected to have a significant impact on the Group's consolidated financial statements:

Standards	Description	Mandatory effective date
IFRS 3	Definition of a Business (amendments)	1 January 2020
IAS 1 and IAS 8	Definition of Material (amendments)	1 January 2020
Conceptual Framework	Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021

2.4 Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals ("SAR"), which is the functional and presentational currency of the Group. All amounts have been rounded to the nearest SAR.

2.5 Critical accounting estimates and judgements

The preparation of these consolidated financial statements in conformity with International Financial Reporting Standards ("IFRS") requires Management to make judgements, estimates

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and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about material assumptions and estimation uncertainties are as follows:

	Note
Useful lives of property and equipment	3.4
Useful lives of intangible assets	3.5
Allowance for impairment on investments at amortized cost	3.3
Allowance for credit losses on accounts receivables	3.3
Defined benefits obligations – Employees' end-of-service benefits	3.10 and 14
Provision for specific obligations	15

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated, where policies are applicable only on or from 1 January 2019, those policies have been particularly specified.

3.1 Basis of consolidation

These consolidated financial statements comprise the financial statements of Tadawul and its subsidiaries (collectively referred to as "the Group"). Control is achieved when the Group is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the IFRS consolidated financial statements from the date that control commences until the date control ceases.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

All transactions and resulting balances between the Company and the subsidiaries are eliminated in preparing these consolidated financial statements. Any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

3.2 Adoption of new standard as at 1 January 2019

Effective 1 January 2019, the Group has adopted IFRS 16 – Leases. The impact of the adoption of this standard is explained below:

IFRS 16 Leases

The Group has adopted IFRS 16 “Leases” the standard replaces the existing guidance on leases, including IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement Contains a Lease”, SIC 15 “Operating Leases – Incentives” and SIC 27 “Evaluating the Substance of Transactions in the Legal Form of a Lease”.

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the Group’s Financial Position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 “Leases” into operating or finance leases is eliminated for lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

The Group has opted for the modified retrospective application permitted by IFRS 16 upon the adoption of the new standard. On the first time application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position as at 31 December 2019, discounted using the Group’s incremental borrowing rate at the time of first time application.

Reconciliation of lease liabilities

	SAR '000
Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the Group’s consolidated financial statements	27,055,400
Discounted using the Company’s weighted average incremental borrowing rate at 1 January 2019	1,356,906
Lease liability recognized at 1 January 2019	25,698,494

Based on the adoption of new standard, the following accounting policies are effective 1 January 2019 replacing/amending or adding to the corresponding accounting policies set out in 2018 financial statements.

Right-of-use asset/lease liabilities

On initial recognition, at inception of the contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

Right-of-use assets (“ROU”)

The Company apply cost model, and measure right-of-use asset at cost;

- (a) less any accumulated depreciation and any accumulated impairment losses; and
- (b) adjusted for any remeasurement of the lease liability for lease modifications

Generally, ROU asset would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the ROU asset value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Adoption of new standard as at 1 January 2019 (Continued)

Lease liability

On initial recognition, the lease liability is the present value of the lease payments that are not paid at the commencement date discounted using the Group’s incremental borrowing rate.

After the commencement date, Company measures the lease liability at amortized cost using the effective interest method by:

1. Increasing the carrying amount to reflect interest on the lease liability.
2. Reducing the carrying amount to reflect the lease payments made and;
3. Remeasuring the carrying amount to reflect any reassessment or lease modification.

3.3 Financial instruments

i. Classification and measurement of financial assets

The classification and measurement of financial assets is set out below:

Under IFRS 9, upon initial recognition, a financial asset is classified as measured at:

- amortized cost;
- fair value through other comprehensive income (FVOCI) – debt investment;
- FVOCI – equity investment; or
- FVTPL.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

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Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVOCI

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the consolidated statement of profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in the consolidated statement of profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

ii. Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value less.

Subsequently, financial liabilities are measured at amortized cost, unless they are required to be measured at fair value through profit or loss or the Group has opted to measure a liability at fair value through profit or loss.

iii. Derecognition

Financial assets

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

Financial liabilities

A financial liability is derecognized when its contractual obligations are discharged or cancelled or expired.

iv. Off-setting

Financial assets and liabilities are offset and reported net in the statement of financial position when there is a currently legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are not offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

v. Impairment of financial assets

IFRS 9 uses "expected credit loss" (ECL) model to assess the impairment of financial assets. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

Loss allowances for receivables are always measured at an amount equal to lifetime ECL. Lifetime ECLs result from all possible default events over the expected life of a financial instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to accounts receivables and investments at amortized cost are presented in the consolidated statement of profit or loss.

3.4 Property and equipment

Property and equipment except land are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Land is measured at its cost.

Cost includes expenditure that are directly attributable to the acquisition of the asset including the cost of purchase and any other costs directly attributable to bringing the assets to a working condition for their intended use. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the year the asset is derecognized.

The cost of replacing part of an item of operating fixed assets is recognized in the carrying amount of the item if it is probable the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of operating fixed assets are recognized in the statement of profit or loss as incurred.

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Depreciation

Depreciation is calculated over depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Depreciation of an asset begins when it is available for use.

The estimated useful lives for current and comparative periods of different items of property and equipment are as follows:

	Estimated useful lives (years)
Building	30
Furniture and fixtures	10
Computers	4
Office equipment	6
Vehicles	4

Depreciation methods, useful lives, impairment indicators and residual values are reviewed at each annual reporting date and adjusted, if appropriate.

3.5 Intangible assets

These represent software held for use in the normal course of the business and are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged to the statement of profit or loss over an estimated useful life of the software using the straight-line method. The estimated useful life of software is six years.

3.6 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment of non-financial assets (Continued)

impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the group of CGUs that is expected to benefit from the synergies of the combination.

This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss (except against goodwill) is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.7 Investments in associates (investment in equity-accounted investees)

An associate is an entity over which the Group has significant influence, but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has a corresponding obligation.

3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks in current accounts and other short-term liquid investments with original maturities of three months or less, if any, which are available to the Group without any restrictions.

3.9 Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost in the statement of profit or loss.

3.10 Defined benefits obligation – employees' end-of-service benefits

Employees' end-of-service benefits are payable to all employees employed under the terms and conditions of the labour laws applicable to the Group.

The Group's net obligation in respect of employees' end-of-service benefits is calculated separately for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods. That benefit is discounted to determine its present value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Defined benefits obligation – employees' end-of-service benefits (Continued)

Remeasurements, comprising of actuarial gains and losses, are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income, in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Group recognizes the following changes in the defined benefits obligation under "operating cost" and "general and administrative expenses" in the profit and loss account:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Interest expense

The calculation of defined benefits obligation is performed annually by a qualified actuary using the projected unit credit method.

3.11 Revenue recognition

The Group recognizes revenue under IFRS 15 using the following five steps model:

Step 1: Identify the contract with customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price	The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Recognize revenue	The Group recognizes revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

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Dividend income

Dividend income is recognized when the right to receive is established.

Special commission income

Special commission income is recognized in the statement of profit or loss on an effective yield basis.

3.12 Expenses

General and administrative expenses are those arising from the Group's efforts underlying the marketing, consultancy and maintenance functions. Allocations of common expenses between operating costs and general and administrative expenses, when required, are made on a consistent basis.

3.13 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the

Notes to the consolidated financial statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Foreign currency transactions (Continued)

exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of FVOCI instruments, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.14 Zakat

Based on the GAZT letter number 2999/12 dated 5/6/1429 H, the Group will be subject to Zakat after the initial public offering and the participation of private sector in its share capital in accordance with the approval of the Minister of Finance on GAZT's study regarding this matter dated 24/5/1429 H. In addition, based on the GAZT letter number 16/33008 dated 28/12/1438H, the Group is not subject to Zakat as it is fully owned by the Public Investment Fund (a governmental agency) and hence no provision is recorded in these consolidated financial statements.

3.15 Contingent liabilities

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly with the control of the Group; or all present obligations arising from past events but not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; all should be assessed at reporting date and disclosed in the Group's consolidated financial statements under contingent liabilities.

3.16 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1** – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2** – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3** – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, Management of the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Group's accounting policies. For this analysis, the Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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3.17 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified as current when:

- expected to be realized or intended to sell or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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4. PROPERTY AND EQUIPMENT

	Land	Building	Furniture and fixtures	Computers	Office equipment	Vehicles	Total
Cost:							
Balance as at 1 January 2018	2,310,985	618,248	21,785,309	152,109,978	18,395,324	1,656,350	196,876,194
Additions	–	–	692,156	1,635,572	318,458	–	2,646,186
Disposals	–	–	(2,216,232)	(48,802,995)	(802,590)	–	(51,821,817)
Balance as at 31 December 2018	2,310,985	618,248	20,261,233	104,942,555	17,911,192	1,656,350	147,700,563
Balance as at 1 January 2019	2,310,985	618,248	20,261,233	104,942,555	17,911,192	1,656,350	147,700,563
Additions	–	–	1,750,929	531,485	870,772	–	3,153,186
Balance as at 31 December 2019	2,310,985	618,248	22,012,162	105,474,040	18,781,964	1,656,350	150,853,749
Accumulated depreciation:							
Balance as at 1 January 2018	–	48,086	17,072,837	136,325,556	16,102,425	1,190,229	170,739,133
Charge for the year	–	20,608	839,299	8,463,836	880,067	209,017	10,412,827
Disposals	–	–	(2,171,022)	(48,800,131)	(801,309)	–	(51,772,462)
Balance as at 31 December 2018	–	68,694	15,741,114	95,989,261	16,181,183	1,399,246	129,379,498
Balance as at 1 January 2019	–	68,694	15,741,114	95,989,261	16,181,183	1,399,246	129,379,498
Charge for the year	–	20,608	668,652	6,246,723	711,364	133,500	7,780,847
Balance as at 31 December 2019	–	89,302	16,409,766	102,235,984	16,892,547	1,532,746	137,160,345
Net book value:							
As at 31 December 2019	2,310,985	528,946	5,602,396	3,238,056	1,889,417	123,604	13,693,404
As at 31 December 2018	2,310,985	549,554	4,520,119	8,953,294	1,730,009	257,104	18,321,065

4.1 The allocation of depreciation expense between operating costs and general and administrative expenses is as follows:

Description	2019	2018
Operating costs	5,424,159	7,209,368
General and administrative expenses	2,356,688	3,203,459
	7,780,847	10,412,827

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5. INTANGIBLE ASSETS

	Note	2019	2018
Cost:			
Balance at beginning of the year		305,731,768	251,256,797
Additions		90,958,559	55,296,131
Disposals/write-off		–	(821,160)
Balance at end of the year		396,690,327	305,731,768
Accumulated amortization:			
Balance at beginning of the year		191,109,604	170,072,508
Charge for the year	5.1	29,064,548	21,858,256
Disposals/write-off		–	(821,160)
Balance at end of the year		220,174,152	191,109,604
Net book value as at 31 December		176,516,175	114,622,164

5.1 The allocation of amortization expense between operating costs and general and administrative expenses is as follows:

Description	2019	2018
Operating cost	20,934,192	19,746,261
General and administrative expenses	8,130,356	2,111,995
	29,064,548	21,858,256

6. EQUITY-ACCOUNTED INVESTEE

This represents the Company's share of investment in Tadawul Real Estate Company ("the Associate"), a company incorporated in the Kingdom of Saudi Arabia, where the Company has significant influence. As at 31 December 2019, the Company owns 20% (31 December 2018: 20%) share capital of the Associate. The main activity of the Associate is to develop Tadawul's headquarters in the King Abdullah Financial District, Riyadh.

The movement of investment in the Associate is as follows:

	2019	2018
Balance at beginning of the year	42,607,073	49,236,157
Share of loss for the year	(1,610,095)	(6,629,084)
Balance at end of the year	40,996,978	42,607,073

The Company has recognized its share of loss based on the latest available financial statements of the Associate.

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6. EQUITY-ACCOUNTED INVESTEE (CONTINUED)

The following table summarizes the financial information of the Associate as included in its latest available unaudited financial statements. The table also reconcile summarized financial information to the carrying amount of the Group's interest in the Associate:

	31 December 2019	31 December 2018
Summarized statement of financial position		
Total current assets	46,147,786	46,515,781
Total non-current assets	1,258,086,427	1,024,509,060
Total current liabilities	86,838,295	30,349,849
Total non-current liabilities	698,646,452	676,637,087
Net assets (100%)	355,987,430	364,037,905
Summarized statement of comprehensive income		
Total comprehensive loss for the year	6,244,804	21,962,037

7. INVESTMENTS

Investment securities portfolios are summarized as follows:

	Notes	31 December 2019	31 December 2018
Non-current			
Investments at amortized cost	7.1	231,554,876	306,327,691
		231,554,876	306,327,691
Current			
Investments at amortized cost	7.2	75,000,000	1,312,561,762
Investments at FVTPL	7.3	2,585,288,572	1,303,776,087
		2,660,288,572	2,616,337,849

7.1 Investments at amortized cost – non-current

This represents investment in Sukuk issued by various counterparties operating in the Kingdom of Saudi Arabia having sound credit ratings. These Sukuk carry an average commission rate of 2.7% during the year 2019 (31 December 2018: 3.15% per annum).

The remaining maturity periods of these Sukuk vary between one and six years. The details of these investments are as follows:

Description	Maturity date	Amount
General Authority of Civil Aviation	18 January 2022	100,000,000
Tadawul Real Estate Company	3 December 2026	130,000,000

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7. INVESTMENTS (CONTINUED)

7.1 Investments at amortized cost – non-current (Continued)

The movement of the expected credit losses on investments held at amortized cost for the years ended 31 December is summarized as follows:

	31 December 2019	31 December 2018
Balance at the beginning of the year	1,462,752	–
Effect on the adoption of IFRS 9 at 1 January 2018	–	1,536,928
Reversal for the year	(342,923)	(74,176)
Balance at the end of the year	1,119,928	1,462,752

7.2 Investments at amortized cost – current

	Notes	31 December 2019	31 December 2018
Sukuk	7.2.1	75,000,000	426,925,624
Murabaha placements	7.2.2	–	885,636,138
Total		75,000,000	1,312,561,762

7.2.1 This represents investment in Sukuk issued by a counterparty which is domiciled in the Kingdom of Saudi Arabia and have a sound credit rating. This investment carries an average special commission rate of 3.14% per annum for the year ended 31 December 2019 (31 December 2018: 4.28% per annum). The details of investment is as follow:

Description	Maturity date	Amount
Savola Group Company	22 January 2022	75,000,000

7.2.2 Short-term Murabaha placements were with counterparties domiciled in the Kingdom of Saudi Arabia, having investment grade credit ratings and carried an average special commission rate of 3.78% during the year ended 31 December 2019 (31 December 2018: 3.23% per annum).

7.3 Investments at fair value through profit or loss ("FVTPL")

This represents investment in unit of mutual funds, which are governed by the regulation issued by CMA. The cost and fair value of investments held at FVTPL are as follows:

	31 December 2019		31 December 2018	
	Cost	Fair value	Cost	Fair value
Money market funds	2,458,092,921	2,548,344,972	1,192,965,777	1,228,320,127
Real estate funds	40,000,000	36,943,600	79,275,000	75,455,960
Total	2,498,092,921	2,585,288,572	1,272,240,777	1,303,776,087

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8. RIGHT-OF-USE ASSETS

Right-of-use asset related to leased properties.

	31 December 2019	31 December 2018
Balance at 1 January 2019	25,698,494	–
Depreciation charge for the year	(14,427,147)	–
	11,271,347	–

9. ACCOUNT RECEIVABLES

	Notes	31 December 2019	31 December 2018
Account receivables:			
– Related parties	25.1	10,136,265	12,682,167
– Others		37,921,349	32,641,416
Less: Allowance for credit losses	9.1	(6,877,735)	(6,729,241)
		41,179,879	38,594,342

9.1 The movement in the allowance for credit losses is summarized as follows:

For the year ended 31 December	2019	2018
Balance at the beginning of the year	6,729,241	2,863,739
Effect on the adoption of IFRS 9 at 1 January 2018	–	25,831
Charge for the year	148,494	3,839,671
Balance at the end of the year	6,877,735	6,729,241

10. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	Notes	31 December 2019	31 December 2018
Advance against purchase of property	10.1	77,500,000	–
Prepaid insurance expenses		7,767,406	7,672,925
Prepaid rent expenses		–	5,301,243
Accrued operational revenue		5,551,232	5,709,830
Advance to employees		6,232,881	4,377,876
Prepaid maintenance expenses		1,328,331	623,537
Value added tax (VAT) receivable, net		745,507	1,748,422
Other receivables		3,715,643	6,526,048
		102,841,000	31,959,881

10.1 This represents advance money paid to purchase property for establishing Data Centre.

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11. CASH AND CASH EQUIVALENTS

	Note	31 December 2019	31 December 2018
Cash at banks – current accounts		142,140,619	68,823,309
Short-term Murabaha deposits	11.1	126,347,248	294,355,609
		268,487,867	363,178,918

11.1 Short-term Murabaha placement is with counterparty having sound credit rating. This placement has an original maturity period of three months or less and carry an average special commission rate of 2.45 % per annum (31 December 2018: 2.7% per annum).

12. STATUTORY RESERVE

In accordance with the Company's by-laws and the Saudi Arabian Regulations for Companies effective on 25 Rajab 1437 H (corresponding to 2 May 2016) requires companies to set aside 10% of its net income each year as statutory reserve until such reserve reaches 30% of the share capital. This reserve is currently not available for distribution to the shareholders of the Group.

13. GENERAL RESERVE

In accordance with the approval of the Chairman of CMA vide letter number 524/2007 dated 31 February 2007, a balance of the retained earnings was transferred to a contractual reserve for the purpose of financing the construction of Tadawul's headquarters in the King Abdullah Financial District and any other future purposes to be decided by the Company's Board of Directors. During the year 2008, the Board of Directors of the Company resolved according to a decision number 6/8/2008 to transfer such balance of the contractual reserve to a general reserve.

14. EMPLOYEES' END-OF-SERVICE BENEFITS

The movement in employees' end-of-service benefits is as follows:

For the year ended 31 December	2019	2018
Balance at beginning of the year	72,059,827	91,824,969
Current service cost	7,941,617	11,441,606
Interest cost	3,024,828	2,976,469
Amount recognized in profit or loss	10,966,445	14,418,075
Remeasurement (gain)/loss recognized in other comprehensive income	8,547,741	(20,302,501)
Benefits paid during the year	(14,279,612)	(13,880,716)
Balance at the end of the year	77,294,401	72,059,827

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14. EMPLOYEES' END-OF-SERVICE BENEFITS (CONTINUED)

14.1 Net end-of-service benefit liability is as follows:

	31 December 2019	31 December 2018
Present value of benefit liability	77,294,401	72,059,827
Fair value of plan assets	–	–
Net defined benefit liability	77,294,401	72,059,827

14.2 Remeasurement gain/(loss) recognized in other comprehensive income for the year is as follows:

For the year ended 31 December	2019	2018
Effect of changes in financial assumptions	6,881,144	(11,490,675)
Effect of changes in demographic assumptions	–	(1,413,332)
Effect of experience adjustments	1,666,597	(7,398,494)
Remeasurement gain/(loss) recognized in other comprehensive income	8,547,741	(20,302,501)

14.3 Principal actuarial assumptions

The following were the principal actuarial assumptions:

	31 December 2019	31 December 2018
Key actuarial assumptions		
Discount rate used (%)	2.85	4.25
Future growth in salary (%)	5.00	5.00
Turnover	Heavy	Heavy
Demographic assumptions		
Retirement age (years)	64	64

Discount rate used

This rate is used to obtain the actuarial present value of the projected benefits. As per IAS 19 "Employee Benefits", the rate to be used to discount post-employment benefit obligations (both funded and unfunded) shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the end of reporting period) on government bonds shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and expected term of the post-employment benefit obligation. Since there is no deep market for high quality corporate bonds in the Kingdom of Saudi Arabia, therefore, the market yield of government bond is considered.

Salary increases

With regards to the past trend, it is assumed that the salaries would increase at a rate of 5.00% per annum compound in the long range. The valuation is sensitive to the gap between the interest and salary increase assumptions. The situation will be kept under review. Salary increments each year are assumed to be given on 1 February.

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14. EMPLOYEES' END-OF-SERVICE BENEFITS (CONTINUED)

14.4 Maturity profile of the defined benefit liability

	2019	2018
Weighted average duration (years)	7.48	6.90
Distribution of timing of benefit payments:		
Years	Amount	Amount
1	6,031,485	6,753,017
2	8,573,188	7,810,278
3	7,722,731	7,013,064
4	5,562,937	7,689,513
5	5,380,932	6,038,039
6-10	33,863,686	31,985,063

Sensitivity analysis

Reasonably possible changes as to one of the relevant actuarial assumptions, holding other assumptions constant, the amount of defined benefit obligations would have been:

	31 December 2019		31 December 2018	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	(76,620,657)	82,666,148	(69,444,786)	74,476,710
Future salary growth (0.5% movement)	81,214,900	(77,945,735)	73,243,047	(70,578,235)

14.5 Risks associated with defined benefit plans

Longevity risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual salary increases are higher than expectation and impacts the liability accordingly.

15. PROVISION FOR SPECIFIC OBLIGATIONS

At the establishment of the Company, all rights, assets, liabilities, obligations and records were transferred from the Saudi Share Registration Company (a company which existed before the establishment of Tadawul), to the Company as at 30/11/1428 H (corresponding to 10 December 2007) under CMA Board Resolution number 1-202-2006 dated 08/02/1427 H and the decision of the Council of Ministers number 91 dated 16/04/1424 H. Accordingly, the Company is responsible for all obligations arising from the operations of the Saudi Share Registration Company.

The Company had made a provision equal to the amount of net assets transferred from the Saudi Share Registration Company. As at 31 December 2019, the provision was in the amount of SAR 17,430,875 (31 December 2018: SAR 17,430,875). During the year, the provision is reversed as the Company do not anticipate any further claims in future.

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16. LEASE LIABILITY

	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	4,412,295	149,208	4,263,087
Between one to five years	–	–	–
More than five years	–	–	–
	4,412,295	149,208	4,263,087

17. ACCOUNT PAYABLES

	Note	31 December 2019	31 December 2018
Trade payables		96,877,390	80,314,161
Related parties	25.3	8,506,476	6,953,881
		105,383,866	87,268,042

18. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	31 December 2019	31 December 2018
Accrued employees expenses	53,625,431	39,599,064
Accrued employees vacation expenses	13,839,268	13,729,007
Accrued social insurance – General Organization for Social Insurance	2,007,831	1,409,935
Others	5,545,802	4,398,926
	75,018,332	59,136,932

19. OPERATING REVENUE

For the year ended 31 December	2019	2018
Trading commission	317,830,780	321,711,062
Securities depository services	123,287,116	137,834,096
Market information services	61,345,104	60,808,776
Listing fee	60,615,484	61,580,174
Other services	1,669,415	1,345,932
	564,747,899	583,280,040

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19. OPERATING REVENUE (CONTINUED)

In accordance with the Council of CMA resolution no. (17/270/6) dated 18 January 2017, operating revenues arrangement between the Group and CMA with effect from 1 January 2017 is as follows:

- CMA is entitled to receive a financial return equal to 64% of total trading commission. The Group shall collect this return on behalf of CMA and deposit into CMA's account based on its instruction; and
- The Group is entitled to keep 100% of operating revenue (except trading commission, which is subject to the above-mentioned return sharing arrangement).

20. OPERATING COSTS

Operating costs include direct expenses incurred by the Group to provide services to its customers and the Saudi Financial Market. A breakdown of operating costs is as follows:

For the year ended 31 December	Notes	2019	2018
CMA annual fees (Note 15)	20.1	79,000,000	130,000,000
Salaries and related benefits		108,222,819	92,756,391
Consultancy		3,010,684	1,128,959
Maintenance		32,380,994	21,934,036
Depreciation and amortization	4, 5 & 8	28,459,597	21,217,805
Data network lines		26,094,087	11,085,864
Rent		–	2,854,836
Utilities		820,984	1,434,070
Security guards		1,698,306	1,605,473
Hospitality and cleaning		1,747,784	2,005,667
Allowance for credit losses on accounts receivables	9.1	148,493	3,839,672
SAREE system usage fees		1,016,000	1,162,000
Communication		333,961	694,074
Business trip		250,173	718,223
Training		3,734,194	911,284
Marketing and sponsorship		9,443,894	1,639,797
License fees		650,277	860,173
Shareholder relations		–	1,111,251
Others		2,154,239	1,544,363
		299,166,486	298,503,938

20.1 This represents fee payable to CMA in relation to services provided by the Group in accordance with the Council of CMA resolution No. (17/268/6) dated 18 January 2017. During the year, fee payable to CMA was reduced for years from 2019 to 2023 in accordance with the CMA Board resolution.

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21. GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended 31 December	Notes	2019	2018
Salaries and related benefits		134,409,562	130,186,615
Consultancy		21,268,229	18,723,914
Maintenance		12,521,968	14,914,314
Depreciation and amortization	4, 5 & 8	22,812,945	10,469,539
Rent		–	9,515,024
Board of Directors' remuneration and allowances		5,437,049	5,963,239
Security guards		2,090,862	2,073,863
Utilities		1,483,016	1,815,930
Hospitality and cleaning		2,037,188	2,223,833
Communications		980,398	808,431
Business trip		539,316	1,354,745
Trading activities insurance contracts		836,143	915,026
Training		5,498,862	4,088,274
Stationery and office supplies		347,965	383,773
Marketing and sponsorship		4,019,249	393,146
License fees		1,740,880	1,758,147
Allowance for credit losses on investments		(397,187)	(65,573)
Others		7,898,607	4,998,037
		223,525,052	210,520,277

22. INVESTMENT INCOME

For the year ended 31 December	2019	2018
Special commission income	25,901,398	57,918,638
Dividend income	12,782,200	6,859,810
Realized gain on investments, net	5,425,998	10,679,758
Unrealized gain on investments, net	50,234,343	3,753,316
	94,343,939	79,211,522

23. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is computed by dividing income attributable to the ordinary shareholders of the Company by the weighted average outstanding number of shares for the year ended 31 December 2019, totalling 120 million shares (31 December 2018: 120 million shares).

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24. CONTINGENCIES AND COMMITMENTS

Commitments represent the value of the part not yet executed from supply contracts of assets and services to the Group as follows:

	31 December 2019	31 December 2018
Purchase of assets	13,593,996	26,171,655
Committed expenditure	9,839,370	10,291,394
Letter of guarantee	11,300,000	11,300,000
	34,733,366	47,763,049

25. TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of its activities, the Group transacts business with its related parties. Related parties include PIF ("the shareholder"), Tadawul Real Estate Company ("the Associate"), the Group's Board of Directors, and key executives, and other entities, which are under common ownership through PIF ("Affiliates") or have common Directors on their Board ("Board of Directors"). Transactions are carried out on mutually agreed terms approved by the Management of the Group.

25.1 The significant transactions with related parties in relation to the Group's core activities are as follows:

Nature of relationship	Nature of transactions		Total amount of transactions
	Sales and marketing	Securities depository services	31 December 2019
Affiliates	150,409,830	20,733,676	171,143,506
Board of Directors	62,608,472	–	62,608,472
Board of Directors/Affiliates	107,950,564	–	107,950,564
The Associate	–	105,000	105,000
Total	320,968,866	20,838,676	341,807,542

The receivables balances arising from the above transactions are as follows:

Nature of relationship	For the year ended 31 December 2019			
	Opening balance	Invoiced	Collections	Ending balance
Affiliates	3,134,914	171,143,505	167,991,872	6,286,547
Board of Directors	2,486,452	62,608,472	63,909,674	1,185,250
Board of Directors/Affiliates	6,955,801	107,950,564	112,346,897	2,559,468
The Associate	105,000	105,000	105,000	105,000
Total	12,682,167	341,807,541	344,353,443	10,136,265

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25. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

25.1 (Continued)

Nature of relationship	Nature of transactions		Total amount of transactions 31 December 2018
	Sales and marketing	Securities depository services	
Affiliates	134,382,829	19,563,135	153,945,964
Board of Directors	61,436,691	–	61,436,691
Board of Directors/Affiliates	158,513,539	–	158,513,539
The Associate	–	105,000	105,000
Total	354,333,059	19,668,135	374,001,194

Nature of relationship	For the year ended 31 December 2018			
	Opening balance	Invoiced	Collections	Ending balance
Affiliates	2,107,376	153,945,964	(152,918,426)	3,134,914
Board of Directors	8,823	61,436,691	(58,959,062)	2,486,452
Board of Directors/Affiliates	2,200,570	158,513,539	(153,758,308)	6,955,801
The Associate	100,000	105,000	(100,000)	105,000
Total	4,416,769	374,001,194	(365,735,796)	12,682,167

25.2 Other balances with related parties included in investments at "FVTPL" are as follows:

Nature of relationship	For the year ended 31 December 2019			
	Opening balance	Purchases/(Disposals)	Unrealized gain	Ending balance
Board of Directors	140,588,370	277,698,457	7,118,039	425,404,866

Nature of relationship	For the year ended 31 December 2018			
	Opening balance	Purchases/(Disposals)	Unrealized gain	Ending balance
Board of Directors	684,701,766	(544,660,303)	546,907	140,588,370

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25. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

25.3 Other balances with related parties included within accounts payables are as follows:

Nature of relationship	For the year ended 31 December 2019			
	Opening balance	Services received	Payments made	Ending balance
Affiliates	5,511,881	12,528,050	(10,577,894)	7,462,037
Board of Directors	1,442,000	5,577,471	(5,975,031)	1,044,440
Total	6,953,881	18,105,521	(16,552,925)	8,506,477

Nature of relationship	For the year ended 31 December 2018			
	Opening balance	Services received	Payments made	Ending balance
Affiliates	4,293,218	12,629,562	(11,410,899)	5,511,881
Board of Directors	1,676,618	5,913,239	(6,147,857)	1,442,000
Total	5,969,836	18,542,801	(17,558,756)	6,953,881

25.4 Other balances with related parties included in investments at amortized cost are as follows:

Nature of relationship	For the year ended 31 December 2019			
	Opening balance	Special commission earned	Collections	Ending balance
The Associate	130,000,000	–	–	130,000,000

Nature of relationship	For the year ended 31 December 2018			
	Opening balance	Special commission earned	Collections	Ending balance
The Associate	130,000,000	4,017,433	(4,017,433)	130,000,000

26. SEGMENT INFORMATION

The Group operates solely in the Kingdom of Saudi Arabia. For Management purposes, the Group is organized into business units based on services provided. The reportable segments of the Group are as under:

Markets

This business unit's main objective is to grow business by improving products/services, attracting domestic listings, (in the longer term) foreign listings, and developing new asset classes. The responsibilities include maintaining the integrity, stability, and fairness of stock market operations. Its objective is to achieve outstanding results through operational excellence, collaboration with CMA, cost effectiveness, total customer experience Management, and developing a capable work force.

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26. SEGMENT INFORMATION (CONTINUED)

Edaa

The activities of Edaa include registration of investment portfolios in the filing and settlement system, register and file its ownership, transfer, settlement and clearing its ownership, registering any restriction of ownership on the file securities, and associate with members of the market and settlement agents to filing and settlement system. Further, Edaa links and manages records of securities issuers, organizes general assemblies for issuers including remote voting service for such assemblies, provide reports, notifications and information in addition to providing any other service relating to its activities according to financial market regulations.

Market information

The activities of this segment is to grow business of market information which includes offer high-quality real-time trading data, reference data, market indices and financial information to the financial community.

Corporate

Corporate manages future corporate development and controls all treasury related functions. All investments are incubated within this business segment, which also comprise managing strategy for business development, legal, finance, operations, human resources and customers' relation Management.

2019	Markets	Edaa	Muqassa	Market information	Corporate	Total
Operating revenues	221,906,317	281,496,478	–	61,345,104	–	564,747,899
Operating costs	(131,886,167)	(130,820,921)	–	(36,459,398)	–	(299,166,486)
Operations income/(loss)	–	–	–	–	–	42,056,361
General and administrative expenses	–	–	–	–	(223,525,052)	(223,525,052)
Total assets	18,147,832	564,452,008	130,041,282	4,091,552	2,830,097,424	3,546,830,098
Total liabilities	37,308,873	46,414,594	25,130,752	11,690,852	166,879,783	287,424,854
2018	Markets	Edaa	Muqassa	Market information	Corporate	Total
Operating revenues	224,150,902	298,320,362	–	60,808,776	–	583,280,040
Operating costs	(134,817,416)	(127,112,580)	–	(36,573,942)	–	(298,503,938)
Operations income/(loss)	89,333,486	171,207,782	–	24,234,834	–	284,776,102
General and administrative expenses	–	–	–	–	(210,520,277)	(210,520,277)
Total assets	18,211,205	566,423,092	–	4,105,840	2,943,208,846	3,531,948,983
Total liabilities	38,193,598	47,515,248	–	11,968,083	199,612,855	297,289,784

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- Market risk;
- Credit risk;
- Operational risk; and
- Liquidity risk

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27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has an overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies. Further, the Board reviews reports from relevant committees in relation to the above on a regular basis.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Risk management structure

A cohesive organizational structure is established within the Group in order to identify, assess, monitor and control risks.

Board of Directors

The apex of risk governance is the centralised oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior Management

Senior Management is responsible for the day-to-day operations towards achieving the strategic goals within the Group's predefined risk appetite.

The risks faced by the Group and the way these risks are mitigated by Management are summarised below:

27.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate, because of changes in market prices whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group limits market risk by maintaining a diversified portfolio and by monitoring the developments in financial markets. Market risk reflects price risk, currency risk and special commission rate risk.

Price risk

Price risk is the risk that the value of financial instruments will fluctuate due to changes in market prices. The Group's price risk exposure relates to its quoted investments in mutual funds whose values will fluctuate as a result of changes in market prices.

A 1% change in the redemption prices and quoted prices of the investments, with all other variables held constant, would impact the statement of profit or loss as set out below:

For the year ended 31 December	2019	2018
Effect on profit/ loss for the year	±25,852,886	±13,037,761

The sensitivity analysis prepared is not necessarily indicative of the effects on profit and loss and assets of the Group.

Notes to the consolidated financial statements

For the year ended 31 December 2019
(Saudi Arabian Riyals)

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Arabian Riyals.

Special commission rate risk

The Group's exposure to changes in special commission rate relates primarily to the Group's long term variable rate debt instruments. Special commission rate risk arises from the possibility that changes in special commission rates will affect future profitability or the fair value of financial instruments. An increase/decrease in special commission rate of 1%, with all other variables held constant, would have resulted in a decrease/increase in profit for the year ended 31 December 2019 by SAR 6,734 (for the year ended 31 December 2018: SAR 82,234).

27.2 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment in debt securities.

The below schedule shows the maximum limit for exposure to credit risk of the consolidated statement of financial position elements:

	31 December 2019	31 December 2018
Cash and cash equivalents	268,487,867	363,178,918
Investments at amortized cost	306,554,876	1,618,889,453
Accrued operational revenue	5,551,232	5,709,830
Advance to employees	6,232,881	4,377,876
Account receivables	48,057,614	45,323,583
	634,884,470	2,037,479,660

Cash and cash equivalents

The Group kept its surplus funds with banks having sound credit ratings. Currently the surplus funds are kept with banks having rating as follows:

Fitch		Moody's	
Long term	Short term	Long term	Short term
BBB+	A2	A1	P-1

Account receivables

Account receivables are shown net of allowance for credit losses. The Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses, account receivables have been grouped based on the days past due. The historical loss rates adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Notes to the consolidated financial statements

For the year ended 31 December 2019
(Saudi Arabian Riyals)

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

27.3 Concentration of credit risk

The following table provides information about the exposure to credit risk and expected credit losses for receivables as at 31 December 2019.

	Weighted average loss rate (%)	Gross carrying amount	Loss allowance	Credit impaired
0-30 days (not past due)	0.3	33,543,951	103,190	No
30-60 days	2.0	1,261,061	25,233	No
61-90 days	3.0	2,392,842	71,536	No
91-120 days	4.5	435,539	19,647	No
121-180 days	18.2	2,571,107	467,183	Yes
181-360 days	45.4	2,077,669	943,808	Yes
More than 360 days past due	90.9	5,775,445	5,247,138	Yes
		48,057,614	6,877,735	

The following table provides information about the exposure to credit risk and expected credit losses for receivables as at 31 December 2018.

	Weighted average loss rate (%)	Gross carrying amount	Loss allowance	Credit impaired
0-30 days (not past due)	0.04	33,285,334	14,129	No
30-60 days	1.04	1,555,431	16,174	No
61-90 days	2.24	309,770	6,929	No
91-120 days	2.52	250,501	6,314	No
121-180 days	20.00	856,173	171,235	Yes
181-360 days	50.00	5,103,826	2,551,912	Yes
More than 360 days past due	100.00	3,962,548	3,962,548	Yes
		45,323,583	6,729,241	

27.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

Compliance with the Group's standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the Management of the business unit to which they relate, with summaries submitted to the Audit Committee and Senior Management of the Group.

Notes to the consolidated financial statements

For the year ended 31 December 2019
(Saudi Arabian Riyals)

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

27.5 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The below schedule shows an analysis of financial assets and liabilities based on the expected date of collection or settlement:

	31 December 2019			31 December 2018		
	Less than 12 months	More than 12 months	Total	Less than 12 months	More than 12 months	Total
Cash and cash equivalents	268,487,867	–	268,487,867	363,178,918	–	363,178,918
Investments	2,660,288,572	231,554,876	2,891,843,448	2,616,337,849	306,327,691	2,922,665,540
Account receivables – gross	48,057,614	–	48,057,614	45,323,583	–	45,323,583
Accrued operational revenue	5,551,232	–	5,551,232	5,709,830	–	5,709,830
Advance to employees	6,232,881	–	6,232,881	4,377,876	–	4,377,876
Total financial assets	2,988,618,166	231,554,876	3,220,173,042	3,034,928,056	306,327,691	3,341,255,747
Lease liability	4,263,087	–	4,263,087	–	–	–
Account payables	105,383,866	–	105,383,866	87,268,042	–	87,268,042
Balance due to CMA	22,330,201	–	22,330,201	56,661,001	–	56,661,001
Accrued expenses and other current liabilities	75,018,332	–	75,018,332	59,136,932	–	59,136,932
Total financial liabilities	206,995,486	–	190,368,079	203,065,975	–	203,065,975
Net financial assets	2,781,622,680	231,554,876	3,013,177,556	2,831,862,081	306,327,691	3,138,189,772

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amount of the remaining financial assets and financial liabilities is a reasonable approximation of fair value.

Notes to the consolidated financial statements

For the year ended 31 December 2019
(Saudi Arabian Riyals)

28. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	Carrying value	31 December 2019			Total fair value
		Fair value			
		Level 1	Level 2	Level 3	
Investments					
FVTPL	2,585,288,572	–	2,585,288,572	–	2,585,288,572

	Carrying value	31 December 2018			Total fair value
		Fair value			
		Level 1	Level 2	Level 3	
Investments					
FVTPL	1,303,776,087	–	1,303,776,087	–	1,303,776,087

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements as of 31 December 2019 (31 December 2018: Nil).

29. SUBSEQUENT EVENTS

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread globally including the Kingdom of Saudi Arabia (KSA), causing disruptions to businesses and economic activity and may eventually impact the Tadawul's revenue streams. Moreover, the Government of KSA has announced several initiatives to provide necessary relief to industry sectors including underlying consumers. Tadawul considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company. The impact of this outbreak on Tadawul's consolidated financial statements including expected credit losses will be considered in the Company's consolidated financial statements for the year ending 31 December 2020.

30. DIVIDEND

The Ordinary General Assembly meeting held on 14 Ramadan 1440 H (corresponding to 19 May 2019) approved the payment of dividend to shareholders for the year ended 31 December 2018 amounting to SAR 120,000,000.

31. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Board of Directors on 29 March 2020.

ANNEXES

Glossary of stock market terms

All Share Index (ALSI)

An index designed to reflect the movement of the equity market.

Arbitrage

Buying and selling the same security on different markets and at different prices.

Ask price

The price at which a trader is willing to sell a security.

Available securities

Securities available for carrying out transactions which includes securities which have been purchased but not settled to client account.

Bear market

When a market as a whole is on a downward trend of falling prices.

Bid price

The price a trader is willing to pay for a given share.

BiS DvP model 2

A mechanism where transfer of securities from seller to buyer occurs on a trade by trade basis but transfer of cash from buyer to seller occurs on a net basis.

Blue chip stocks

Stocks of large leading industry companies which have a stable record of dividend payments and have a reputation of sound fiscal management.

Borrowing agent

A custody member appointed by borrower for conducting transactions.

Bull market

When a market as a whole is on a prolonged period of increasing prices.

Cash prefunding requirement

A trading system where the buyer of a security has to deposit cash in advance of the trade.

Central Securities Depository (CSD)

A specialist financial institution holding securities either in certificated or uncertificated form, so that ownership can be transferred through a book entry rather than physical transfer of certificates.

Clearing

All activities pertaining to a security being traded from the moment a commitment is made regarding a transaction to the moment it is settled.

Closing Price – Volume weighted average method

The VWAP is an average calculated by taking the value of all trades in the last 15 minutes before the market close divided by the total traded shares of the company. If no trades occurred during the last 15 minutes the closing price will be the last normal price (trades above SAR 15,000) before the last 15 minutes.

Closing price-Auction method

In this method the closing price is set by an auction that takes place until 10 minutes after the close of normal trading. An equilibrium price is set during the closing auction on normal trades (trades over SAR 15,000). If there are no normal trades during auction the closing auction becomes the last traded price. If there are no trades during the day, the closing price becomes the previous day's closing price.

Custodian

A financial institution that holds customers securities for safeguarding to minimize the risk of their theft or loss. It can also be a clearing member for banks, corporations, foreign investors and institutional investors. They clear the trade by ensuring pay-in/pay-out of securities.

Depository system

IT system used by stock markets to facilitation of clearing, settlement, safekeeping and registry functions.

Derivative

A security or financial instrument whose value is determined by an underlying asset.

DvP

A settlement mechanism that links a securities transfer and a funds transfer in such a way that transfer occurs only if the payment occurs.

Exchange member

A member of an exchange providing trading services for investors.

Exchange Traded Funds (ETF)

A fund made up of a portfolio of shares that reflect the composition of an index. The fund is listed on a recognized exchange and trades like a normal security.

Exchange Traded Products (ETPs)

Securities that are traded on a stock exchange, the value of which is derived from underlying instruments like commodities, currencies, share prices or interest rates.

Execution broker

An exchange member providing trading services in deposited securities, custody services for which are provided by an independent custody member.

Failed trade

This occurs when a seller does not deliver securities or a buyer does not make payment by the settlement date.

Forward contract

This is similar to a futures contract except that it is privately negotiated.

Free float

The proportion of shares of a publicly traded company traded on a stock market.

Futures contract

A contractual agreement, to buy or sell a particular a particular commodity or financial instrument at a predetermined price in the future.

Global Industry Classification Standard (GICS)

A standard classification system for equities developed jointly by Morgan Stanley Capital (MSCI) and Standard & Poor's.

Hedge

A derivative instrument to protect an investment from unfavourable changes in value.

Independent custody member

A custody member providing custody services if trading services are provided by an execution broker.

Index

A simulated portfolio of securities that represents a market or a portion of that market.

Insider trading

Buying or selling a security when having access to non-public information about that security.

Inventory

Securities balance of an investor's account free of pledge and other restrictions.

Lending agent

A custody member appointed by lender for conducting securities borrowing and lending transactions.

Limit order

An order to buy and sell stock at a specified price. This will set the maximum price a client is willing to pay as a buyer and the minimum price he is willing to accept as a seller.

Liquidity

How easily securities can be bought or sold on the market. A security is liquid if there are units available for large transactions to take place without substantial changes in price.

Liquidity risk

The risk that arises from the difficulty in buying or selling a security.

Long fail

When a buyer cannot pay for securities within a specified period.

Maintenance margin

In the context of margin trading this is the minimum amount of equity that should be in the margin account. Equity is the total value of securities minus what has been borrowed from the brokerage firm.

Margin account

This allows a person to borrow money from a broker to purchase securities. The customer will deposit money in the margin account and the broker will loan additional funds and the total could be used to purchase stock. This could be advantageous for the customer if the stock price appreciates. However, if the price declines the broker could require that the customer deposits additional funds within a short period or sell a portion of stock to offset all or a part of the difference between the security's value and maintenance margin.

Market abuse

Securities law violations including insider trading, market manipulation or money laundering.

Market maker

A member firm of an exchange that buys and securities for its own account (principal trades) and for customer accounts (agency trades) and who promotes liquidity in the market.

Member

An individual or corporate body who has the right to trade in securities on an exchange on behalf on investors.

Option

The right (but not the obligation) to buy (a call option) or sell (a put option), a given amount of stock, commodity, currency, index or debt at a specified price (the strike price) during a specified period of time.

Options contract

A financial derivative representing a contract by the option writer to the option holder.

Order placement

If an order is not rejected at pre-order stage it is placed in the order book.

Over-the-Counter (OTC)

A security traded in some context other than a formal exchange, such as a dealer network.

Par value

The nominal value assigned to a security by the issuer.

Pre-market trading

Trading done before regular trading hours.

Pre-order checks

Checks that an exchange member performs before sending an order to the trading system.

Post-market trading

Trading done after regular trading hours.

Rebalancing

The process of realigning the weightings of a portfolio of assets, by buying and selling, to maintain a desired level of asset allocation. It is often done on a quarterly basis.

Securities Depository Centre (SDC)

An entity that performs registry functions and safekeeping functions, security settlement and cash netting.

Securities Borrowing and Lending (SBL)

A collateralized loan of securities from one party (lender) of transaction to another party (borrower).

Securities pending-in

Securities bought by the investor but not yet settled.

Securities pending-out

Securities sold by the investor but not yet settled.

Settlement failure

This occurs if the exchange member was unable to provide the securities needed.

Settlement member

A Bank nominated by the custody member to facilitate cash settlement for this custody member.

Shareholder register

A list of a company's shareholders updated on an ongoing basis. The register includes each person's name, address and the number of shares owned.

Short selling

The practice of borrowing shares with the idea of returning them later. This is usually done when it is believed that the shares will fall in price, as the borrower could make a profit by selling the shares now and returning at a lower price.

Spread

The difference between the bid and the ask prices of a share; the difference between what a buyer is willing to pay and the seller is willing to sell.

Trade execution

When an order is matched with another order a trade is executed.

Volatility

The price movements of a stock or a market as a whole.

Acronyms

CCP	Central Counterparty Clearing House/ Securities Clearing Center Company
CMA	Capital Market Authority
DvP	Delivery vs. Payment Model
EBITDA	Earnings before interest, tax, depreciation, and amortisation
ETF	Exchange Traded Fund
FSDP	Financial Sector Development Program
GCC	Gulf Cooperation Council
GICS	Global Industry Classification Standard
ICM	Independent Custody Model
REIT	Real Estate Investment Traded Funds
QFI	Qualified Foreign Investor
SSE	Sustainable Stock Exchanges
TAR	Transition and Activation of Responsibilities Project

Corporate information

NAME

Saudi Stock Exchange Company (Tadawul)

REGISTERED LOGO



LEGAL FORM

The Saudi Stock Exchange (Tadawul) was formed on 19 March 2007 as a joint stock company in accordance with Article 20 of the Capital Market Law. Tadawul is authorised to act as a securities exchange in the Kingdom of Saudi Arabia.

SUBSIDIARY COMPANIES

Name of Subsidiary	Ownership	Country of operation	Country of establishment
Edaa (Securities Depository Center Company)	100%	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Muqassa (Securities Clearing Center Company)	100%	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

AUDITORS

KPMG Al Fozan & Partners

HEAD OFFICE/REGISTERED OFFICE

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