

CAPITAL MARKET OVERVIEW



THIRD QUARTER 2023

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Foreword

The Saudi capital market experienced steady growth during the third quarter of 2023 as we continued to invest in infrastructure and diversified investment opportunities for domestic and international investors.

The macroeconomic environment in the region experienced encouraging changes. Inflation declined in Q3 2023 compared to Q2 2023, and unemployment declined in Q2 2023 compared to Q1 2023 – the most recent data available for both. While GDP growth slowed during Q2 2023, it did so at a slower pace compared to Q1 2023, creating a positive outlook for the Saudi capital market and the broader region.

In Q3 2023, market capitalization on the Main Market increased 4.61% to SAR 11.41 trillion compared with Q2 2023. The total number of trades rose 19.75% to 25.81 million and the total value traded increased 16.76% to SAR 379.46 billion between Q2 2023 and Q3 2023.

Meanwhile, on Nomu – Parallel Market, the daily average of volume traded increased by 78.71% between Q2 2023 and Q3 2023 to 2.65 million shares, and the daily average of value traded rose by 38.87% to SAR 41.49 million.

The Saudi debt market continues to grow with four new listings during Q3 2023. Further, the total size of issuance increased by 0.94% to SAR 534.72 billion from Q2 2023 to Q3 2023. In the Q&A section of this report, Noelle Al Jaweini, Chief of Cash Markets at Saudi Exchange, discusses the debt market's evolution since its launch in 2009, including how it is increasingly accessible to international investors and its role as a critical pillar supporting the capital market's broader growth.

As the Saudi capital market continues to mature, creating attractive investment opportunities that increase liquidity are fundamental to our growth strategy. We are focused on continuing to educate investors from within the Kingdom, as well as abroad, about the long-term potential and diverse opportunities in the Saudi capital market.

We can see the results of our efforts as interest from foreign investors has continued to grow over the past few years. As of Q3 2023, the value traded by qualified foreign investors stood at SAR 139 billion* and represented 18.3% of the total market, up significantly from SAR 110 billion at Q2 2023.

Reflecting on another successful quarter for the Saudi Exchange, these results show the benefit of our expanding partnerships with foreign institutions, latest enhancements and continued investment in the capital market. As we move into the final quarter of 2023, we are excited about our progress and remain focused on developing an advanced capital market in line with Saudi Arabia's ambition under Vision 2030.

Mohammed Al Rumaih
CEO of Saudi Exchange



Q3 KEY HIGHLIGHTS

SAUDI CAPITAL MARKET

11.41

BILLION SAR
(3.04 TRILLION USD)

Main Market Capitalization Q3 2023,
a **4.61% increase** Q-on-Q from Q2 2023

352.72%

The Q-on-Q growth of the value of
derivatives traded to **SAR 106.25 million**
during Q3 2023

365.91

BILLION SAR
(97.55 BILLION USD)

Holding value of Foreign Investors
at the end of Q3 2023



The Saudi Arabian Economic Overview

(Based on data available at the time of publication)

Against a global backdrop of economic and inflationary volatility, key data points for Saudi Arabia’s economy continue to demonstrate progress in the Kingdom’s ongoing efforts to enhance and diversify its economy.

Notably, government efforts aimed at increasing the number of people employed within the Kingdom saw Saudi Arabia’s unemployment rate decreased to 8.30% in the second quarter of 2023, falling by 0.20% from the previous quarter. This represented the second lowest figure over the preceding eight-quarter period, and a 1.4% drop compared with Q2 2022’s unemployment rate of 9.7%.

Alongside these welcome signs, the average inflation rate also declined during the third quarter of this year to 2% from 2.70% in the previous quarter, marking the third consecutive quarter-on-quarter decline and the lowest inflation rate over the past six quarters.

GDP GROWTH Q-ON-Q

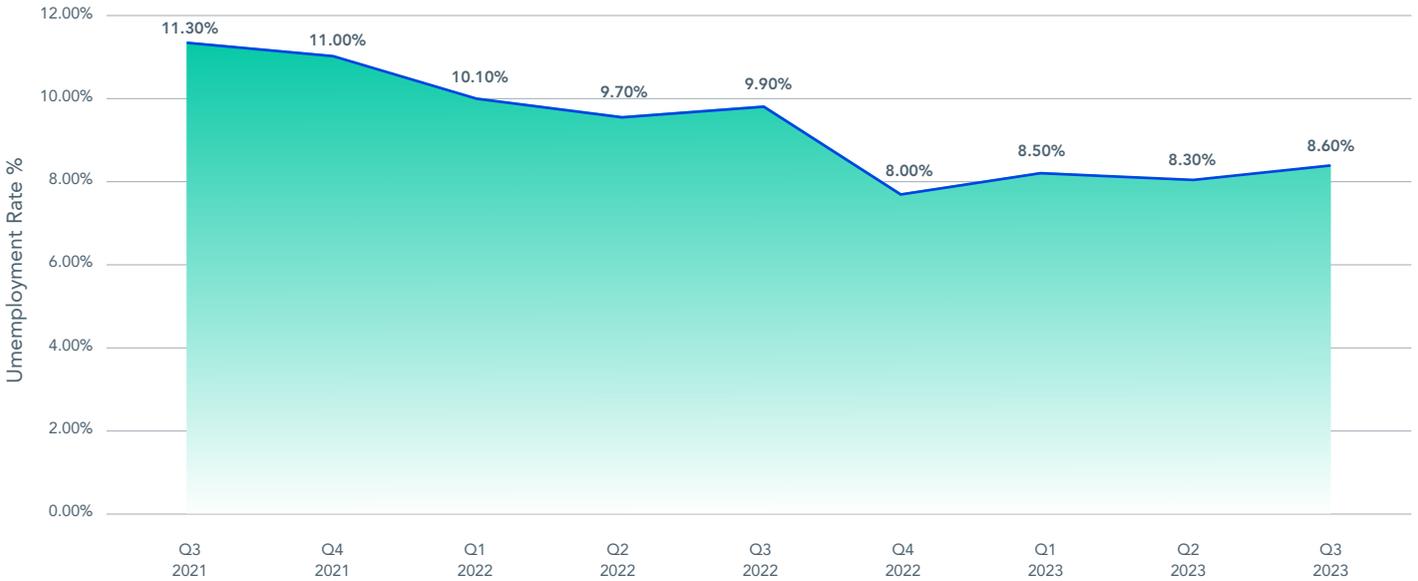


SOURCE: GDP AND SPENDING - QUARTERLY GDP - OECD DATA
LATEST AVAILABLE DATA IS UP TO Q2 2023



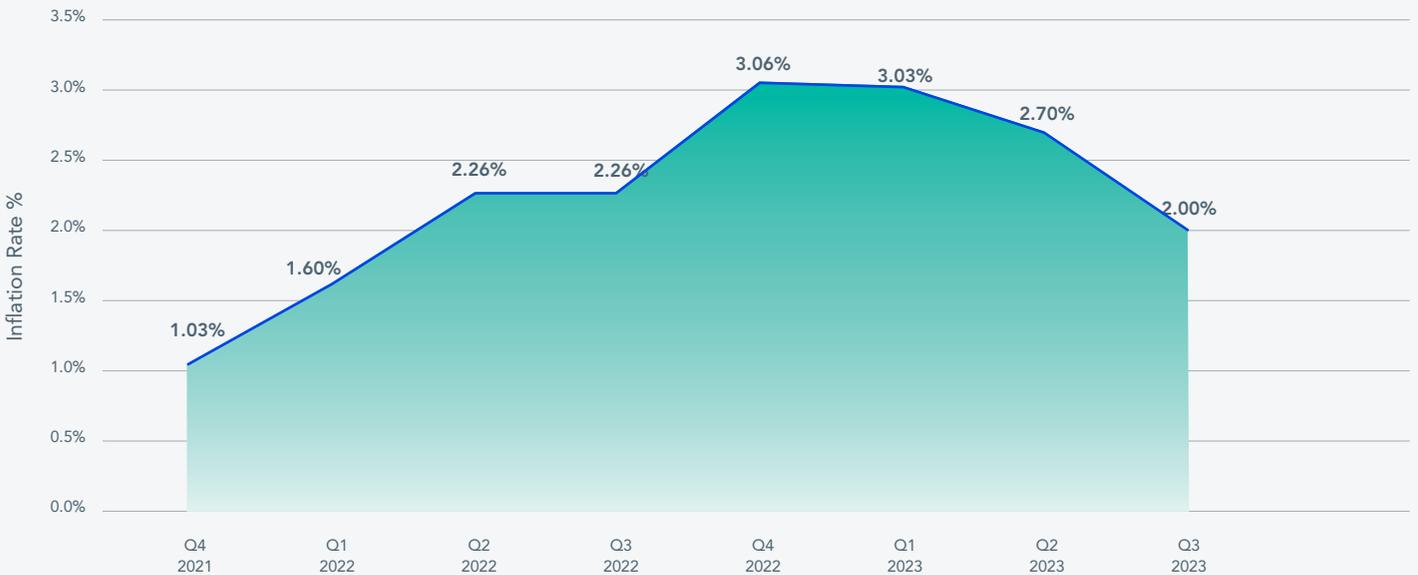
The Saudi Arabian Economic Overview

SAUDI NATIONALS' UNEMPLOYMENT RATE Q-ON-Q



SOURCE: GENERAL AUTHORITY FOR STATISTICS (STATS.GOV.SA)
LATEST AVAILABLE DATA IS UP TO Q3 2023

INFLATION RATE Q-ON-Q



SOURCE: INFLATION RATE (SAMA.GOV.SA)



Market Enhancements and Updates

Saudi Exchange Launches Four New Indices (September 2023)

As of 17 September 2023, the Saudi Exchange successfully launched four new indices, three based on company size and one on IPO performance, aimed at providing diversified investment opportunities for investors within the Saudi capital market.

The Size Indices, comprised of the Tadawul Large Cap Index (TLCIC), Tadawul Medium Cap Index (TMCIC) and Tadawul Small Cap Index (TSCIC), measure the performance of listed constituents given their size in the market. The Indices are benchmarked against the TASI index and utilize the free-float market capitalization of listed constituents as a reference point – Tadawul large companies account for 70% of the free float market cap, Tadawul medium-sized companies account for 20% and Tadawul small companies account for the remaining 10%. These Size Indices provide investors with a broad range of investment benchmarks and the opportunity to capitalize on a variety of market opportunities.

The Tadawul IPO Index tracks the performance of companies listed on the Main Market within the last five years. The Index is a sub-index of the TASI index, and the index value is calculated based on the free float market capitalization of the constituents. The Tadawul IPO Index provides investors with a benchmark to evaluate IPO performance and an opportunity to invest in new and rapidly growing companies.

The launch of these indices is part of a continued effort by the Saudi Exchange and Saudi Tadawul Group to increase opportunities within the Kingdom's capital market, ensuring it remains an attractive investment destination for local and foreign investors alike.



Leadership Insights



Development of Saudi Arabia's Debt Market

The Saudi debt market was launched in 2009 to provide an additional avenue for both the public and private sectors to access long-term capital beyond the conventional loan and equity markets. Since then, the Saudi Exchange has continued to invest in expanding and enhancing the debt market in line with its broader strategy to provide a full and diversified range of investment products and services to local and international investors. In recent years, the Saudi Exchange has made meaningful changes to its infrastructure and accessibility to increase liquidity and activity within the Saudi debt market.

Noelle Al Jaweini, Chief of Cash Markets at Saudi Exchange, discusses the significance and ongoing development of the Exchange's debt market.

How has the debt market evolved since its introduction in 2009?

We launched the Saudi debt market in 2009 to provide a vehicle for companies to access long-term capital through other avenues in addition to conventional loan and equity markets. We believe that an advanced, liquid debt market is an important pillar of a modern capital market. We have therefore continued to explore ways to advance our debt market as we look to enhance our position as a global financial hub and investment destination of choice. In 2018, the Saudi Exchange began listing and trading government debt instruments as part of our efforts to deepen the Kingdom's capital markets – enabling investors to invest in government Sukuk electronically through the Exchange. In subsequent years, we have made improvements to the fee and commission structure to encourage additional listings and introduced several microstructural enhancements such as market orders, amendments to closing price calculation from last traded price to mid-point and launched a request for quotes (RFQ) service to facilitate trading. We have also taken meaningful steps to open up our debt market for international investors.

The growth of our debt market has led to an increased interest among companies looking to issue debt. For example, in late 2022, Al Rajhi Bank announced the completion of a SAR 10 billion (\$2.6 billion) issuance of Tier 1 SAR-denominated sukuk. More recently, in March 2023, Al Kathiri Holding Co. completed its first offering of SAR-denominated Sukuk, which was fully subscribed by retail and institutional investors.

As of Q3 2023, the Saudi debt market has 71 listings, which includes 67 Government Sukuk and 4 Corporate Sukuk.

How has the debt market become more accessible to international investors in recent years?

We are committed to broadening access to the Saudi debt market, which includes increasing opportunities for international investors to enter the market. In 2020, the Capital Market Authority allowed foreign investors to invest directly in debt instruments for the

first time. Since then, the debt market has increased its profile internationally even further and broadened access. In recent years, Edaa, which offers a range of vital post-trade services including depository services, registry services of Sukuk and Bonds, and transfer of Sukuk and Bonds ownership, has formed linkages with Euroclear, the Brussels-based international central securities depository, and Clearstream, the post-trading service provider of Deutsche Börse Group. These linkages provide Euroclear and Clearstream's networks of international investors access to the Saudi debt market without needing to apply for Qualified Foreign Investor status.

In addition, the recent admission of Saudi Arabia to the FTSE Emerging Market Government Bond Index and the inclusion of Saudi Government Sukuk market in the iBoxx Global Government Bond Index have helped raise the market's profile among foreign investors and is a testament to our rapid growth and continued efforts.

How does the evolution of the debt market contribute to the overall goals of the Saudi Exchange and Saudi Tadawul Group?

The Kingdom of Saudi Arabia is undergoing an important, rapid transformation under Vision 2030 – becoming a truly global nation with a financial ecosystem that connects opportunities in the Middle East to the global business and investor community. The Saudi Exchange and Saudi Tadawul Group are playing an important role in helping to realize this goal through the development of a robust capital market.

As we seek to uphold our commitment to supporting Vision 2030, we are working to increase diversity within our market, which we believe will increase interest and activity in the Saudi capital market. This means diversity both in terms of the products and services available to investors as well as the types of investors participating in our market. Our work to enhance our debt market infrastructure and increase the number of debt instruments available, in line with internationally recognized standards, is an important piece of how we are delivering on our commitment.



Equities

The market capitalization on the Saudi Exchange's Main Market increased in Q3 2023, while on Nomu – Parallel Market, market capitalization fell from the previous quarter. Still, both the number of listed companies and the value traded increased across both markets compared to the previous quarter.

The market capitalization on the Saudi Exchange's Main Market increased by 4.61% from the previous quarter to SAR 11.41 trillion with the total value traded increasing 16.76% during the same period to SAR 379.46 billion. The number of listed companies continued to grow during the third quarter, with two new listings on the Main Market.

While the market capitalization on Nomu – Parallel Market decreased by 21.03% from the previous quarter to SAR 47.29 billion, there were six new listings and one delisting during the third quarter and the value traded rose 38.87% to SAR 2.65 billion compared to the previous quarter.

Main Market - Q3 2023

11.41 Trillion (+4.61%)

Market capitalization (SAR)

379.46 Billion (+16.76%) ↑

Value traded (SAR)

230 (+2) ↑

Listed Companies

11,055.96 (-3.52%) ↓

Tadawul All Share Index (TASI) Closing

Nomu - Parallel Market - Q3 2023

47.29 Billion (-21.03%) ↓

Market capitalization (SAR)

2.65 Billion (+38.87%) ↑

Value traded (SAR)

67 (+5) ↑

Listed Companies

22,690.31 (-13.22%) ↓

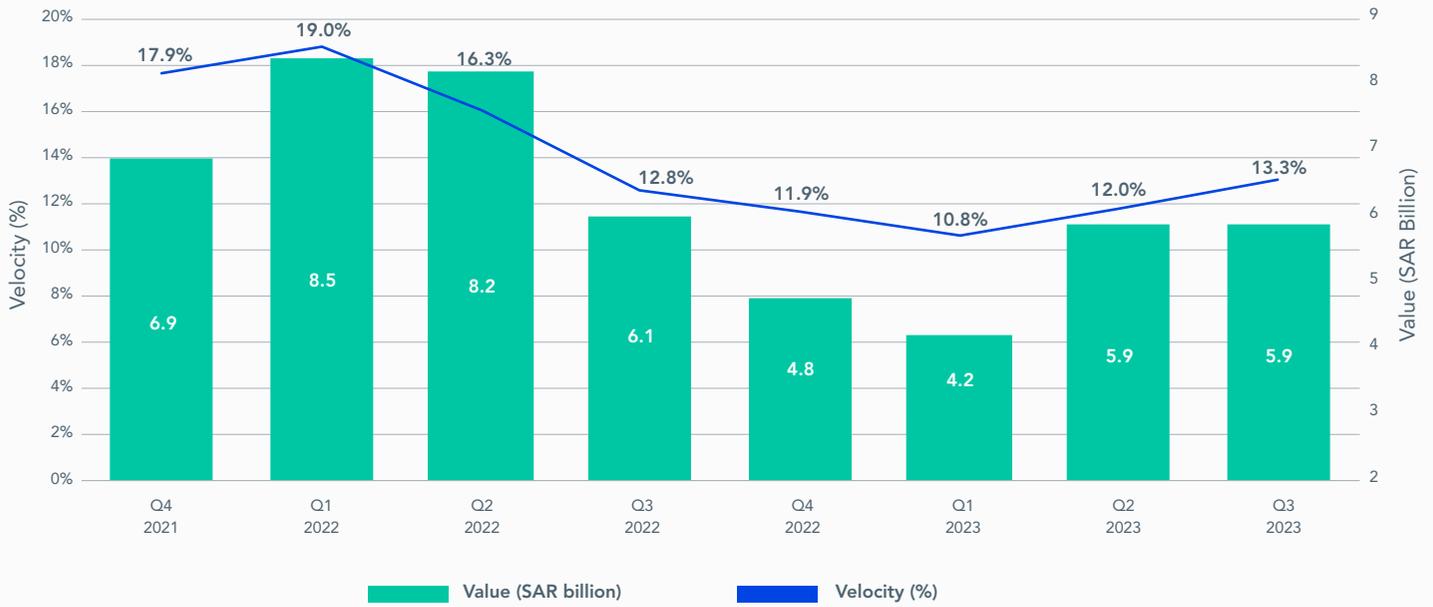
Parallel Market Capped Index (NomuC) Closing



Equities

Over the Q3 2023 period, average of daily value traded on the Main Market rose to SAR 5.93 billion, a 0.34% increase from the previous quarter.

AVERAGE DAILY VALUE TRADED & VELOCITY



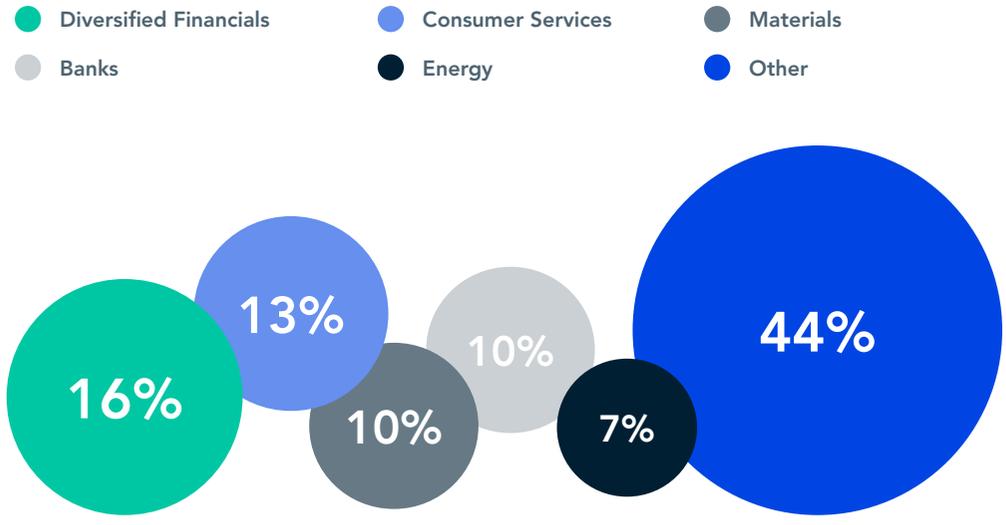
PERFORMANCE OF TASI & VOLUME TRADED





During the third quarter of 2023, diversified financials and consumer services were the most active industry groups in terms of volume traded, while materials and banks were the most active in terms of value traded.

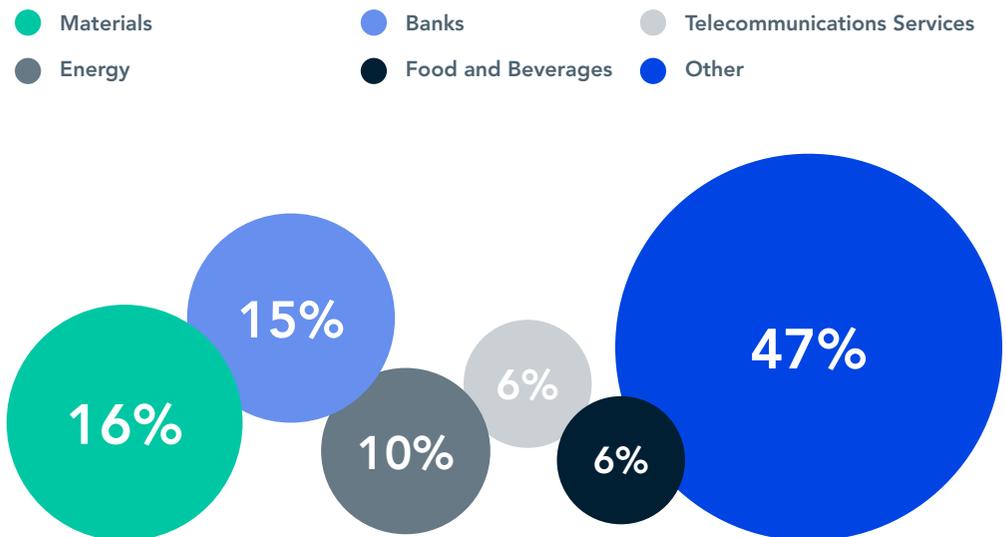
TOP 5 INDUSTRY GROUPS TRADED BY VOLUME - Q3 2023



All Sectors:

Diversified Financials	15.94%
Consumer Services	13.01%
Materials	10.18%
Banks	9.61%
Energy	7.18%
Food & Staples Retailing	6.17%
Insurance	5.75%
Real Estate Mgmt & Dev't	5.57%
Health Care Equipment & Svc	3.35%
Telecommunication Services	3.27%
Retailing	3.26%
Transportation	2.98%
Food & Beverages	2.66%
Consumer Durables & Apparel	2.40%
Commercial & Professional Svc	1.82%
Software & Services	1.70%
Capital Goods	1.67%
Utilities	1.38%
REITs	1.30%
Pharma, Biotech & Life Science	0.48%
Media and Entertainment	0.34%

TOP 5 INDUSTRY GROUPS TRADED BY VALUE - Q3 2023



All Sectors:

Materials	15.92%
Banks	15.40%
Energy	10.14%
Telecommunication Services	5.94%
Food & Beverages	5.86%
Insurance	5.46%
Software & Services	4.73%
Health Care Equipment & Svc	4.19%
Real Estate Mgmt & Dev't	4.15%
Utilities	4.12%
Commercial & Professional Svc	3.36%
Food & Staples Retailing	3.31%
Retailing	3.29%
Consumer Services	3.14%
Capital Goods	2.72%
Transportation	2.50%
Diversified Financials	1.83%
Pharma, Biotech & Life Science	1.82%
Media and Entertainment	0.86%
Consumer Durables & Apparel	0.77%
REITs	0.47%



Sukuk & Bonds

The Saudi Exchange's total size of sukuk and bonds issuance rose by 0.94% to SAR 534.72 billion in the third quarter, with four new listings and two delistings.

While quarter-on-quarter performance was slightly weaker in the third quarter, sukuk and bonds still demonstrated strength when compared to the previous year. The number of trades was 3,090, which represented a 488.57% increase year-on-year. Similarly, despite decreasing to SAR 2.81 billion in the third quarter, the value traded increased 13.89% year-on-year.

Sukuk / Bonds – Q3 2023 Overview

534.72 Billion (+0.94%) ↑
Total Size of Issuance (SAR)

916.89 (-2.85%) ↓
Sukuk and Bonds Market Index closing

71 (+2) ↑
Listed sukuk and bonds

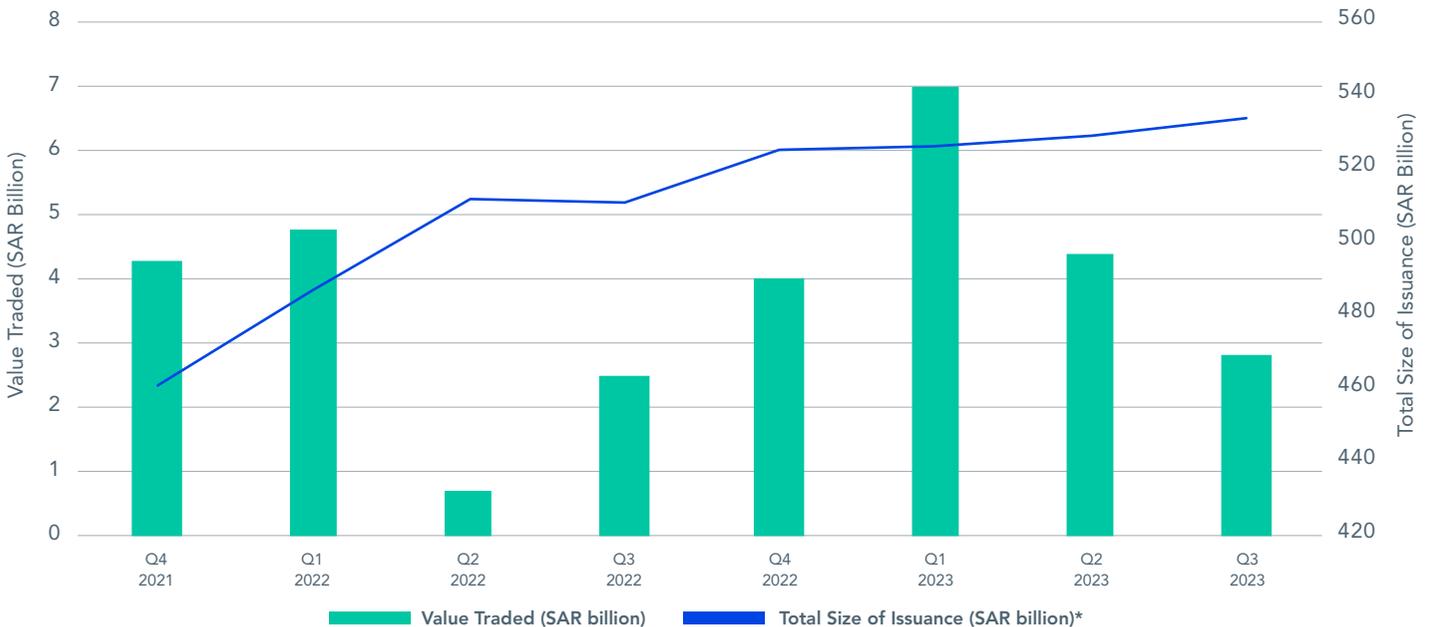
Q3 2023 V. Q2 2023

Number of Trades
11,476 (+34.11%) ↑

Value Traded (SAR)
2.81 Billion (-36.54%) ↓

Nominal Value Traded (SAR)
3 Billion (-36.18%) ↓

SUKUK & BONDS TOTAL SIZE OF ISSUANCE AND VALUE TRADED



*As at the end of the quarter



Derivatives

Derivatives demonstrated impressive growth during the third quarter of 2023.

The value of derivatives contracts traded on the Saudi Exchange rose to SAR 106.25 million, an increase of 352.72% quarter-on-quarter and 2236.12% year-on-year. The volume of contracts traded also grew to 1,867 during the third quarter, rising 123.59% compared to the previous quarter and 520.27% year-on-year.

Derivatives – Q3 2023 Overview

106.25 Million (+352.72%) ↑
Value Traded

242 (+1,761.54%) ↑
Number of Trades

DERIVATIVES MONTHLY TRADING STATISTICS – Q3 2023

Month	Volume Traded	Value Traded (SAR)	Number of Trades
July 2023	221	19,463,400	46
August 2023	493	59,439,400	139
September 2023	1,153	27,354,150	57

SUKUK & BONDS TOTAL SIZE OF ISSUANCE AND VALUE TRADED





Ownership

While the value of foreign investors' holdings in the Main Market decreased slightly by 2.66% in the third quarter of 2023 to SAR 365.91 billion compared to the previous quarter, it represented an impressive 30.57% increase year-on-year.

Similarly, the value of foreign investors' holdings in Nomu – Parallel Market also declined 7.05% to SAR 545.57 million compared to the previous quarter, but represented a strong 105.46% increase year-on-year.

Foreign Investor Ownership* - Q3 2023 Overview

365.91 Billion (-2.66%) ↓
Main Market Holding Value (SAR)

545.57 Million (-7.05%) ↓
Nomu - Parallel Market Holding Value (SAR)

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

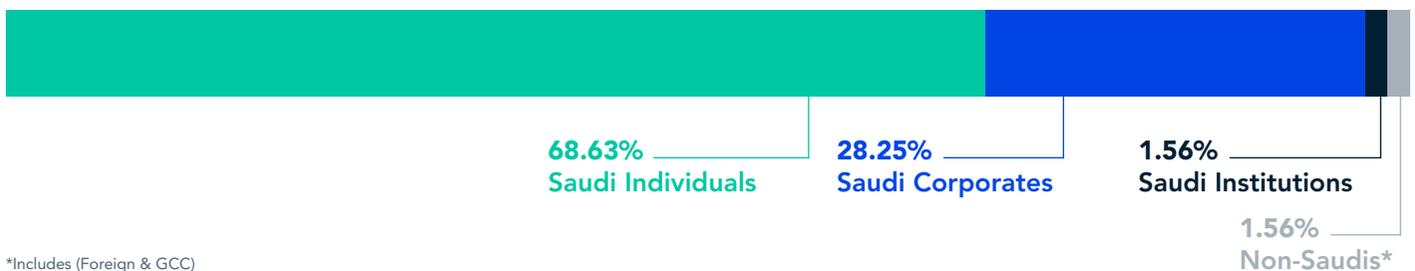
OWNERSHIP BY INVESTOR TYPE Q3 2023 (MAIN MARKET)



*Excluding GREs

**Includes (Foreign & GCC)

OWNERSHIP BY INVESTOR TYPE Q3 2023 (NOMU-PARALLEL MARKET)



*Includes (Foreign & GCC)

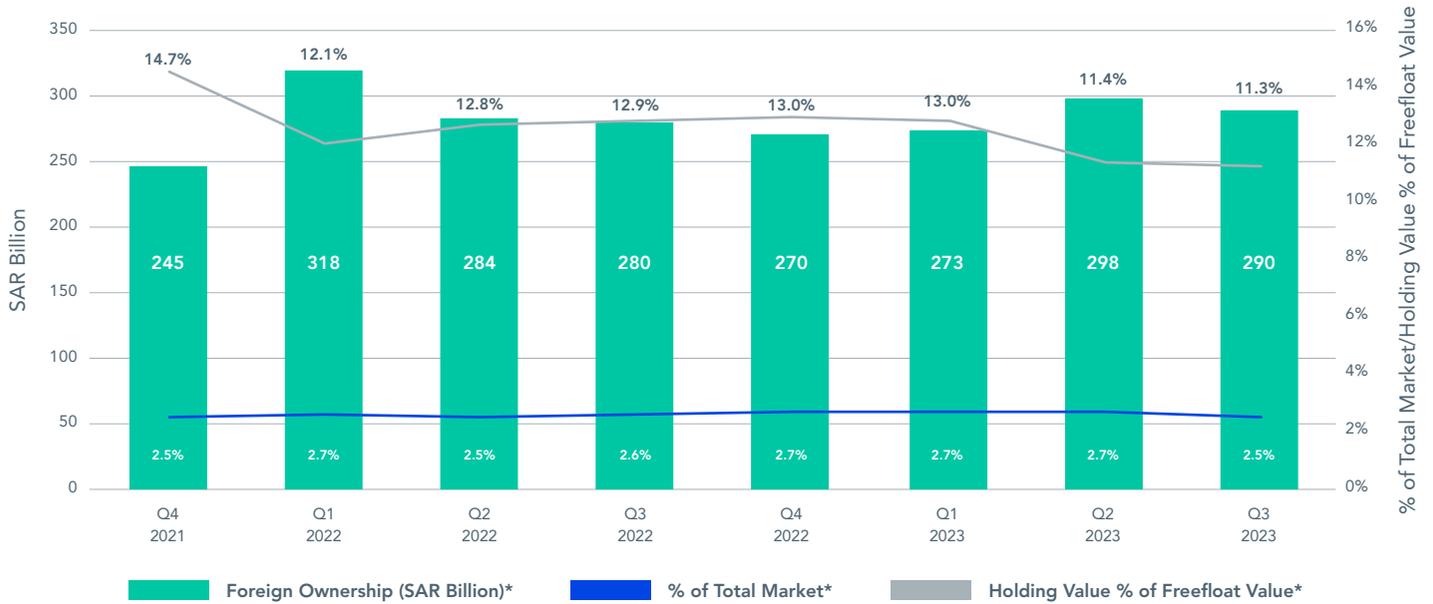
Foreign Investors continue to play an important role in the Saudi capital market as the Saudi Exchange continues to create diverse and attractive investment opportunities for international investors. At the close of the third quarter of 2023, their holdings in Saudi-listed firms stood at SAR 365.91 billion. The percent of the total market that Foreign Investors represent declined slightly to 2.66% at the end of the third quarter of 2023.

* As at the end of the quarter



Ownership

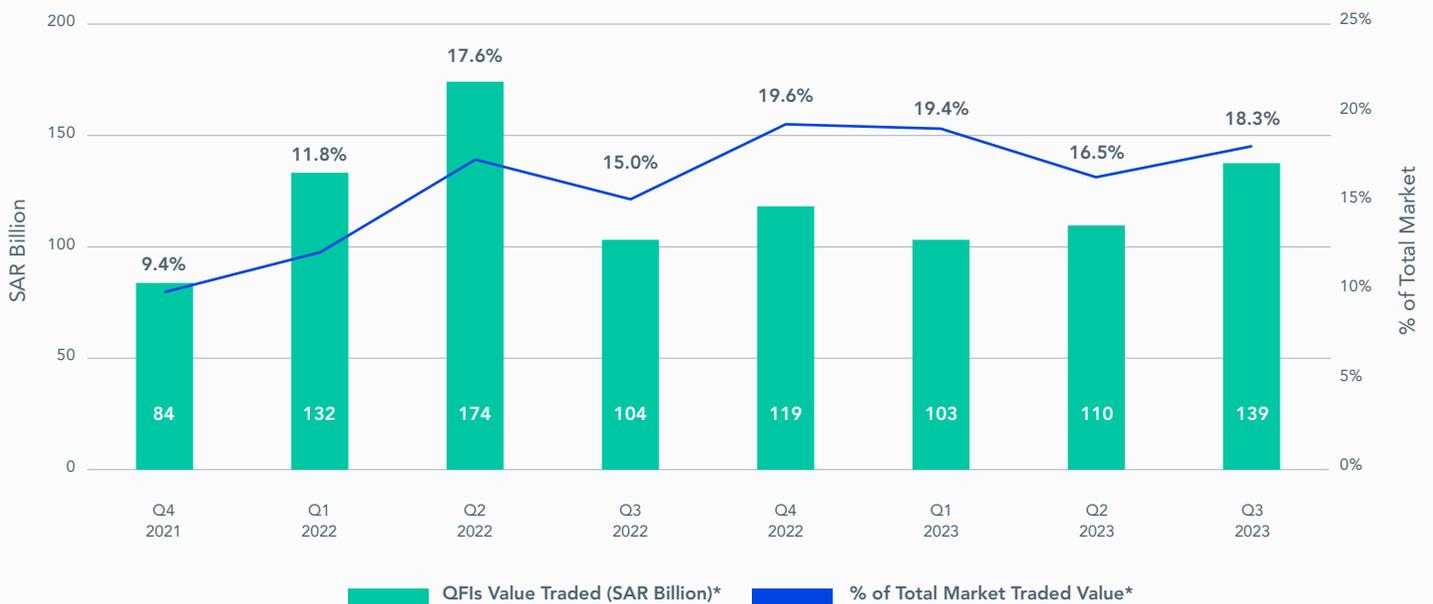
QFI OWNERSHIP (BILLION SAR)



* As at the end of the quarter

In the third quarter of 2023, value traded by QFIs rose to SAR 139 billion from SAR 110 billion in the previous quarter, representing 18.3% of the total market traded value.

QFI TRADING VALUE - MAIN MARKET ONLY (BILLION SAR)



* As at the end of the quarter

