

ANNUAL REPORT 2021
EXECUTIVE SUMMARY

مجموعة تداول السعودية
Saudi Tadawul Group



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REPORTING PERIOD AND BOUNDARY

This Report is focused on the reporting period 1 January 2021 to 31 December 2021, which is consistent with the annual reporting cycle followed for 2019. The Report covers the financial and operational aspects of the Saudi Tadawul Group, formerly known as the Saudi Stock Exchange (Tadawul), including its four subsidiaries; Saudi Exchange (Tadawul), the Securities Depository Center Company (Edaa), the Securities Clearing Center Company (Muqassa) and the Tadawul Advanced Solutions Company (WAMID). 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 2021 is being released in multiple digital mediums and formats simultaneously for the third consecutive time 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.



<https://annualreport.tadawulgroup.sa/2021/fp/>



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, extracting, and sharing information.



<https://annualreport.tadawulgroup.sa/2021/>



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://annualreport.tadawulgroup.sa/2021/esp/>



<https://annualreport.tadawulgroup.sa/2021/esv/>

HIGHLIGHTS OF THE GROUP

Transformation of Group	Formation of WAMID	Strategic Plans	The IPO
<p>Saudi Tadawul Group Holding Company was formed in April 2021 with four subsidiaries; Saudi Exchange, the Security Depository Center Company (Edaa), the Security Clearing Center Company (Muqassa), and Tadawul Advanced Solution Company (WAMID).</p> <p>With its new structure, the Saudi Tadawul Group has established a diversified business model with a broad range of revenue streams and growth opportunities. The subsidiaries provide investors with a wide range of investment options, enabling them to access new asset classes and opportunities to manage risk and benefit from market movements.</p>	<p>A new company – Tadawul Advanced Solutions Company (WAMID) launched its operations in April 2021. This fully owned subsidiary of the Saudi Tadawul Group, aims to drive technology driven innovation and transformation of the financial market, while seeking new opportunities in the region. Its goal is to enhance the investors experience by enhancing data access, and serving as the innovation hub for the Group.</p>	<p>With the formation of the Group structure, a revised comprehensive strategic plan was formulated for 2021-2025.</p> <p>While maintaining important points of continuity with the preceding strategy, the new strategy seeks to drive growth by diversifying the business mix and developing new asset classes, products, and services; leveraging the Group's integrated business model to create vital regional and global linkages; and improving the Group's capabilities.</p>	<p>The recent successful IPO marks a major milestone in the Group's growth story as a leading diversified capital markets group in the MENA region, and a Saudi powerhouse with a global mindset that is able to leverage scale, innovation, and execution capabilities to drive long-term value for all our stakeholders, achieving the nation-wide goal of the successful delivery of Saudi's Vision 2030.</p>

مجموعة تداول السعودية
Saudi Tadawul Group

Financial performance highlights for 2021			Operational highlights	
SAR 1,166.08 Mn	SAR 820.69 Mn	SAR 611.83 Mn	FTSE Russell included Saudi Arabia in Emerging Markets Government Bonds Index (EMGBI)	MOU signed between Edaa and Clearstream to facilitate access by foreign investors to Saudi Sukuk and Bond Market was activated
Operating Revenue 8.01% YoY ↑	Gross Profit 8.79% YoY ↑	Operating Profit 12.64% YoY ↑		
SAR 668.85 Mn	SAR 66.22 Mn	SAR 587.70 Mn	MOUs signed with Abu Dhabi Securities Exchange and Bahrain Clear	Wamid facilitating market participants to co-locate their servers and equipment within the Tier IV Data Centre
EBITDA 13.10% YoY ↑	Zakat Expense 20.75% YoY ↓	Net Profit after Zakat 17.42% YoY ↑		

THE GROUP IN DETAIL

While all the subsidiaries have considerable independency, they all function under the direction and oversight of the Holding Company. The new structure below gives more focus to the subsidiaries while facilitating synergies. The Saudi Exchange has become a dedicated stock exchange; its former subsidiaries, Edaa and Muqassa, are placed directly under the Holding Company. A new addition to the Group, Tadawul Advanced Solutions Company (WAMID), is a newly created subsidiary focused on solutions and pioneering technologies.



The new structure will support the next level in capital market development; it will enable the Group to be a bridge connecting local and global investors and provide a strong platform for the Saudi Tadawul Group IPO.

The Group is also committed to assisting the diversification of the Saudi economy and reducing the dependence on oil, which is one of the Goals of Vision 2030. It also supports the Financial Sector Development Program, which are supporting private sector growth and formation of an advanced capital market.

مجموعة تداول السعودية Saudi Tadawul Group

OUR VISION

To be a world leading holding group fostering the development of a diverse Saudi capital market, and a bridge between global investors and regional economies.

OUR MISSION

As part of its 2030 Vision, Saudi Tadawul Group is helping the Kingdom build a thriving economy with a technologically advanced and integrated capital market at its centre.



For more details on the Saudi Tadawul Group
<https://annualreport.tadawulgroup.sa/2021/sg/>

CHAIRPERSON'S STATEMENT

"With the listing of the Saudi Tadawul Group, 2021 set a number of landmark developments that have been worked on during the past few years."



Our commitment to growth and innovation is at the heart of everything we do at Saudi Tadawul Group. Over the past year, we marked several major milestones in our own growth story and in the concomitant advancement of the Saudi capital market, in line with the ambitious goals of Saudi Vision 2030's Financial Sector Development Program.

Our continued pursuit of excellence and advancement has propelled us forward, from our transformation into a holding group supporting the needs of all types of investors, to the successful listing of the Group. The transformation has allowed us to provide greater and more seamless access to a diverse set of investment opportunities within the Saudi capital market, adding to the breadth and depth of our offering.

Other achievements throughout the year reinforced our position as a key investment destination and issuers' exchange of choice on par with most developed markets. We welcomed a record number of listings on the Saudi Exchange across both the main market and our parallel equity market, Nomu, and introduced a range of new asset classes products and services. These changes are part of our long-term strategy to pursue growth and diversification while strengthening interconnectivity with other financial markets in the region and around the world.

As Saudi Tadawul Group has grown, so has our focus on sustainable growth and social responsibility. We took this to the next level in 2021, launching new initiatives to promote environmental, social, and governance excellence across all areas, from regulation and environmental finance to gender diversity and financial literacy. These include the establishment of ESG Disclosure Guidelines for issuers, a carbon trading platform, and the continued growth of our Invest Wisely educational platform, as well as a successful and ongoing effort to increase women's

representation within the Group's ranks. Throughout all of these initiatives, we are focused on building our technical capabilities and facilitating a financial ecosystem that rewards companies that recognize value beyond balance sheets.

Moving into 2022, we plan to continue our enhancements to the Group to support the development of a technologically advanced, diverse, and integrated capital market, for the benefit of our issuers and investors across the Kingdom, the region, and worldwide.

I want to extend my gratitude to our leaders, King Salman bin Abdulaziz Al Saud, King of Saudi Arabia and the custodian of the two holy mosques, HRH Prince Mohammed bin Salman Al Saud, crown prince and deputy prime minister, for their continuous inspiration and belief in this nation that will never know what "Impossible" means. We promise to continue on the same road and contribute to the realization of the Kingdom's vision 2030. I would also like to thank the Group CEO, our Board of Directors, Executive team and the Group employees for their dedication and contribution to yet another successful year crowned by the Group's IPO. I also wish to thank all our other stakeholders; issuers, investors, brokers, custodians, and service providers for helping to maintain business continuity through their trust and confidence in the Group and the Saudi Capital Market.

Sarah Al-Suhaimi
Chairperson

CHIEF EXECUTIVE OFFICER'S REVIEW

"Within the strategic transformation, the new structure of the Group has four subsidiaries, each of which contributes mainly to promoting and developing the capital market, which leads to enhancing the efficiency, stability, and transparency of the capital market infrastructure."

2021 was a landmark year for the Saudi Tadawul Group and the wider Saudi capital market. We are proud to have recorded a strong financial performance during 2021, continued our growth trajectory, and delivered a successful IPO, all underpinned by our ambitious transformation into a holding group structure with four subsidiaries, including our dedicated stock exchange company, the Saudi Exchange, as well as the Securities Clearing Center (Muqassa), the Securities Depository Center Company (Edaa), and Tadawul Advanced Solutions Company (WAMID), a newly created subsidiary focused on solutions and pioneering technologies.

At the beginning of 2021, we set out a clear road map to grow our business and attract a wider pool of investors, while continuing to provide a diverse range of best-in-class products and services to all market participants. Each of the Group's subsidiaries played key roles in innovating and advancing technologies to improve the efficiency, stability, and transparency of the Saudi capital market's infrastructure.

Our transformed integrated and scalable business model allowed us to harness the power of synergies and leverage the new opportunities. It strengthened and reinforced the Group's position as an attractive investment destination and the issuers' exchange of choice, which is evident in the increased appetite from local and foreign investors for Saudi instruments, as well as the Group's robust performance leading to higher liquidity and strengthened governance.

The transformation into a holding group marked a new chapter in the Group's history and laid the groundwork for our own listing on the Saudi Exchange.



A MOMENTOUS IPO

Saudi Tadawul Group's IPO was met with significant demand from retail and institutional investors and was 121x and 4.4x oversubscribed, generating SAR 458 Bn and SAR 5.02 Bn respectively. The offering shares were priced at SAR 105 per share at the top of the Company's initial price range, implying a market capitalization of SAR 12.6 Bn at the time of listing.

The IPO's success indicates strong growth prospects for the Saudi Tadawul Group and is reflective of how highly the Saudi capital market is regarded and how well it is perceived locally, regionally, and further afield. As one of the largest exchanges in the world and the leading exchange in the MENA region based on market capitalization and liquidity, Saudi Tadawul Group is well-positioned to act as a bridge between global foreign investors and the region's economies.

As we continue our journey into 2022, we will actively pursue a strategy of growth and diversification through the development and implementation of new asset classes, products, and services, while strengthening inter-connectivity with other financial markets in the region and around the world to facilitate capital formation through our subsidiaries.

➤ A ROBUST PERFORMANCE

Saudi Tadawul Group has a long track record of strong operational and financial performance, combining steady growth with strict financial discipline and a robust balance sheet.

Over the past year, the Group and its subsidiaries marked several achievements to advance the development of the Saudi capital market. These include enhancements to the regulations of securities borrowing and lending (SBL) and short selling, as well as partnerships between Edaa and international depository centers to increase international access to the Saudi capital market. At the Saudi Exchange, we launched ESG disclosure guidelines for issuers, among other ESG initiatives underway across the Group.

Underpinning these market enhancements was a continued focus on our own performance and on delivering for our shareholders. I'm pleased to note that this focus bore fruit as we ended the year with a robust balance sheet, an impressive increase of 17.42% YoY in net income after zakat, and recorded a 8.01% YoY increase in operating revenues, mainly driven by solid growth in trading services, post trade services, and listing fees on the back of strong Saudi capital market performance in 2021. We also maintained a strong EBITDA, increasing by 13.10% YoY to reach SAR 668.85 Mn in 2021 compared to SAR 591.37 Mn in 2020, on the back of the growth in the Group's operating revenue against moderate growth in the Group's operating expenditures.

➤ 2022 AMBITIONS

Saudi Tadawul Group is a central and integral player to the Saudi economy. With that in mind, our focus will always be twofold: delivering in the immediate term for our issuers and investors, while supporting the long-term growth and diversification of Saudi Arabia's capital market.

Responsible financial practices are key to this effort. We are currently focused on several initiatives to help build a financial ecosystem that rewards companies that recognize proposition value beyond balance sheets. A core component of this is our focus on supporting ESG in our market and across the region, and leading by example.

We strive to create an environment that empowers, supports, and encourages women to reach their full potential, and are committed to becoming a leading advocate for women in the MENA region. We are also focused on driving forward financial literacy and welcoming new generations of investors to explore all the capital markets have to offer through education projects, including our Invest Wisely platform.

These initiatives will play an important role in achieving the Group's strategy of developing a technologically advanced, diverse, and integrated capital market, and becoming a key investment destination on the world stage, enabling diversified investment opportunities and strengthened market infrastructure to all market participants.

➤ LOOKING AHEAD

A key objective of the Group is to develop an advanced capital market in line with a core pillar of Saudi Arabia's Financial Sector Development Program (FSDP), as it seeks to create a vibrant financial sector to enable and support Saudi Arabia's Vision 2030.

Looking ahead to the coming year and beyond, our chief goal is to build on the powerful momentum of the past few years. Saudi Tadawul Group's achievements have been central to the Kingdom's development and ambitions, and could not have been accomplished without the guidance and support from our Chairperson, the Board of Directors, and the unwavering commitment of our employees.

Eng. Khalid Al-Hussan

Chief Executive Officer and Member of the Board of Directors

Saudi Arabia is undergoing a historic transformation, which relies heavily upon a solid financial ecosystem and advanced capital markets. Saudi Tadawul Group has been an integral part of this and a major contributor to the transformation's success, supporting the continuous development of Saudi Arabia's capital markets.

The transformation of the Group into a holding structure earlier this year paved the way for the successful IPO of Saudi Tadawul Group Holding Company on 8 December 2021.

- Saudi Tadawul Group floated 36,000,000 shares, representing 30% of its issued share capital. Final allocations were 70% to institutional investors and 30% to individual investors.
- The IPO saw significant institutional and retail investor demand and was 121x and 4.4x oversubscribed, generating SAR 458 billion and SAR 5.02 billion respectively.
- The offering shares were priced at SAR 105 per share, at the top of the Company's initial price range, implying a market capitalization of SAR 12.6 billion at the time of listing.

The significant investor demand for the listing is testament to the strong growth potential of both the Saudi Tadawul Group and Saudi Arabia as a global investment destination.

The IPO has created a range of benefits for market participants, including greater transparency and strengthened governance. The listing has also provided a greater platform for innovation, which is at the heart of Saudi Tadawul Group's mission.

A National Champion and Integral to the Delivery of Vision 2030

The Saudi Tadawul Group Company is the foundational pillar for the delivery of the Financial Sector Development Program (FSDP), which has the stated goal of developing an advanced capital market to support the broader realization of the Kingdom's Vision 2030 program. The Vision 2030 program envisages diversifying Saudi Arabia's economy away from oil dependence. Being the only G20 economy in the region, and accounting for 48% of the total GDP of the Gulf Cooperation Council (GCC) member states, it is well positioned as the gateway to the region.

A Differentiated Business Model – Integrated, Scalable, and Diverse

The Saudi Tadawul Group's integrated and diverse business model is a key enabler for sustainable top-line revenue growth and innovation. Through its subsidiaries, the Group provides end-to-end services; the operational independence of each subsidiary under the new Group structure facilitates an agile environment foster growth and innovation while providing strategic flexibility and supports rapid responses to evolving global and regional market trends, enabling us to compete with other exchanges globally.

Primed to be the Center for Regional Capital Formation

Saudi Tadawul Group has strong strategic and competitive positioning supported by its scale, growth profile, and role at the heart of a large-scale economic transformation agenda envisaged by Vision 2030 and the growing global relevance of the Kingdom on the international stage. The Saudi Exchange is one of the largest Exchanges globally by market capitalization of listed companies (approximately USD 2.8 Tn as at 31 December 2021). The IPO of Saudi Aramco, the largest IPO ever, was a major milestone in the history of the Saudi Capital market. In addition there has been the proliferation of new classes of securities and platforms.

A Seasoned Leadership Team with a Track Record of Delivery

Through our seasoned and visionary management team, the ongoing delivery of the 2018-2022 five-year strategic plan has witnessed several key achievements, including the launch of index futures, enhancement of debt markets trading infrastructure, delivery of large-scale post-trade capabilities, and development of a new data center to enable business continuity. These developments have brought the Exchange to a position of parity with leading global exchanges.

The Company has delivered a Strong Financial Performance characterized by Significant Growth and Increasing Margins

From 2019 to 2021, the Company's operating revenue grew at a CAGR of 44%. The growth momentum continued into 2021, with a growth of 8.01% over the previous year. The Company's net income after Zakat recorded an increase of 17.42% over 2020, while the corresponding increase for EBITDA was 13.10%. The Company maintains a well-capitalized balance sheet and is positioned for strong dividend potential.

Significant Growth Opportunities Ahead

The Company's profile is supported by strong potential for continued growth based on the strength of the Kingdom's economy and several new business initiatives. Organic growth drivers for the business are underpinned by Vision 2030 and the Kingdom's growing economic profile. Key new initiatives include our continued expansion into financial derivatives. New revenue streams can also be expected from the launch of the technology and innovation focused company, Tadawul Advanced Solutions Company (WAMID), a newly created subsidiary focused on solutions and pioneering technologies.



For more details on the IPO
<https://annualreport.tadawulgroup.sa/2021/ipo/>

INTEGRATED BUSINESS MODEL

The Saudi Tadawul Group has a well-integrated and scalable business process spanning the holding company as well as all four subsidiaries. At the core of the business model, are the four generic functions: listing, trading, clearing, and settlement. Each of these functions are linked to specific subsidiaries. The role of the fledgling innovation and technology company, Wamid, cuts across all the generic functions.

The inputs to the key functions are market participants and resources. The resources include supporting services and processes. The outputs of the processes, or results, are direct impacts on the market or participants. Peripheral to the inputs and outputs, on one hand we have environmental and intangible factors. On the other, we have long term impacts such as contributing to the Kingdom's Vision 2030 and becoming an undisputed center for regional capital formation.



For more details on the Integrated Business Model of STG
<https://annualreport.tadawulgroup.sa/2021/ibm/>

STAKEHOLDERS

Saudi Tadawul Group's stakeholders are the individuals or organizations who are influenced by the strategies and operations of the Group, or who have an ability to influence the strategies and operations of the Group. Interaction between the Group and the stakeholder groups are carried out through specific engagement channels which are tailored to the specific groups. The main stakeholder groups are shareholders, employees, regulator, media community, investors, issuers, market participants, internal business partners, external business partners, data vendors and index providers.

Concurrent with the transformation to the new Group structure, a refreshed strategy was also launched for the period 2021-25. There is however a continuity between the former strategy and the refreshed strategy with some of the original features being retained.

At the apex of the strategy are the following goals:



Growth and diversification

Enhancing the Group's performance by developing and implementing new asset classes, products, and services. Diversifying the business mix to further improve the revenue stream.



Capable and agile

Highly skilled management and resilient operations, evolving in an increasingly competitive global environment to capitalize on business opportunities, drive greater efficiencies and mitigate risk.



Integrated and connected

Leverage the integration of our value chain to expand our linkages into the region and beyond. Develop connectivity with key international stakeholders and major global financial markets.



For more details on the Strategy <https://annualreport.tadawulgroup.sa/2021/stg/>



OPERATING ENVIRONMENT, MARKET, AND ECONOMY OUTLOOK

In 2021, the COVID-19 pandemic and its containment, was a key determinant of the economic performance worldwide, just as it was in 2020. The International Monetary Fund in its World Economic Outlook (WEO) Report, January 2022 forecast global economic growth at 5.9% for 2021, reflecting the contraction in 2020.

Estimated/Projected growth rates of major countries and regions

Country/Region	2022 GDP Growth (%)	2021 GDP Growth (%)	2020 GDP Growth (%)
World	4.4	5.9	-3.1
The United States	4.0	5.6	-3.4
Euro Area	3.9	5.2	-6.4
Japan	3.3	1.6	-4.5
United Kingdom	4.7	7.2	-9.4
China	4.8	8.1	2.3
India	9.3	9.0	-7.3
Russia	2.8	4.5	2.7
Middle East and Central Asia	4.3	4.2	-2.8

Source: World Economic Outlook, December 2021

Growth varies widely across countries and regions, with access to vaccines being a crucial factor. Most advanced countries returned to near normal by end 2021, while certain other countries are still likely to face rising infection levels. In advanced countries, fiscal and monetary policies have been enacted to alleviate the impact of the pandemic. In a development not seen before in recent times, fiscal and monetary policies are working in lockstep to combat the crisis.

The following are the estimated growth rates in 2021 for the different categories of economies.

- Global growth – (5.9%)
- Advanced economies – (5.0%)
- Emerging markets and developing economies – (6.5%)

The biggest factor affecting the reliability of the forecasts is China. It is the biggest driver of economic growth, expected to account for about 30% of total growth in 2021. If the Chinese economy falters, it will have a major impact globally.

STOCK MARKETS

Stock markets, which performed remarkably well in 2020, repeated the performance in 2021. After the initial crash, stimulus measures and development of vaccines sent markets on an upward curve and all three major indices registered impressive growth in 2021. However, in the latter part of the year, there were signs of unease due to the emergence of the Delta and Omicron variants.

SAUDI ECONOMY

After a contraction of 4.1% in 2020, the Saudi economy is estimated to record a growth of 2.9% in 2021. This is partly driven by a strong growth in the non-oil sector. Many non-oil sub-sectors have expanded, consequent to the relaxation of COVID-19 related restrictions enabled by vaccine rollout and return of consumer and business confidence. Higher oil prices have been another contributory cause.

The Public Investment Fund is playing a spearheading role in the drive to achieve the goals of Vision 2030. The PIF has created more than 10 companies across 30 sectors, some of which are new to the Saudi economy. A sector that is showing strong growth is real estate; this aligns with the Vision 2030 goals of increasing home ownership to 70%. The ventures initiated by the PIF have generated 331,000 direct and indirect employment opportunities. Total public revenues and export earnings recorded substantial increases in 2021. The trend is expected to continue into 2022. A budget surplus of 2.5% of GDP is forecast for 2022, as against a deficit of 2.7% of GDP in 2021.

FUTURE OUTLOOK OF THE SAUDI ECONOMY

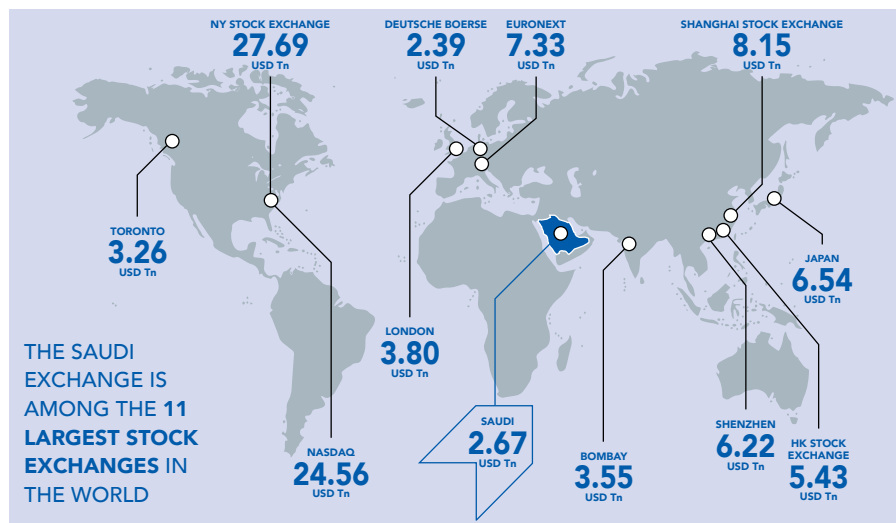
In its pre-budget statement, the Saudi Ministry of Finance forecasted a growth in real GDP of 7.5% for 2022, based on the assumption that economic activity will normalize, which would support a healthy growth in the non-oil sector. The oil sector is also expected to grow driven by anticipated increase in production and global demand. Continued investments in mega projects and Vision 2030 realization programs are also expected to drive growth.

SAUDI STOCK MARKET

The Saudi Exchange is the largest exchange in the GCC region and ranks among the leading exchanges globally. The Exchange has been included in three leading global emerging market Indexes; FTSE Russel, MSCI, and S&P. It is also an affiliate member of the

International Organization of Securities Commissions (IOSCO), the World Federation of Exchanges (WFE), and the Arab Federation of Exchanges (AFE).

> LARGEST 11 STOCK EXCHANGES IN THE WORLD WHERE WE STAND



> GCC STOCK EXCHANGES – MARKET CAPITALIZATION

SAUDI EXCHANGE	2,671 USD Bn
ABU DHABI	443 USD Bn
QATAR	194 USD Bn
KUWAIT	137 USD Bn
DUBAI	112 USD Bn
BAHRAIN	29 USD Bn
MUSCAT	19 USD Bn

THE SAUDI EXCHANGE ACCOUNTS FOR 74.11% OF THE TOTAL GCC MARKET CAPITALIZATION

Source: World Federation of Exchanges, as end of December 2021

> Market Performance – 2021

Main Market	Percentage increase over 2020 (%)	Nomu Market	Percentage increase over 2020 (%)
TASI	29.83	Nomu C Index	(1.03)
Market capitalization	9.97	Market capitalization	56.24
Value of shares traded	7.09	Value of shares traded	59.76



For more details on the Operating Environment <https://annualreport.tadawulgroup.sa/2021/stg/>

CHIEF FINANCIAL OFFICER'S FOREWORD

Saudi Tadawul Group's strong financial performance in 2021 reflects our continued progress on our growth plans, in line with the objectives of the Financial Sector Development Program and Saudi Arabia's ambitious Vision 2030.

Saudi Tadawul Group achieved a net income after zakat of SAR 587.7 Mn in 2021, a 17.42% year on year increase from SAR 500.5 Mn in 2020, driven by the strong performance of the Saudi capital market in 2021.

KEY FINANCIAL HIGHLIGHTS INCLUDE:

- Operating revenue increased by 8.01% from a year earlier, driven by solid growth in trading services, post trade services, and listing fees
- Gross profit increased by 8.79% year on year, reaching SAR 820.7 Mn in 2021 compared to SAR 754.4 Mn in 2020
- Operating profit increased by 12.64% to SAR 611.8 Mn, driven by an increase in gross profit against a more moderate increase in general and administrative expenses
- EBITDA increased by 13.10% year on year, reaching SAR 668.9 Mn
- Zakat expense decreased by 20.75% following a 2021 optimization of Saudi Tadawul Group's financial assets

As a listed company, Saudi Tadawul Group is committed to providing shareholder returns with an attractive dividend payout ratio. Reflecting strong earnings, the Board proposed a dividend of SAR 3 per share for 2021, with earnings per share to SAR 4.90, up from SAR 4.17 in the prior year.

The resilience and attractiveness of the Saudi capital market was well demonstrated by the marked increase in both the number of listed companies on the Saudi Exchange's Main Market and the average daily traded value (ADTV) of companies on the Main Market.

- There was a significant uptick in IPO activity in 2021, particularly in the second half of the year, reflecting the healthy market environment in the Kingdom and across the region.
- Higher liquidity from increased investor interest, alongside supportive initiatives from the Saudi government, helped drive a 7.5% increase in ADTV in 2021.

Saudi Tadawul Group's transformation and IPO have established a robust platform for global growth, and the Group continues to execute on its strategy, enhancing the infrastructure of the financial market and delivering best-in-class services for all market participants.



SHAहरुKH QURESHI
Group Chief Financial Officer

Saudi Tadawul Group is well positioned to capitalize on the significant Saudi market transformation to accelerate its growth, strengthen its operational and financial performance, diversify its world-class offering across solutions and technologies, and broaden its client base in the Kingdom, the region and internationally.

FINANCIAL REVIEW/KEY RATIOS

SAR Mn, ended 31 December	2021	2020
Trading revenues	810.5	755.5
Non-trading revenues	355.5	324.1
Operating revenues	1,166.1	1,079.6
Opex	554.2	536.5
EBITDA	668.9	591.4
EBITDA margin (%)	57	55
Net income after Zakat	587.7	500.5
Net income margin (%)	50	46
EPS (SAR)	4.90	4.17

↑ P&L SNAPSHOT

SAR million, ended 31st December	2021	2020
Operating revenues	1,166.1	1,079.6
OPEX	497.2	488.3
EBITDA	668.9	591.4
EBITDA margin (%)	57	55
Depreciation & amortization	57.0	48.2
EBIT	611.8	543.2
EBIT margin (%)	52	50
Investment income and other income	45.4	43.0
Loss from associates	(3.3)	(2.1)
Zakat	66.2	83.6
Net profit after Zakat	587.7	500.5
Net profit margin (%)	50	46
EPS (SAR)	4.90	4.17

↑ FINANCIAL POSITION SNAPSHOT

SAR million, ended 31st December	2021	2020
Cash & cash equivalents	76.2	96.8
Investments	2,687.0	3,204.8
Other assets	780.1	791.5
Total assets	3,543.3	4,093.1
Total Liabilities	450.9	458.5
Total equity	3,092.4	3,634.6
Key Metrics		
ROE (%)	17	15
ROA (%)	15	13

OPERATIONAL EXCELLENCE

The Nature of a capital market and its allied services makes it fast paced, and information intensive. Technology and innovation naturally play a key role. It is imperative to process high data volumes accurately under changing conditions, and to produce information tailored to the different stakeholder groups. The Saudi Tadawul group has overarching ownership of the unified technology and operational strategy of the Group. The Group centralization approach of technology and operations has led to many synergistic outputs, particularly in terms of time efficiency to market, cost control, and quality assurance. The complexity of the requirements that had to be catered to during 2021, regarding performance, scalability, availability, and new applications brought major challenges with them.

IT INITIATIVES

A number of major IT initiatives were implemented in 2021. These include upgrading of servers stream hardware; broker's surveillance solution; replacing of cloud server hardware; and upgrading of database hardware.

The new functions and enhancements enacted during the year have brought greater demands on system performance, to keep system availability, efficiency, and reduce downtime. The improvements in performance, scalability, and cost effectiveness have been demonstrated by quantitative indicators.

- Average enhancements in daily database tasks – (286%)
- Average of measured performance gains in reporting, analytics performance, and response time – (2,100%)
- Average of measured performance gains in daily and weekly data saving (backups) – (1,289%)

MEASURES OF SYSTEM PERFORMANCE AND AVAILABILITY

> 99.9% Core system availability	> 91.8% Internal stakeholders satisfaction	> 99.9% Non-core system availability
> 92% Delivery of post-trade and funds distribution	> 100% Efficiency and effectiveness index (successful changes and releases)	> 99% Completion of milestones of IT projects

Cyber security is another major concern, however while there have been attempts at breaches none have been successful. A number of initiatives are planned to be executed in 2022. Among them are five strategic projects: Business Process Management Solution Project, Monitoring and Alerting Solution for MCCP Project, Tadawul Out-of-Region Data Center Project, Digital Workspace Infrastructure Project, and Members Connectivity Technology Enhancement Project. The Post-Trade Technology Program being implemented with NASDAQ is still ongoing. It has significant impacts on the Exchange, Edaa, and Muqassa.



For more details on the Operational excellence
<https://annualreport.tadawulgroup.sa/2021/opx/>

HUMAN CAPITAL

With the transformation to the new Group structure the HR strategy also underwent a transformation. The human resources function is executed at Group level. We are honing our people skills, to enable the Group to be a leader in this rapidly changing industry.

With the formation of the Group HR policies were reviewed to ensure fairness and efficiency. While the subsidiaries retain some degree of independence, we also preserve a sense of unity of purpose.



Employee composition of the Group – 2021

	Saudi Exchange	Edaa	Muqassa	Wamid	Saudi Tadawul Group	Total
Total number of employees	80	48	30	8	230	396
Number of female employees	22	4	9	0	67	102
Number of Saudi employees	72	47	24	7	210	360

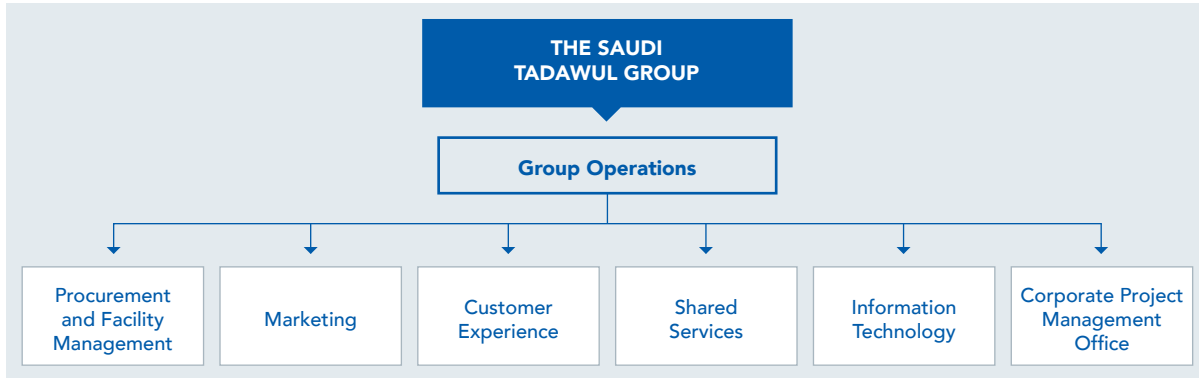
Employees by category

Grade	Male					Female				
	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
Senior management	21	14	16	13	15	3	2	2	3	2
Middle management	69	70	68	52	57	6	6	5	5	5
Non-management	204	200	202	211	214	93	83	77	73	66



For more details on our Human capital
<https://annualreport.tadawulgroup.sa/2021/hc/>

OPERATIONS REVIEW



The Saudi Tadawul Group's operations encompasses six divisions: Procurement and Facility Management, Marketing, Customer Experience, Shared Services, Information Technology, and Corporate Project Management Office (PMO).

Procurement and Facility Management executed a smooth transition to align its operations with the new Group structure. There have been some changes to the authority and responsibilities of the Division consequent to the new structure.

Reviewing, amending, and updating was conducted for several types of documents and processes including contracts/letters, purchasing –related documents, IPO process, and the new Wamid system. Procurement and Facility Division is also playing a key role in the New Tower Project.

The Corporate Project Management Office (PMO), within the Group operations, monitors the implementation of the Group's programs and projects to ensure the successful implementation of the Corporate Strategy. This includes setting project management standards.

The activities of the PMO include monitoring, compliance, and reporting of 60+ projects and programs, and aligning with corporate strategy. A quarterly alignment process is carried out between Saudi Tadawul Group and the CMA.

The **Corporate Marketing and Communications Department** has also aligned its programs with the revamped structure, mainly with the goal of awareness raising. The programs were targeted towards both Saudi and international audiences; they included, press conferences, secured media coverage, developing briefing packs for the Group leadership, and developing the social media campaigns. The Department also executed the Branding Project to create a new Brand Strategy and a visual identity aligned with the Brand, for the Group and its subsidiaries.

The **Customer Experience Team** collects feedback from customers on an ongoing basis. There were over 1,400+ customer feedback collected in 2021; the feedback was from Issuers, members, information providers, and investors. The Customer Service Team has also played a key role in assisting the customers with their enquiries. There were 56,143 customer's enquiries that were assisted through calls, emails, live chat, and social media.

Customer experience achieved the following scores:

> SLA compliance	> Quality score	> Customer satisfaction
98%	97%	99%



For more details on the Operations review
<https://annualreport.tadawulgroup.sa/2021/or/>

SUBSIDIARY REVIEW

تداول السعودية
Saudi Exchange

Saudi Exchange
www.saudiexchange.sa

OWNERSHIP

100%
owned by the
Saudi Tadawul Group

NUMBER OF SHARES

60 Mn shares with a nominal value
of SAR 10

SHARE CAPITAL OF THE COMPANY

SAR 600 Mn

COUNTRY OF OPERATION

**Kingdom of Saudi
Arabia, Riyadh**

The Exchange's functions were previously handled by Saudi Stock Exchange, Tadawul. With the formation of the Group the functions were taken over by the Saudi Exchange, which is now a dedicated Exchange. The Exchange includes two markets, the Main Market, and the parallel market Nomu catering to the SME sector. The Exchange is the largest in the MENA region and among the 12 largest in the world. The Exchange provides the infrastructure for trading and listing of a wide range of securities including equities, ETFs, CEFs, bonds, and Sukuks. The trading platform it hosts is accessible to both Saudi and international investors.

Main Market

	2021	2020	Percentage increase
TASI	11,281.71	8,299.08	29.83
Market capitalization (SAR Bn)	10,009.15	9,130.19	9.97
Value of shares traded (SAR Bn)	2235.90	2,087.80	7.09

Nomu – Parallel market

	2021	2020	Percentage increase
Nomu C Index	25,975.83	26,245.46	(1.03)
Market capitalization (SAR Bn)	19.03	12.18	56.23
Value of shares traded (SAR Bn)	11.36	7.11	59.77

DEVELOPMENTS DURING THE YEAR

The following are the major developments during the year:

- Enhancing non-equity securities such as fixed income securities and ETFs
- Inclusion of Saudi Government Sukuk Index, into the iBoxx Global Government Bond Index
- Revision of short selling regulations, enabling all types of investors to conduct short selling, securities borrowing, and lending
- Preparations to expand the derivatives market by offering new products and new memberships
- Preparations to introduce market makers and liquidity providers
- Amendment of rules of parallel market Nomu, to permit listing of REITs, CEFs, and ETFs

IN THE PIPELINE

- Inclusion of Saudi Arabia in FTSE Emerging Markets Government Bond Index (EMGBI)
- Development of derivatives, which will lead to increased liquidity and a wider client and investor base
- Launching of new indexes including TASI large, medium, and small, IPO Index, and a Sharia index

إيداع
Edaa The Securities Depository
Center Company
www.edaa.com.sa

OWNERSHIP

100%
owned by the
Saudi Tadawul Group

COUNTRY OF OPERATION

**Kingdom of Saudi
Arabia, Riyadh**

SHARE CAPITAL OF THE COMPANY

SAR 400 Mn

NUMBER OF SHARES

40 Mn shares with a nominal value
of SAR 10

Edaa, the Central Security Depository Company, was formed in 2016. Its core function is post-trade services, including the maintenance of the electronic Depository and Settlement System (DSS). DSS maintains a record of securities and their ownership. Edaa facilitates a range of securities including equity, debt, Sukuk and bonds, ETFs, REITs, and mutual funds.

With the advent of the new Group, Edaa underwent a change; from being a subsidiary of Saudi Exchange, it became a subsidiary of the Group. The change has given more focus to Edaa in its strategies, projects and ambitions, and better Governance. Edaa continues to offer advanced and comprehensive post-trade solutions, but the organizational change has given it the opportunity to branch off into new business lines.

DEVELOPMENTS DURING THE YEAR

- New securities lending and short selling rules published
- MOU between Edaa and Clearstream to facilitate access for international investors to the Saudi Arabian debt market went live
- MOU was signed with Euroclear Bank, to foster cross-border investment relations

IN THE PIPELINE

- The Post-Trade Development program will enable us handle increases in volume, and will be expanded to support B2B
- Securities lending framework will contribute greatly to the growth of the market



› OWNERSHIP
100%
owned by the
Saudi Tadawul Group

› COUNTRY OF OPERATION
**Kingdom of Saudi
Arabia, Riyadh**

› SHARE CAPITAL OF
THE COMPANY
SAR 600 Mn

› NUMBER OF SHARES
60 Mn shares with a nominal value
of SAR 10

Muqassa was formed in 2018, as a Central Counterparty Clearing House. It was originally a wholly owned subsidiary of Saudi Stock Exchange, Tadawul. Muqassa became activated in August 2020. The main functions of Muqassa have been identified as assuming counterparty risk and netting of transactions. It thereby contributes to the goals of the Financial Sector Development Plan (FSDP), one of which is the development of an advanced capital market.



For more details on the Subsidiary review
<https://annualreport.tadawulgroup.sa/2021/sr/>

DEVELOPMENTS DURING THE YEAR

Many of the initiatives relating to Muqassa, which were in the previous strategic plan have been carried forward into the new plan. Some of the operations-related documents, such as the service-level agreements Muqassa has entered into with the Exchange and Edaa, have been modified as a result of the new structure. The main developments during the year:

- Netting of index futures has been completed
- Development work on products and services to be introduced

IN THE PIPELINE

- Activating Muqassa's role in the cash market, which will include assuming counterparty risk and netting of securities
- Once the above is activated, Muqassa, will bring to the market approximately 80% of the value of securities. it will make a significant impact on the efficiency of transactions



› OWNERSHIP
100%
owned by the
Saudi Tadawul Group

› COUNTRY OF OPERATION
**Kingdom of Saudi
Arabia, Riyadh**

› SHARE CAPITAL OF
THE COMPANY
SAR 300 Mn

› NUMBER OF SHARES
30 Mn shares with a nominal value
of SAR 10

The technology and innovation Company, WAMID came into existence with the formation of the Group. WAMID will not only support the development of the Saudi Capital market but will also support the Goals of Vision 2030. WAMID was created as part of the revamped strategic plan running up to the year 2025, reinforcing the objective of developing a technologically advanced capital market. This will increase the Kingdom's attractiveness as a global investment destination.

IN THE PIPELINE

We anticipate that WAMID will provide innovative solutions and technologies to enhance the effectiveness and efficiency of the market. WAMID is in the process of providing co-location services, which will enhance the service provided to clients, especially high-frequency traders, which will increase the liquidity of the market. It is also expected to support the growth of the derivative market.

SOCIAL RESPONSIBILITY AND ACTIVITIES

With the growing importance of ESG and the concept of sustainable growth across the financial and commercial worlds, stock exchanges are playing an important role in promoting the cause of ESG in financial markets and among corporates. The Saudi Exchange is a member of the United Nations Sustainable Stock Exchange (UNSSSE), a network which provides a framework for stock exchanges and market participants to discuss ESG issues, conduct advocacy on ESG, and drive and evaluate ESG performance. The UN Sustainable Development Goals (SDGs) also provide a conceptual framework to steer ESG activities.

The Saudi Tadawul Group is playing a key role in Vision 2030 and the transformation of the Kingdom's economy. A key pillar of the Financial Sector Development Program (FSDP), one of the supporting programs of Vision 2030, is the development of an advanced capital market. The Group has also identified six of the 17 UN SDGs as priority areas where it can make the most impact.



GENDER EQUALITY

Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life.



GOOD JOBS AND ECONOMIC GROWTH

Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.



REDUCED INEQUALITIES

Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations.



RESPONSIBLE CONSUMPTION

Encourage companies, especially large and trans-national companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.



CLIMATE ACTION

Improve education, awareness raising, human, and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.



PARTNERSHIPS FOR THE GOALS

Strengthen the means of implementation and revitalize the global partnership for sustainable development.

THE GROUP'S ESG PROGRAMS

The Saudi Tadawul Group develops and structures our ESG programs based on globally accepted frameworks. Our ESG programs are focused on four themes: economy, environment, education, and community.

ECONOMY

We initiated the Invest Wisely Program to instill financial literacy and investment awareness. Running for over five years, the program targets participants of varying levels and is adapted according to their levels. We conducted a total of seven workshops in 2021 for the public and for universities.

We also make a major economic contribution through Nomu, the parallel market for the Small and Medium Enterprise (SME) sector. Nomu has tailored its listing requirements to the capabilities and needs of smaller companies, and its development complements our commitment to SDG 8: Good Jobs and Economic Growth. At the end of 2021, 11 new companies were listed.

COMMUNITY

The Group conducted several Corporate Social Responsibility activities to benefit the underprivileged sections of the community, including a visit to the Disabled Children's Association for the benefit of children who has special needs and who are affected by cancer, and supporting the Ehsan Platform for charitable work by contributing Eid clothing for needy families. During the year, the Saudi Exchange, together with the World Federation of Exchanges, joined other global exchanges in the "Ring the Bell for Financial Literacy" initiative during World Investor Week. Muqassa and Derivative Teams also participated in this initiative.

EDUCATION

The Group signed a Memorandum of Understanding with McKinsey & Co. to support the Qimam Fellowship Program, a joint effort of a number of leading national and international companies that aims to develop promising university students from Saudi Arabia. Along with the Saudi Exchange's Graduate Development Program, the Group is investing in future leaders.

ENVIRONMENT

The Group seeks to minimize its direct environmental impact by reducing consumption and recycling. Initiatives include the recycling of paper and plastic waste and our advocacy activities, such as fostering environmental consciousness among listed companies, as well as our membership in the Climate Change Advisory Group.

LOOKING BEYOND THE NUMBERS

The COVID-19 pandemic, although alleviated by vaccine rollout, still posed many challenges in 2021. Business and team development had to be carried out under constraints, while targets had to be met under time pressure. However, the pandemic has also been a great learning experience. It has brought about flexibility in work practices, change in work culture, and built trust between management and employees. The Group's risk categorization already included pandemic related events under business continuity risks. However, risk registers were updated to take into account the possibility of unprecedented related events, with the relevant controls.

Despite the pandemic the Exchange achieved an improved market performance as well as financial performance. The market performance in 2021, is demonstrated by the key market indicators, including the TASI Index, market capitalization, the value of shares traded, and the number of new companies listed. The performance of the MT30 futures launch, which was successful despite it occurring in the midst of a bull run in the cash market, also demonstrated the robustness of the market.

New physical security precautions have been introduced as a result of the pandemic. New cybersecurity controls have also been activated to cope with new threats posed by remote working. Changes have also been made to HR procedures and practices. As an example, the "MUTASSEL" application was launched as a remote working application for all employees.



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