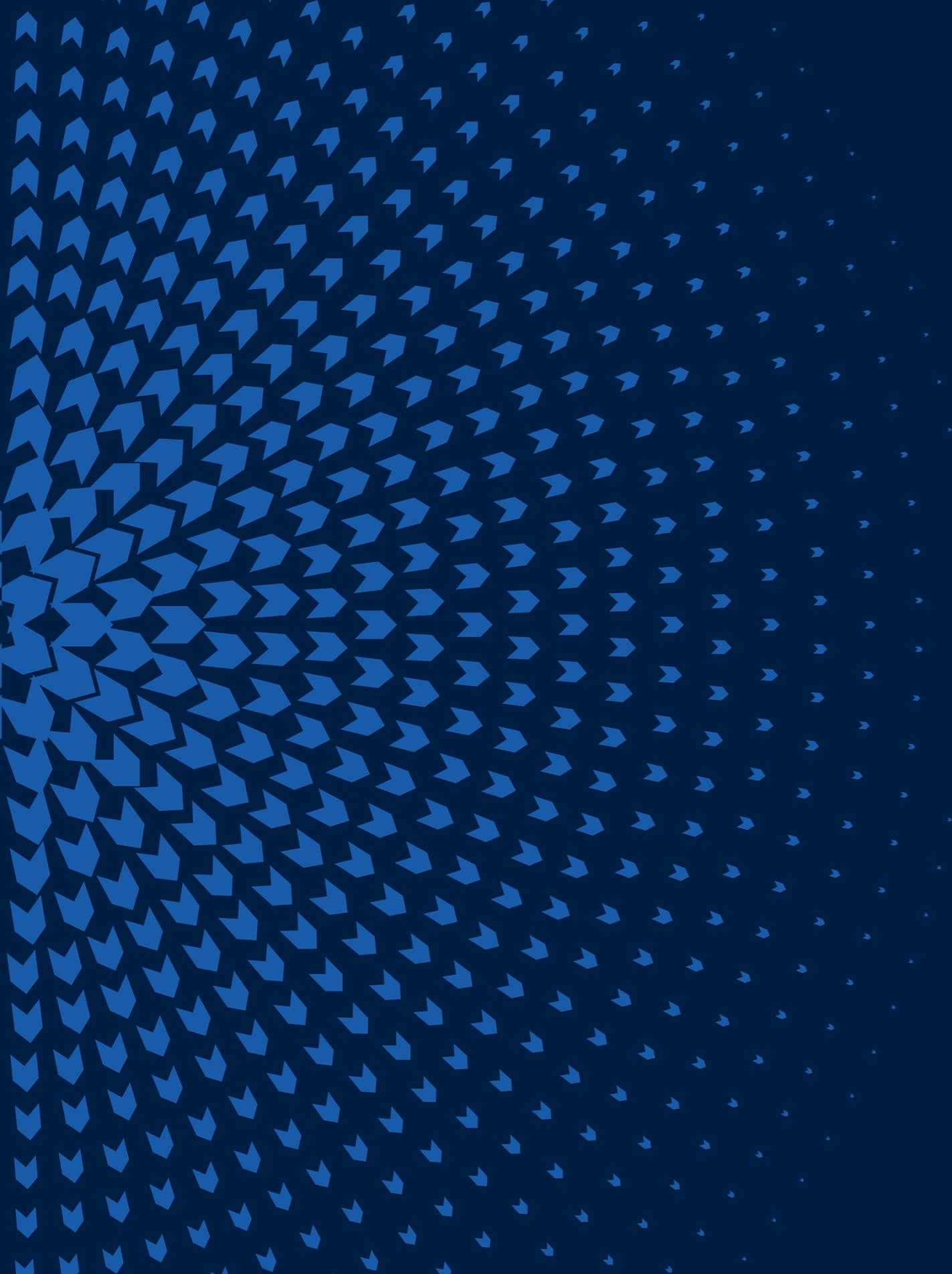




مجموعة تداول السعودية
Saudi Tadawul Group

Annual Report 2020



مجموعة تداول السعودية
Saudi Tadawul Group

رؤية
VISION
2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA



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, MINISTER OF DEFENSE, AND CHAIRMAN OF THE COUNCIL OF ECONOMIC AND DEVELOPMENT AFFAIRS

THE SAUDI TADAWUL GROUP

THE VISTAS AHEAD

Saudi Tadawul Group is evolving from being a national stock exchange, to being a regional and then a global exchange. In the process we are helping to create the future for the Kingdom, the Region and the World. Opening up to the world has been a journey and our ambitions are bounded only by those of our stakeholders. The global economic and financial scenario constantly presents new opportunities.

We are helping push boundaries and create new benchmarks across the board. The Exchange is cognizant of the needs of both large established corporates and those of rising stars with disruptive ideas which have been nurtured by capital investors. With cutting-edge technology, we are changing the way investment decisions are made; they are better informed, faster, and more reliable. In partnership with the global community we are helping all of them to move to the next level in exploiting the market's potential. Further, as we invest in our people, we are helping exceptional talent chart their own personal growth story.

We intend to raise the bar, onwards and upwards. Moving together to push the limits of what's possible. To take advantage of the opportunities before us, revamped our business structures in keeping with changing needs.

THE REVAMPED STRATEGIC FRAMEWORK

In the process of realising the above-mentioned objectives, a holding company was formed, the "Saudi Tadawul Group", wholly owned by the Public Investment Fund which came into effect from 7 April 2021. This is referred to as the "Group", the "Exchange", "Tadawul" or the "Company" in this Report.

OUR BRAND VISION:

To be a world leading capital markets group and the gateway to the MENA region, fostering the development of a diverse Saudi capital market.

OUR BRAND PURPOSE:

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

OUR MANIFESTO:

We are the new capital of opportunity.

A new capital for our ambitions to multiply yours.

OUR BRAND VALUES:

Look ahead

We keep things moving, staying focused on the future and what it has to offer. We anticipate change and are one step ahead of others.

Challenge conventions

We are inquisitive, ask questions and challenge the status quo, never afraid to find new ways to create what's different and better.

Aim high

Raising the bar means improving and adapting as we go. We operate with integrity and commit to progress in every way, always striving to advance our thinking and capabilities.

Make things happen

Our heads are in the sky, but our feet are on the ground. We build high levels of trust and follow through to get things done. We keep our promises.

مجموعة تداول السعودية
Saudi Tadawul Group

SAUDI TADAWUL GROUP IN DETAIL

The restructuring was accompanied by a rebranding of the entire Group which was formed, including the holding company and its subsidiaries as follows:



Saudi Exchange

The Saudi Exchange, is a newly established company in 2021, as a result of operational spin-off of the exchange activities from the Saudi Tadawul Group which shall act as a securities exchange in the Kingdom of Saudi Arabia. This provided a platform for trading securities listed on the market, thus contributing to the access of listed companies to financing and allowing traders to invest in the market.

The Exchange's strategies are closely aligned with the goals of the Kingdom's Vision 2030. Some of the shared goals include increasing the private sector's contribution to the economy, drawing in more foreign investment, and growing the SME sector.



Edaa

The Securities Depository Center Company, Edaa was established in 2016. Its main function is to maintain the Depository and Settlement System, which keeps a record of securities and tracks their ownership and actions while providing several other value added services.



Muqassa

The Securities Clearing Center Company, Muqassa, was formed in 2018. It acts as an intermediary in the trading process. Muqassa develops clearing services, reduces counterparty risk, increases market efficiency and became operational in 2020.



Tadawul Advanced Solutions Company

As part of Tadawul's plans to further develop the Saudi Capital Market, and in line with the goals of the Kingdom's Vision 2030 Financial Sector Development Program, the Exchange launched the new subsidiary, which is expected to become operational in 2021. The Company's focus will be on technology, innovation, and data.

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CHAIRPERSON'S MESSAGE

ONWARDS AND UPWARDS



The year 2020 was a daunting one for the global economy as well as the Kingdom. Apart from the COVID-19 pandemic, the Saudi economy had to face the reduced oil prices and cutbacks in production. In the face of adversity, Tadawul ended the year with a laudable performance, in terms of both market performance and financial performance.

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AN ACCELERATING POSITIVITY



A landmark development was the introduction of the SF30 Futures Index, which is built on the MSCI MT30 Index. It serves as a trading and hedging tool which would enable investors to protect their portfolio value.

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REPORTING PERIOD AND BOUNDARY

This Report is focused on the reporting period 1 January 2020 to 31 December 2020, 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) mainly, the Securities Depository Center Company (Edaa), the Securities Clearing Center Company (Maqassa) and the Tadawul Advanced Solutions Company (Wamid), while the financials are consolidated with those of Edaa and Muqassa. 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 2020 is being released in multiple digital mediums and formats simultaneously for the second 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.



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://annualreport2020.saudiexchange.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://annualreport2020.saudiexchange.sa/download/pdf/executive_summary_2020.pdf

BUILDING PRESENCE

OUR ETHOS

Tadawul had its origins as an informal market and gradually developed into a matured securities exchange. It has developed together with the expanding needs of the Saudi economy and the region. Today it stands as a leader among emerging market exchanges.

Tadawul is the only authorized body for the listing and trading of securities in the Kingdom of Saudi Arabia. A smoothly functioning and well regulated stock market is essential for the development of a modern market economy. The Exchange's Vision, Mission and objectives are closely aligned with the goals of the Kingdom's Vision 2030. Some of the shared goals include increasing the private sector's contribution to the economy, drawing in more foreign investment, and growing the SME sector.

Tadawul has networked with many related international organizations and is an affiliate member of the International Organization of Securities Commissions (IOSCO). It is also a member of the World Federation of Exchanges (WFE), the Arab Federation of Exchanges (AFE), the Africa and Middle East Depositories Association (AMEDA) and the United Nations Sustainable Stock Exchanges (SSE).

Main activities

Tadawul provides a platform through which trading in securities listed on the market is enabled, and which contributes to the access of listed companies to financing and allows traders to invest in the market. With the development of technology the entire process of listing and trading securities is conducted online. Two core functions of the Exchange are the Depository and the Registry. The Depository maintains the record of the ownership of shares linked to each investor. The Registry maintains complete details of the ownership of securities by individual corporates. Both have to be updated when transfer of ownership takes place. Only Capital Market Institutions may carry out business on the Exchange. Currently Tadawul has 31 trading Capital Market Institutions.

When transactions in securities take place a process known as clearing is executed, to work out the obligations of each party and complete

the change in ownership when the sale takes place. The availability of securities and cash has to be confirmed and on settlement the transfer of securities takes place and relevant records are updated.

The Securities Depository Center Company, Edaa was established in 2016. Its main function is to maintain the Depository and Settlement System, which keeps a record of securities and tracks their ownership. The other subsidiary, the Securities Clearing Center Company, Muqassa, was formed in 2018. Muqassa, which became operational in 2020, contributes to ensuring a safe and transparent capital market infrastructure. It is one of the key initiatives under the Financial Sector Development Program (FSDP). Muqassa develops clearing services, reduces counterparty risk, and increases market efficiency.

A third and a new subsidiary company named Wamid, was formed which was an innovative step. Its focus is to be a technology oriented business which will drive innovation and nascent technologies within the Saudi economy. It will add depth and diversity to the Saudi Tadawul Group and increase the Saudi market's attractiveness to the global investor community.

The Parallel Market Nomu, established in 2017, is intended for SMEs. It has lighter listing requirements and provides an alternative route for smaller companies to go public. Investment in Nomu is restricted to qualified investors. A major step that was taken in 2020, was to permit companies to list on Nomu directly without making an initial offering. Tadawul became the first exchange in the GCC to do so. The main market includes a total of 21 industry sectors while Nomu includes 7 sectors.

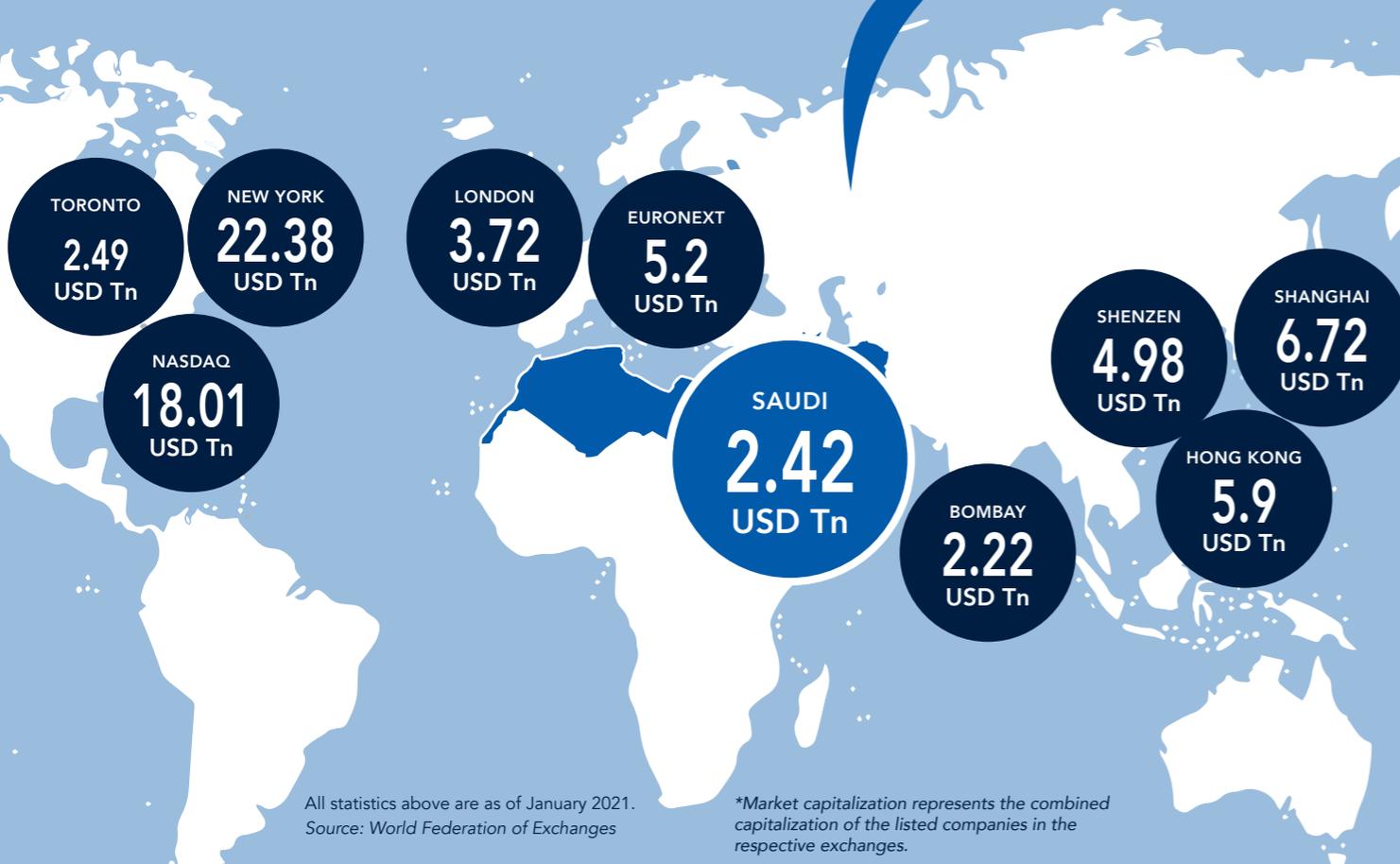
Debt instruments are another increasingly important area of the market. Debt securities traded on the market include Government and corporate Sukuks/bonds. A major development in 2020 was to permit foreigners to invest directly in debt securities.

HOW WE GREW



WHERE WE STAND

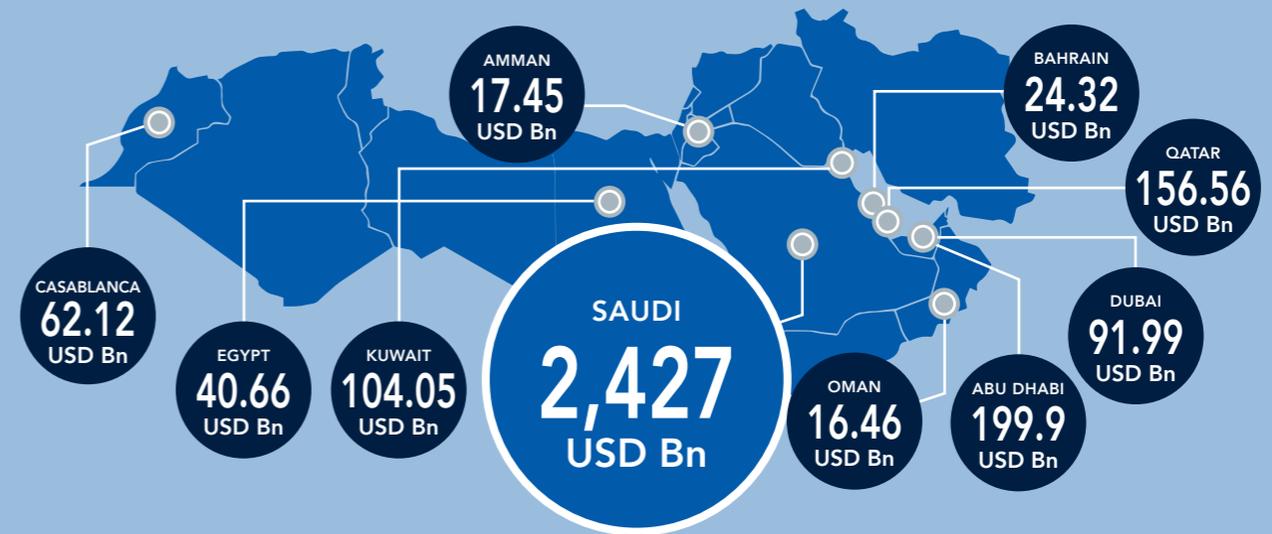
The Exchange ranks ninth among the world's stock exchanges in terms of market capitalization*



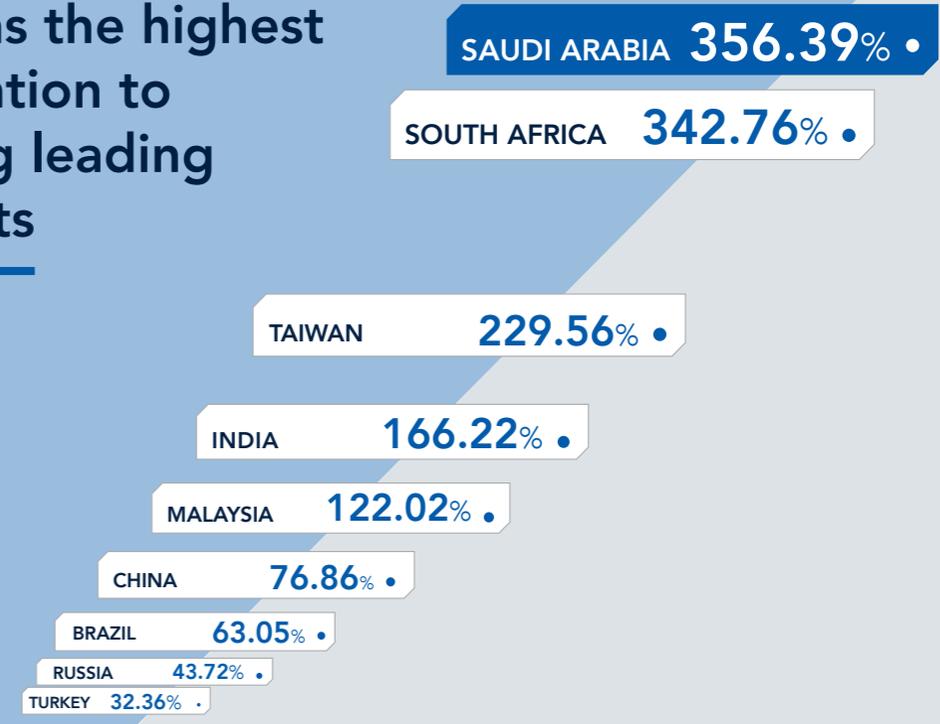
All statistics above are as of January 2021. Source: World Federation of Exchanges

*Market capitalization represents the combined capitalization of the listed companies in the respective exchanges.

The Exchange accounts for 77.66% of the total market capitalization of Middle East and North African (MENA) stock exchanges



The Exchange has the highest market capitalization to GDP ratio among leading emerging markets



THE THRUST OF ACHIEVEMENT

MARKET PERFORMANCE – 2020

MAIN MARKET Percentage increase in:		NOMU MARKET Percentage increase in:	
Tadawul All Share Index (TASI)	3.58%	Nomu Index	252.80%
Market capitalization	0.85%	Market capitalization	379.53%
Value of shares traded	137.21%	Value of shares traded	211.84%



TOTAL NUMBER OF LISTED COMPANIES (MAIN MARKET) 203	TRANSFERS FROM NOMU TO MAIN MARKET <ul style="list-style-type: none"> Arab Sea Information System Co. Al-Omran Industrial Trading Company Al-Samaani Factory for Metal Industries 	NEW ETFS LISTED FOR 2020 <ul style="list-style-type: none"> Albilad Saudi Sovereign Sukuk ETF Alinma Saudi Government Sukuk ETF Fund Albilad Gold ETF 	NEW IPOs/ LISTINGS <ul style="list-style-type: none"> Dr. Sulaiman Al Habib Medical Services Group Amlak International for Real Estate Finance Co. BinDawood Holding Co.
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MARKET DEVELOPMENT

- Completing the fifth and final tranche of the inclusion to the FTSE Russell.
- Launched the derivatives market.
- Launched the following indices in collaboration with IHS Markit:
 - iBoxx Tadawul SAR Government Index (Riyal denominated index for tracking the performance of Saudi Government Sukuks).
 - iBoxx Tadawul SAR Government Sukuk and Bond Index (broad market benchmark).
- IPO of Dr. Sulaiman Al Habib Medical Group Co. in March 2020 was oversubscribed around 83 times, investment – SAR 217 Bn.
- Launch the start of operations as a Qualified Central Counterparty Clearing House.
- Published guidelines to issue depository receipts outside the Kingdom accepted by CMA.
- Activating repurchase contracts by providing guarantees transfer service between banks, companies and all types of investors.

BUSINESS PROCESS DEVELOPMENT

203 BUSINESS REQUIREMENTS DEVELOPED AND FINALISED	163 INTERNAL DEVELOPMENT CHANGES IMPLEMENTED	4 RELEASES IMPLEMENTED ON CORE SYSTEMS
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PERFORMANCE – 2020



ONWARDS AND UPWARDS

The Exchange is evolving and pushing its boundaries, both geographically and functionally. To keep pace with these changes a new ownership structure has been formulated. A new company "Saudi Tadawul Group" has now become the holding company of the Group, with Saudi Exchange (Tadawul), Edaa, Muqassa and Tadawul Advanced Solutions Company (Wamid) as its subsidiaries. Concurrently there has been a revamping of the Group's brand identity, Vision, Purpose and Manifesto.



The year 2020 was a daunting one for the global economy as well as the Kingdom. Apart from the COVID-19 pandemic, the Saudi economy had to face the reduced oil prices and cutbacks in production. In the face of adversity, Tadawul ended the year with a laudable performance, in terms of both market performance and financial performance.

Meeting challenges

The year 2020 was an extremely challenging one, not only for the Exchange and the Kingdom but also globally. The COVID-19 pandemic plunged the world into the most serious economic and social crisis since the World War II. The Saudi economy was afflicted not only by the pandemic, but also by the dampened oil prices and cutbacks in production. Despite the odds, we ended the year on a favourable note, both in terms of market performance and financial performance. The pandemic caused a considerable curtailing of commercial activity and movement. However, Tadawul took all possible steps to maintain business continuity.

Trading hours were curtailed; but it was implemented without adverse impact on trading volumes and liquidity levels. The average daily traded value reached nearly two and a half times that of 2019. Tadawul retained its position among the ten largest exchanges globally and also emerged as one of the three leading emerging market exchanges. Another salutary development is that the concentration of value traded in the three largest industry groups reduced significantly, reflecting a diversification of investor preferences.

Despite headwinds, the Exchange continued on the path to becoming a more advanced capital market. Following the inclusion in MSCI and S&P Emerging Market Indices in 2019, inclusion in FTSE Emerging Market Index was completed in 2020. Another landmark step was the launching of the derivative market. One derivative was launched during the year, which is the Saudi Futures 30 which is based on the MT30 Index launched in 2019. This was just a beginning; further developments are on the horizon. The introduction of the futures derivative will have the effect of constraining market volatility. Another enhancement was the modification of daily fluctuation limits for the Main Market and Nomu. This modification gives more assurance of fair pricing and investor protection. These developments enhanced our image in the eyes of the local and international investor community.

Another major development was that the Securities Clearing Center Company, Muqassa became operational. Muqassa acts as an intermediary in trading reducing counterparty risk. It also carries out netting of transactions on a multilateral basis, which will reduce the number of transactions, both cash and security. This fulfils one of the key objectives of the Financial Sector Development Program. Muqassa also facilitated the introduction of derivatives by implementing index futures clearing.

The Security Depository Center Company, Edaa also introduced some noteworthy innovations during the year. An institutional framework was established, through an MOU with Clearstream to facilitate access to the debt market to foreign investors. Edaa has also enabled foreign investors to hold Saudi securities and trade them on their own stock markets without being registered on Tadawul, through Depository receipts.

The nurturing of human resources is a key thrust of Tadawul's strategy. In 2020, despite the headwinds most of the HR-related strategic objectives were achieved. New working methods and locations had to be swiftly introduced when the conditions precluded working in normal locations. Technology was successfully leveraged to make the change and our staff rose to the occasion.

Completion of inclusion in FTSE Russell Emerging Markets Index and launching of the derivatives market were major milestones during the year.

Supporting services

Our technology function is clearly aligned to the organization strategy, its pillars and initiatives. During the year, despite the challenges we faced due to COVID-19 pandemic all planned initiatives were delivered and milestones achieved. This was in addition to coping with unexpected requirements such as providing new hardware and software for remote working. Major enhancements were also put in place to provide more sophisticated and timely market information and data analytics. A major milestone was the completion of the new Data Center.

Promoting sustainability

Tadawul eschews taking a narrow market-focused or financial-focused approach. We are conscious of the importance of ESG factors which are being increasingly recognized as major concerns globally and across business sectors. We took a major step in this journey when we joined the Sustainable Stock Exchanges in 2018. This has opened up opportunities for networking and sharing experiences. Tadawul's ESG programmes are formulated within the framework of the United Nations Sustainability Development Goals (UNSDGs). Six of the SDGs have been identified as focus areas. In addition four themes, economy, education, community, and environment have been accepted to formulate specific programmes. During 2020, despite the constraints imposed by the pandemic situation several programmes have been implemented in the theme areas.

Looking ahead

The fact that we weathered the storms and ended the year with a laudable performance speaks volumes for our strengths, resilience, and innovativeness. The achievements of the last few years give us an excellent foundation on which to build further. The Exchange has much to look forward to by way of introduction of new products and services and strengthening our regional as well as global links. There is much potential in expanding the derivatives market; single stock futures, options, and introduction of market makers are in the offing. We also propose to introduce new indices, one of which is the Sharia Index which is a measure of Sharia-compliant listed companies. The Corporate Governance Index, which is also in view, will give additional weightage to companies which adhere to the CMA Corporate Governance Rules. Further, development of fixed income securities is another area which holds much promise. With the experience of the pandemic we can expect more and more focus on ESG

issues in the future. The existing framework and the steps we have taken so far provide a base for further development. We intend to conduct programmes, such as workshops, to spread awareness of ESG issues among market participants.

Giving recognition

I have to thank the CEO and the Board of Directors for their dedication and firm hand of direction in turbulent times. The Senior Management too deserves kudos for keeping business continuity and implementing changes despite the challenges. I do not forget the flexibility and commitment our employees have shown in adjusting to new working methods and conditions. I also have to acknowledge the regulatory role which was prudently executed by the Capital Market Authority. I also have 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 market.

Sarah Al-Suhaimi

Chairperson

AN ACCELERATING POSITIVITY

Tadawul which was the former holding company is the sole authorized entity which can act as a securities exchange in the Kingdom. The Exchange provides an infrastructure for listing and trading of securities. Its activities are complemented by those of the other Group companies.



A landmark development was the introduction of the SF30 Futures Index, which is built on the MSCI MT30 Index. It serves as a trading and hedging tool which would enable investors to protect their portfolio value.

The backdrop

I am reporting on a year when the entire world was plunged into recession and suffered a serious social crisis due to the COVID-19 pandemic. Many countries imposed lockdowns or curfews. Some industries such as travel, tourism, and entertainment practically came to a standstill. The global economy is estimated to have contracted by 3.5%, and the Middle Eastern and Central Asian region by 3.2%. Governments came under enormous fiscal pressure owing to the need to provide relief measures. Medical services came under tremendous strain. The Saudi economy, in common with the rest of the GCC, suffered a two-fold blow due to the additional impact of lower oil prices and output. The contraction in Saudi GDP is around 4%.

The vanguard operations

Against this disheartening backdrop I am proud to report that Tadawul recorded an extremely commendable performance during the year. The market showed impressive record in trading activity; daily average value traded, total number of transactions, and number of shares traded all grew by over 100%. The TASI index and market capitalization recorded modest growth. Satisfactory liquidity levels were also maintained. The fifth and final tranche of inclusion in FTSE Russell Emerging Markets Index was completed. This was the culmination of a process of inclusion in three leading emerging market Indices that began in 2018.

A landmark development was the introduction of the SF30 Futures Index, which is built on the MSCI MT30 Index. It serves as a trading and hedging tool which would enable investors to protect their portfolio value. This will be particularly beneficial to institutional investors who prefer to avoid volatility in the market. The minimum price for negotiated deals was amended putting in place a more flexible system taking liquidity into account. The debt market also saw a major development with the launching of two related indices. These indices provide an indication of the performance of Saudi Sukuks and bonds and are of great value to portfolio managers to assess portfolio value and risk.

Major changes were also implemented in the Parallel Market, Nomu. The minimum value for negotiated deals was significantly reduced. The ceiling on brokerage commission was eliminated to give members more leeway in giving value added services to clients. The Nomu capped index was reviewed to give a limit on the weighting of each issuer.

The financial picture

I am pleased to report that, while adverse circumstances prevailed, Tadawul nevertheless delivered a strong financial performance. Operating revenues registered a 91.3% increase over 2019, driven by higher trading volumes. With the onset of the crisis, a policy of cost control and cost optimization was introduced which bore fruit. The increase in

operating cost over that of the previous year was only 9.3% which reflects increased efficiency. This, together with the increase in operating revenue, resulted in a 203% increase in gross profit. The general and administrative expenses declined by 8%, which when compounded with the increase in operating revenue caused the operating profit to increase more than 10-fold. Investment income suffered a sharp decline due to the reduction in interest rates. However, with the other positive factors, we were able to achieve a 227% increase in net income after Zakat.

The human resources function faced major hurdles during the year. Employees' working methods had to be re-engineered to facilitate remote working.

The role of technology

The IT and Operations Division also had a slew of achievements during the year. The Division had to handle unforeseen demands due to the new remote working requirements resulting from the pandemic. Despite this, all planned milestones were achieved on schedule. Parallel runs of several major projects including Derivatives Market Launch, Tadawul New Data Center, and Post-Trade Technology Programme were accomplished. Major enhancements were also

made in market information and data analytics which greatly contributed to the efficiency of the Exchange. The Sukuk Index was introduced and appropriate changes were made to the Tadawul website and mobile app to display additional information. With all the additional demands routine market functions were kept running smoothly and complete system availability was achieved.

The people factor

Our human resources strategy is built on three pillars; Direction, Motivation, and Leadership. We emphasize on clear communication of direction and vision. This builds empathy among employees and helps them set their own goals. The Exchange has put in place a transparent system of performance management and assessment. Thereby we aim to change the leadership style from a top-down one to being more participative.

The human resources function faced major hurdles during the year. Employees' working methods had to be re-engineered to facilitate remote working. As physical meetings were not possible internal and external meetings had to be conducted through a video conferencing medium. We also facilitated engagement amongst employees and between management and employees through virtual media. An innovative step in this direction was the conducting of two town hall meetings with all staff, the executive team and the CEO. A survey was also conducted to assess the acceptance by the staff of the new working arrangements. The result showed that an overwhelming majority approved of the changes.

In conclusion

With the achievements of a turbulent year behind us, we look to the future with confidence. The Exchange has proved its resilience and been through a learning experience. There are great opportunities ahead for the market. Human resources, IT, operations, and governance are well placed to play their supporting, albeit indispensable, roles.

Finally I wish to thank the Chairperson and the Board of Directors for their unwavering guidance and support. I must also acknowledge the commitment and dedication of our employees which enabled us to surmount the vicissitudes of a turbulent year.

Eng. Khalid Abdullah Al-Hussan

Chief Executive Officer

MOVING ENTERPRISE IN THE RIGHT DIRECTION

Being a securities exchange, the opportunities and threats it faces are very much dependent on the local, regional, and global economies. The ebb and flow of economies determine the need of corporates for finance and propensity of investors to invest. Tadawul's business model, strategies, and operations need to be aligned to the realities of the operating environment on which we have to keep a close watch.

THE CONTEXT

The global scenario

The COVID-19 pandemic has been the worst economic calamity the world has experienced for decades. Economic activity came to a near standstill for months as movement was sharply curtailed by lockdowns and curfews. Some industries such as travel, tourism, hotels, and entertainment were completely devastated. Apart from the economic consequences, the pandemic took an enormous toll on human lives and health.

Despite efforts by Governments around the world to combat the impact of the pandemic by fiscal and monetary policy, a contraction of the global economy by 3.5% in 2020 is estimated according to the IMF World Economic Outlook (WEO) Report. Advanced economies as a whole are expected to have shrunk by 4.9%. In emerging market and developing economies, the GDP decline is expected to have been 2.4%, while in the Middle East and Central Asian Region it is expected to have been 3.2%. China, an exception among major economies is expected to have grown by 2.3%, which is however far below its growth rates

of around 6% in the previous five years. Giving assistance to individuals and enterprises which have been badly affected has been a daunting task for most Governments when they are faced with declining tax revenues. On average, Government deficits are expected to have increased by 9% of GDP in 2020, while global public debt is expected to have reached unprecedented levels. As reported by CNBC, job losses in the second quarter of 2020 compared to the last quarter of 2019, was the equivalent of 400 million full time jobs. Employment in informal sectors, women and youth was particularly affected. An additional 90-100 million people are expected to fall into extreme poverty in 2021 as per the WEO Report. Due to the exigencies of the situation many firms have had to resort to heavy borrowing which raises the possibility of many of them becoming insolvent.

WEO forecasts a recovery to a 5.5% global growth in 2021 and 4.2% in 2022 is forecast based on expectations of the impact of the vaccines and policy support in certain advanced economies. There is also the likelihood that increased public investment in advanced economies will spur increased private investment.

However, there is no cause for optimism about an early end to the pandemic. The degree of the recovery is expected to vary widely across different countries. Strong multilateral cooperation and financial support is required to bring the benefits of the vaccine to third world countries.

Stock markets

In tandem with most other sectors, stock exchanges were drastically affected as a result of the COVID-19 pandemic. At the onset of the pandemic, exchanges saw a decline in share prices and market capitalization unprecedented in recent times. Yet most stocks showed a surprising recovery by the end of the year. To give a broad picture, the MSCI global index showed a 14% rise for stocks and a 5% rise for bonds over the year. Stock markets are forward looking and expectations of improvements in 2021, especially with vaccines becoming available, may have played a major role in the recovery.

However, results varied across and within asset classes. For example oil stocks plunged 24%, reflecting the impact of recessions on energy demand. Technology stocks on the other hand performed well. Not all indices have fared well, either. The UKs FTSE100, weighed down by struggling airlines, oil companies and banks slid by 14% over the year, notwithstanding a steady rise over the last few months.

GCC economies

The GCC economies have all suffered a downturn due to the COVID-19 pandemic and the reduced global energy demand, which has constrained oil prices. The estimated GDP contraction for the region is 5.4% according to the ICAEW Middle East Economic Update. The GCC countries generally refrained from imposing severe constraints of the type seen in some European countries and eased out of lockdowns. However, the slump in certain sectors such as travel and tourism and the need for social distancing have slowed the recovery. While compliance with OPEC+ production limits has given some boost to oil prices, they are still down 26% from January. While there will be a slight increase in production from January 2021, there is little hope for large price increases up to 2023.

The dampened oil prices will constrain GCC Governments' ability to provide fiscal support. The forecast growth in 2021 for the region is only 2.4%. Growth may not return to 2019 levels before late 2022. However, there is the prospect of sectors such as hospitality and airlines recovering with the availability of vaccines. This should benefit countries such as Bahrain and the UAE with a high share of tourism.

Saudi economy

In common with the rest of the GCC, the Saudi economy has been seriously affected by lower oil prices and production; GDP

is estimated to have contracted by 4% in 2020. Oil production has been kept low to keep in line with commitments to OPEC. ICAEW reports that this will result in an estimated 4.6% year-on-year drop in the oil sector GDP, followed by an expected growth of 1.4% in 2021. Growth in the non-oil sector was also dampened due to social restrictions, cutbacks on capital spending, and VAT increase. The sector is expected to have contracted by 3.6% in 2020. The Kingdom's strong fiscal and foreign currency reserves have given it the resilience to withstand the impacts of the pandemic and lower oil prices. The Government intends to maintain fiscal discipline, with estimated expenditure for 2021 being 7.3% less than that of 2020. Medium-term fiscal deficits are expected to continue leading to a rise in public debt. However, the Kingdom's relatively low debt/GDP ratio will permit further borrowing. Total public debt in 2021 is estimated at 32.7% of GDP. Real GDP growth is forecasted to reach 2.8% in 2021, driven by less stringent restrictions and an improvement in the trade balance.

Capital expenditure was slashed in 2020, due to the difficulties of the private sector and reallocation in Government spending away from capital spending to COVID-19 related support and stimulus. A drop of around 12% in private sector capital spending is expected. While Government revenues have been hit, this has been limited somewhat by the tripling of VAT rate to 15% and increases in import duties.

The Saudi banking sector has also had to face major headwinds in the wake of the COVID-19 pandemic which have been described in the KPMG Banking Pulse Quarterly. Credit losses in the third quarter have shown a period-on-period increase over the previous year of 41%. Over the corresponding period overall profitability dropped by 6%. The situation was alleviated by support from SAMA; interest-free deposits of SAR 110 Bn were received up to September 2020. Activity in the lending space has picked up, especially auto and mortgage financing. This reflects the strong demand in the Kingdom for housing and the efforts of the Government to promote home ownership. The home ownership levels have now exceeded 50%, which was an intermediate milestone in the Vision 2030 plans. The loan growth has contributed a year-on-year asset growth of 10% over 3Q 2019 and the customer base has grown by 3%. However, profitability in the banking sector is expected to decline with weakened credit demand and non-performing loans increasing in certain sectors. With declining oil prices impacting Government coffers, funding for banks will also suffer.

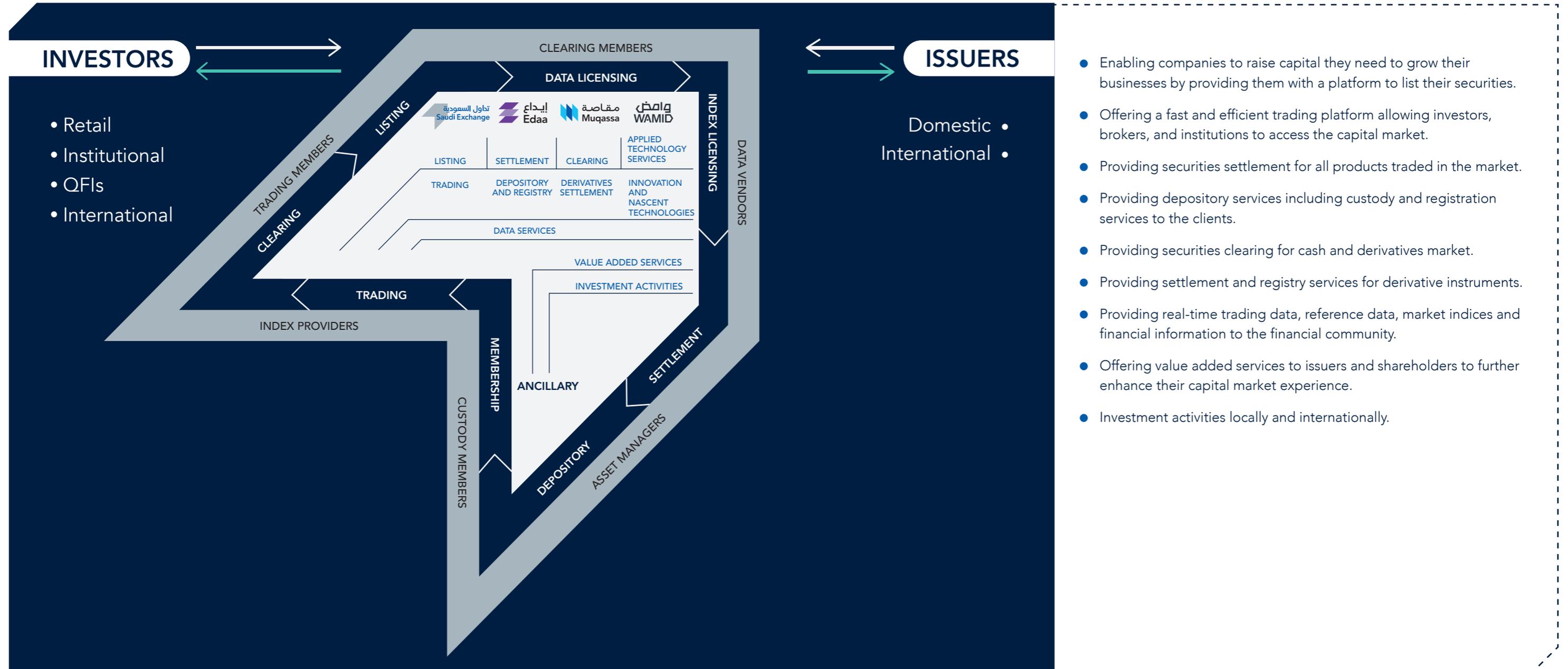
Nevertheless, the banking sector has shown itself to be agile and innovative in the face of the crisis. Saudi banks have robust capital ratios which will provide resilience, despite reduced ability of borrowers to meet commitments. Looking ahead, driven by customer and investor expectations, banks and the entire corporate sector are likely to become more conscious of ESG considerations. With issues such as climate change coming to the forefront, ESG is likely to play an increasingly important role in the agendas of managers and regulators in the entire commercial sector.

OUR BUSINESS MODEL

Tadawul is an intermediary platform that facilitates, buying and selling of securities, which includes stocks and units of ETFs, REITs (Real Estate Investment Traded Funds), Closed-Ended Funds, Sukuks, bonds and derivatives. The financial market is a means to facilitate the trading of securities between buyers and sellers, and it is characterized by efficiency, transparency, and integrity. The market enables investors and other market participants to obtain accurate information to properly make their investment decisions, as well as conduct their transactions with confidence and reassurance.

The Exchange needs to promote liquidity, so that buyers of securities can be assured of being able to divest them easily when they wish. It also needs to ensure the provision of timely, comprehensive, and adequate information to enable market participants to make decisions. This information may be provided by the Exchange itself or by external service providers.

The Exchange enables businesses to raise capital for expansion and thereby contributes to the growth of the economy. Tadawul is making a major contribution to the goals of Vision 2030 in this manner.



- Enabling companies to raise capital they need to grow their businesses by providing them with a platform to list their securities.
- Offering a fast and efficient trading platform allowing investors, brokers, and institutions to access the capital market.
- Providing securities settlement for all products traded in the market.
- Providing depository services including custody and registration services to the clients.
- Providing securities clearing for cash and derivatives market.
- Providing settlement and registry services for derivative instruments.
- Providing real-time trading data, reference data, market indices and financial information to the financial community.
- Offering value added services to issuers and shareholders to further enhance their capital market experience.
- Investment activities locally and internationally.

STAKEHOLDERS

Tadawul’s stakeholders are the parties who are influenced by the Exchange’s strategies and operations or who have an ability to make an impact on the strategies and operations. Each stakeholder group has specific engagement channels through which the Exchange interacts with members of the group.

Investors

Investors are individuals or entities who buy and sell securities in the market. It is they who keep the wheels of the market turning. To gain the confidence of investors, the Exchange needs to ensure that the market infrastructure is accurate and reliable. It also needs to ensure that timely, accurate, and comprehensive information is available to make decisions.

Engagement channels: Statistical reports, annual reports, press releases, roadshows, workshops, website, social media, and contact center.

Members

Members are brokerage firms who conduct transactions on behalf of their clients. The vast majority of transactions on the Exchange are conducted through brokers.

Engagement channels: Statistical reports, notifications, website, workshops, and meetings.

Issuers

Issuers are corporates or other entities which issue, register, and sell securities through the Exchange. Apart from corporates, issuers can include Real Estate Investment Traded Funds (REITs), Exchange Traded Funds (ETFs), and Government (through bonds

and Sukuks). Issuing processes are carried out in accordance with the requirements of Tadawul and the Capital Market Authority, to obtain a listing on Tadawul.

Engagement channels: Notifications, roadshows, relationship managers, website, social media, workshops, and meetings.

Support service providers

These are organizations or individuals that provide supporting services to issuers, investors, and members. They include market research analysts, investment bankers, legal advisors, and marketing advisors.

Engagement channels: Statistical reports, notifications, press releases, website, workshops, and meetings.

Employees

With all the technology that Tadawul possesses, the human factor remains important. The Exchange requires highly skilled professionals to drive its strategies and operations. They need to be constantly trained to keep up with changing requirements and motivated to carry out their roles. Drawing up and implementing career paths, which are clearly communicated to the employees is an essential aspect of motivation.

Engagement channels: Review meetings, town hall meetings, performance management system, training programmes, website, and internal communications.

The range and diversity of our stakeholder groups and communication channels illustrates the complexity of our operations. We need to constantly feel the pulse of our stakeholders so that their interests and concerns are addressed in our strategies and operations.

Regulator

Our regulator is the Capital Market Authority (CMA) which issues rules and regulations to implement the provisions of the capital market law. It issues the necessary directives, regulations and rules to ensure the orderly, efficient and ethical conduct of the market. This regulatory oversight is essential to build trust and confidence in the market among market participants.

Since 2018, Tadawul has become a partially self-regulating organization taking over some functions from CMA.

Engagement channels: Directives, reports, accounts, annual report, and meetings.

Data vendors and index providers

Tadawul licenses external data vendors to provide market information according to a license agreement. It also licenses index providers who provide customized indices.

Engagement channels: Statistical reports, corporate disclosures, website, and press releases.

Shareholders

The Public Investment Fund (PIF) is the 100% owner and only shareholder of Tadawul. Tadawul pays dividends to PIF.

Engagement channels: Accounts, annual report, other reports, and meetings.

Media

Tadawul communicates information to market participants and the general public through press releases. Business journalists also publish market information, most of it originating from stock market analysts. The main consumers of such information are investors, members, issuers, policymakers, and the general public. Such information flows need to be clear, relevant, timely, and accurate.

Engagement channels: Press releases, press conferences, TV, media interviews, and website.

Community

The community is the ultimate beneficiary of the economic growth that Tadawul generates. In addition Tadawul carries out a large number of CSR programmes which reach a wide range of beneficiaries.

Engagement channels: Press releases, events, and CSR programmes.

A RESILIENT STRATEGY

During the year under review, the five year strategy that had been formulated for the period 2018-2022 continued in its essence.

The framework of the plan consisted of:

- Three value drivers
- Seven strategic pillars and
- 29 strategic initiatives

The strategy is structured to be in alignment with the Vision 2030 and the Financial Sector Development Program (FSDP).

The Corporate Strategy Department, in coordination with business units and other stakeholders, develops divisional annual roadmaps and plans, which are aligned with the corporate strategy. The divisional plans are then translated into a greater degree of granularity in the form of targets and KPIs.

Strategy in action

Despite the unfavourable conditions that prevailed, a large number of initiatives were completed or were in progress by the end of the year under review.

The following initiatives and projects were completed during the year 2020.

VALUE DRIVERS

- 

➤ **Becoming a diversified and integrated exchange**
- 

➤ **Enabling and capitalizing on Saudi Growth**
- 

➤ **Expanding into becoming a regional platform**

PILLARS

-  ASSET CLASSES
-  ISSUERS
-  INVESTORS POST-TRADE
-  POST-TRADE
-  MARKET INFORMATION AND ANALYTICS
-  TECHNOLOGY AND OPERATIONS
-  ORGANIZATIONAL ENABLERS

- Completion of the Network Infrastructure upgrade Programme
- Completion of implementation of required REITs disclosure
- Launching of Derivatives Market and Securities Clearing Center Company, Muqassa
- Fixed Income Indices Development Partnership
- Launch and migration to Tadawul New Data Center
- Direct listing in Nomu Parallel Market
- Enhance ETFs and build ETP framework
- Enhancements to negotiated deals and fluctuation limits mechanism
- Enhancements to listed companies Share Buy-back Ownership Report
- Approval of instructions on issuing depository receipts out of the Kingdom
- Launch of Repo Collateral Transfer Service

The following projects are near completion or are new initiatives planned for 2021.

- Post Trade Infrastructure Program Phase 1
- Introduction of Market Makers
- Introduction of Single Stock Futures
- International Central Securities Depository (ICSD) links enabled
- Launch of Sharia compliant Indices
- Collateral Management Account Services
- Debt Market Microstructural Enhancements
- Midpoint Closing Price Calculations

The first of our value drivers, being a diversified and integrated exchange, drives many of our initiatives. It also motivates us to think out-of-the-box and with a long-term horizon, while not being constrained by the contours of the current strategic plan. In 2020, despite constraints imposed by the pandemic, we have made commendable progress towards achieving the goals of the strategic initiatives.

A landmark event of 2020 was the launching of the derivative market. This greatly enhanced the maturity of the market and was a step forward in achieving parity with leading global exchanges.

The launching of derivatives opens up new avenues for investors and will also pave the way for rolling out of more sophisticated market products in the future. It will also help investors to hedge their positions. In tandem, there was also another related development; the securities clearing house Muqassa came on stream. Muqassa will help streamline post-trade by managing the counterparty risk.

Since the admission of foreign investors to Tadawul in 2015, reforms have progressively been made to attract more investment from overseas to the market. Another milestone was reached in 2020 when QFIs were admitted into the debt market. Yet another major step forward was the approval granted for Saudi companies to issue Depository Receipts (DRs). DRs will provide a vehicle for foreign investors to purchase and trade in shares of Saudi companies on their own exchanges. The

One of our main overarching objectives, that of being a diversified and integrated exchange drives many of our initiatives. It also motivates us to think out-of-the-box and with a long-term horizon, while not being constrained by the contours of the current strategic plan.

Parallel Market Nomu also launched a major initiative to enhance the market. Potential issuers may now list directly on Nomu eliminating the process of an IPO. This will greatly ease the process of listing by reducing the cost, time and effort involved in an IPO.

While the COVID-19 pandemic did not cause any major modifications to the strategy, it did result in adjustments to some of the initiatives and project timelines. Certain activities such as recruitment, physical meetings, workshops, training and events had to be conducted virtually or rescheduled for 2021. Physical access for vendors and consultants was constrained, which impeded certain activities.

2021 and beyond

Several initiatives are in the pipeline including upgrading post-trade infrastructure, new derivative products, Tadawul IPO, and implementation of a future-ready operating model. With what has been achieved during 2020 despite headwinds, we look to the future with the confidence of achieving our strategic objectives.

ROBUST MOMENTUM

Evaluation of the fortunes and performance of the Tadawul Group to itself and the Kingdom necessarily involves looking through multiple lenses; the core of the Exchange – the market, permanence of the Exchange, IT infrastructure and capabilities, the collective knowledge and expertise of the human capital, and the contribution the Exchange provides to sustainability.

CHIEF FINANCIAL OFFICER'S REVIEW



I am pleased to report to you on the financial performance of the Exchange at the end of what has been an extremely turbulent year. The COVID-19 pandemic brought with it unprecedented challenges. Yet, I can state with great satisfaction, that the Finance Team, in common with the rest of the Exchange rose to the occasion. As detailed in this section, we were able to end the year with an extremely satisfactory financial performance.

Shahrukh Qureshi

The background

The COVID-19 pandemic had a devastating financial and economic impact globally, regionally, and locally. The pandemic has a three-fold impact on the Saudi Capital Market; on corporate profitability and performance, market performance and liquidity. Corporate profitability fell by 50% year-on-year in the first nine months of 2020. There were however a few sectors, such as telecommunications, food, healthcare, and retail, which were relatively unscathed. Interest rates were depressed which made stocks a more attractive investment, which was a factor in the massive increase in Tadawul's year-on-year profitability.

Soon after the pandemic broke out, we decided on an aggressive strategy of managing controllable costs and cost optimisation. At that point we could not be sure what direction the market could take. Therefore, we decided on a strategy of planning for alternative scenarios – three possible outcomes for the market were simulated and we developed contingency plans for each of them. While we curtailed certain costs, optimisation was practised to ensure certain essential procurements such as equipment necessary for distanced working was made available.

The final outcome was that the market performed extremely well. Due to interest rates, locally and globally being extremely low, the securities market became the preferred investment destination. This drove up our revenues and increased liquidity.

Five year summary

Summary of income and expenditure 2016 – 2020

	2020 SAR	2019 SAR	2018 SAR	2017 (Restated) SAR	2016 SAR
Operating revenue	1,079,635,090	564,747,899	583,280,040	545,449,550	312,579,703
Operating costs	(356,484,493)	(326,128,116)	(298,503,938)	(295,466,902)	(200,858,490)
Gross profit	723,150,597	238,619,783	284,776,102	249,982,648	111,721,213
General and admin expenses	(180,244,860)	(196,960,609)	(210,520,277)	(192,528,380)	(180,469,349)
Operating profit	542,905,737	41,659,174	74,255,825	57,454,268	(68,748,136)
Investment income	38,797,145	94,343,939	79,211,522	87,188,113	39,012,995
Share of net loss of equity	(2,101,685)	(1,610,095)	(6,629,084)	(2,409,809)	-
Other income	4,478,947	18,900,768	1,348,402	3,070,137	437,160
Non-operating income	41,174,407	111,634,612	73,930,840	87,848,441	39,450,155
Profit for the year	584,080,144	153,293,786	148,186,665	145,302,709	(29,297,981)
Zakat expense	(83,561,274)	-	-	-	-
Net profit for the year	500,518,870	153,293,786	148,186,665	145,302,709	(29,297,981)

Performance summary – 2020

In the face of the adverse situation, Tadawul registered a commendable financial performance in many respects. Operating revenues recorded a 91% growth over 2019, driven by higher trading commissions arising from increased trading value. On the other hand, costs did not show a significant increase notwithstanding a number of new initiatives and projects, as a result of the cost control and cost optimization measures that were introduced. This enabled us to ensure the financial stability of the Company. An internal benchmarking exercise was also carried out to assess Tadawul's financial performance vis-a-vis its peers.

Investment income however dropped by nearly 60% due to the lower interest rates prevailing in the market. The other side of the coin was that it also drove market trading. Increased foreign inflows into the market caused greater liquidity. Foreign buying amounted to SAR 115 Bn for January-September 2020. Costs were satisfactorily controlled, which together with increased revenues, resulted in higher net income.

Statements of Financial Position 2016 – 2020

	2020 SAR	2019 SAR	2018 SAR	2017 (Restated) SAR	2016 SAR
Non-current assets					
Property and equipment	21,381,712	13,693,404	18,321,065	26,137,061	30,442,804
Intangible assets	179,552,282	176,516,175	114,622,164	81,184,289	56,569,437
Equity-accounted investee	378,895,293	40,996,978	42,607,073	49,236,157	81,846,474
Investments	101,267,886	231,554,876	306,327,691	1,108,635,408	1,113,741,772
Right-of-use assets	19,856,726	11,271,347	-	-	-
Projects under progress	-	-	-	-	29,144,844
	700,953,899	474,032,780	481,877,993	1,270,299,279	1,644,121,851
Current assets					
Investments	3,103,518,964	2,660,288,572	2,616,337,849	1,479,115,490	1,582,072,800
Account receivables	57,364,818	41,179,879	38,594,342	26,916,210	9,720,714
Prepaid expenses and other current assets	102,271,835	102,841,000	31,959,881	24,939,387	41,655,768
Deposits with SAMA	32,177,558	-	-	-	-
Cash and cash equivalents	96,798,376	268,487,867	363,178,918	613,057,827	109,398,138
	3,392,131,551	3,072,797,318	3,050,070,990	2,144,028,914	1,742,847,420
Total assets	4,093,085,450	3,546,830,098	3,531,948,983	3,414,328,193	3,386,969,271
Equity					
Share capital	1,200,000,000	1,200,000,000	1,200,000,000	1,200,000,000	1,200,000,000
Statutory reserve	376,963,633	326,911,746	311,582,367	296,763,700	283,786,867
General reserve	1,114,180,214	1,114,180,214	1,114,180,214	1,114,180,214	1,114,180,214
Unrealized gain/(loss) on available-for-sale investments	-	-	-	9,360,408	(3,156,708)
Retained earnings	943,478,532	618,313,284	608,896,618	567,428,470	577,878,210
Total shareholder's equity	3,634,622,379	3,259,405,244	3,234,659,199	3,187,732,792	3,172,688,583
Non-current liabilities					
Employees' end-of-service benefits	91,024,046	77,294,401	72,059,827	91,824,969	74,665,719
Provision for specific obligations	-	-	17,430,875	17,430,875	17,430,875
Lease liability	4,658,348	-	-	-	-
	95,682,394	77,294,401	89,490,702	109,255,844	92,096,594

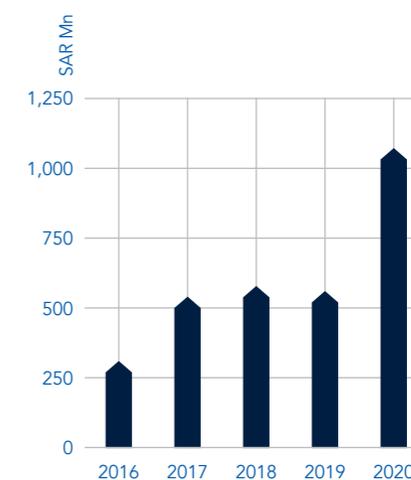
	2020 SAR	2019 SAR	2018 SAR	2017 (Restated) SAR	2016 SAR
Current liabilities					
Margin deposits from clearing participants	19,030,340	-	-	-	-
Members' contribution to clearing house funds	3,147,217	-	-	-	-
Lease liability	9,128,643	4,263,087	-	-	-
Account payables	95,314,671	105,383,866	87,268,042	51,116,941	60,730,640
Balance due to Capital Market Authority	32,758,785	22,330,201	56,661,001	11,881,482	16,258,958
Deferred revenue	3,223,464	3,134,967	4,733,107	5,829,797	2,649,570
Accrued expenses and other current liabilities	116,616,283	75,018,332	59,136,932	48,511,337	42,544,926
Zakat payable	83,561,274	-	-	-	-
Total current liabilities	362,780,677	210,130,453	207,799,082	117,339,557	122,184,094
Total equity and liabilities	4,093,085,450	3,546,830,098	3,531,948,983	3,414,328,193	3,386,969,271

Revenue and profitability

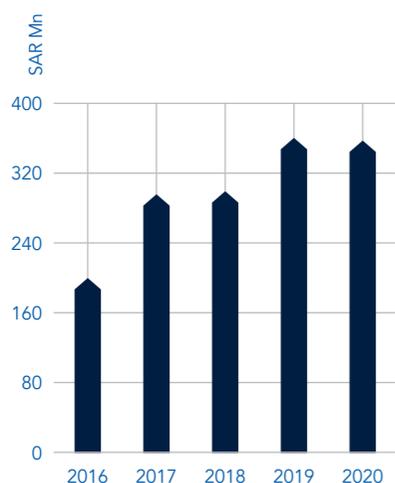
Over the period 2016-2020 operating revenue has recorded a CAGR of 36%. The corresponding figures for operating cost and gross profit have been 15% and 60% respectively. However, it is significant that the near-doubling of operating revenue has largely resulted from the 141.3% increase in trading commission from 2019 to 2020. This, coupled with a relatively small increase in operating cost over the same period, has caused the 203% increase in gross profit.

The operating revenue increased by 91.1% from 2019 to 2020, which reflects the increase in value traded of 137.21%. The increase in operating cost (from SAR 326.1 Mn to SAR 356.5 Mn) has been only 9.3%. This reflects improvements in trading efficiency. As a result, the gross profit increased by 203%.

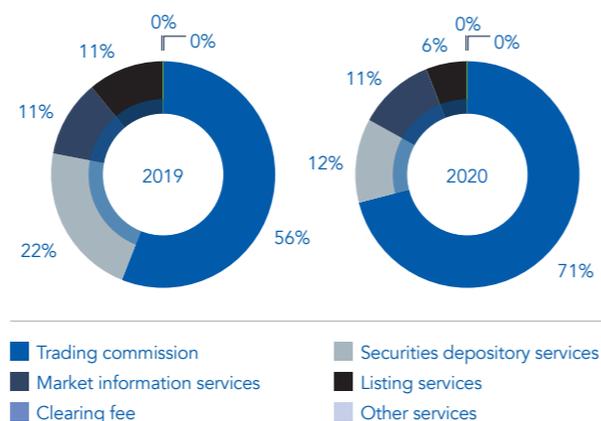
OPERATING REVENUE



OPERATING COST



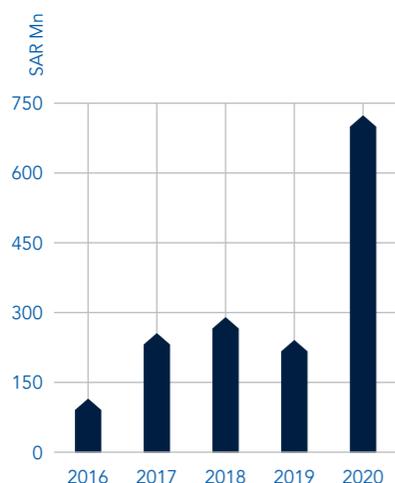
THE COMPOSITION OF OPERATING REVENUE FOR 2019 AND 2020



The trading commission increased as a percentage of total operating revenue from 56.3% to 71.0%. In absolute terms it has increased by 141.3%. This also reflects the increase in both the volume and the value traded.

The general and administrative expenses remained more or less flat and have returned to its 2016 level in 2020. This, together with the trend in operating income has resulted in the operating profit increasing more than tenfold from 2019 to 2020. Income from investments has shown a decline of 58.9% in 2020 compared with the previous year. This is mostly attributable to the depressed interest rates. Non-operating income has reduced by 63.0% largely due to the decline in interest income. Profit for the year (before Zakat) has increased by 281% compared with that of 2019. The five-year trend has been one of a steady increase with a quantum leap in 2020. Effective financial year 2020, Zakat is payable in accordance with the Zakat regulation issued by GAZT based on Royal Decree 35657 issued on 29/6/1442H.

GROSS PROFIT



Soon after the pandemic broke out, an aggressive strategy of managing controllable costs and cost optimization was followed. Considering the prevailing uncertainty of which direction the market would take, the Exchange opted for a strategy of planning for alternative scenarios.

GENERAL AND ADMIN EXPENSES, OPERATING PROFIT, AND PROFIT BEFORE ZAKAT



(FVTPL). The increase in investments is the primary cause for the increase in current assets over the past five years. The total assets increased by 15% from SAR 3.55 Bn to SAR 4.09 Bn. This increase is attributed to the increase in current asset investments being partly set off by the decrease in non-current investments.

Equity and liabilities

Total shareholder's equity which did not grow much over the period 2016-2019 grew by 11.5% from SAR 3.26 Bn to SAR 3.63 Bn from 2019 to 2020 consequent to the phenomenal growth in profit for the year, leading to retained earnings growing from SAR 618.3 Mn in 2019 to SAR 943.5 Mn in 2020.

Current liabilities have generally shown a steady growth with an increase of 72.65% in the year under review. This has mainly been the result of an increase in accrued expenses and other current liabilities from SAR 75.0 Mn to SAR 116.6 Mn.

Year	General and admin expenses SAR	Operating profit SAR	Profit before Zakat SAR	Zakat SAR	Profit after Zakat SAR
2016	180,469,349	(68,748,136)	(29,297,981)	-	-
2017	(192,528,380)	57,454,268	145,302,709	-	-
2018	210,520,277	74,255,825	148,186,665	-	-
2019	196,960,609	41,659,174	153,293,786	-	-
2020	180,244,860	542,905,737	584,080,144	83,561,274	500,518,870

Assets

Non-current assets steadily declined over the period 2016-2019 but showed an increase of 47.8% in 2020. The increase in 2020 was mainly due to an increase in equity-accounted investee from SAR 41 Mn to SAR 378.9 Mn as a result of a conversion of an investment of the Group in the Associate in the form of Sukuk amounting to SAR 130 Mn to equity investment and making an additional investment of SAR 210 Mn in the Associate during the year under review. Other non-current investments have declined steadily from 2016 to 2020.

Investments under current assets have shown an almost continuous increase from 2016 to 2020, approximately doubling over the period. In 2020, it has increased over the previous year by 16.5% from SAR 2.66 Bn to SAR 3.10 Bn. The increase is accounted for by investments at fair value through profit and loss

Future opportunities

New listings, which were subdued in 2020, should recover in 2021 as the economy picks up. New product lines, particularly in derivatives, should bring new revenue generating opportunities.

We can be optimistic of continued growth in the market in the years to come. This should lead to the continued development and profitability of Tadawul.

A RESILIENT MARKET

Market highlights

Despite the challenges brought by the COVID-19 pandemic, the market recorded impressive growth in 2020. Tadawul retained its position among the largest ten exchanges in the world and is also one of the three leading emerging market exchanges. The Exchange recorded impressive gains in several key market indicators such as daily average value traded, number of transactions and number of shares traded. The last two figures reflect the liquidity in the market which is further confirmed by the increase in market turnover ratio. A total of 21 industry groups are covered among the listed companies. In 2020 the concentration of value traded in the largest industry groups has reduced, which is a healthy sign.



TADAWUL ALL SHARE INDEX (TASI) ROSE BY
3.58%

TOTAL NUMBER OF TRANSACTIONS INCREASED BY
170.06%

MARKET CAPITALIZATION RECORDED A MODEST GROWTH OF
0.85%

NUMBER OF SHARES TRADED INCREASED BY
134.29%

DAILY AVERAGE TRADED VALUE INCREASED BY
136.27%

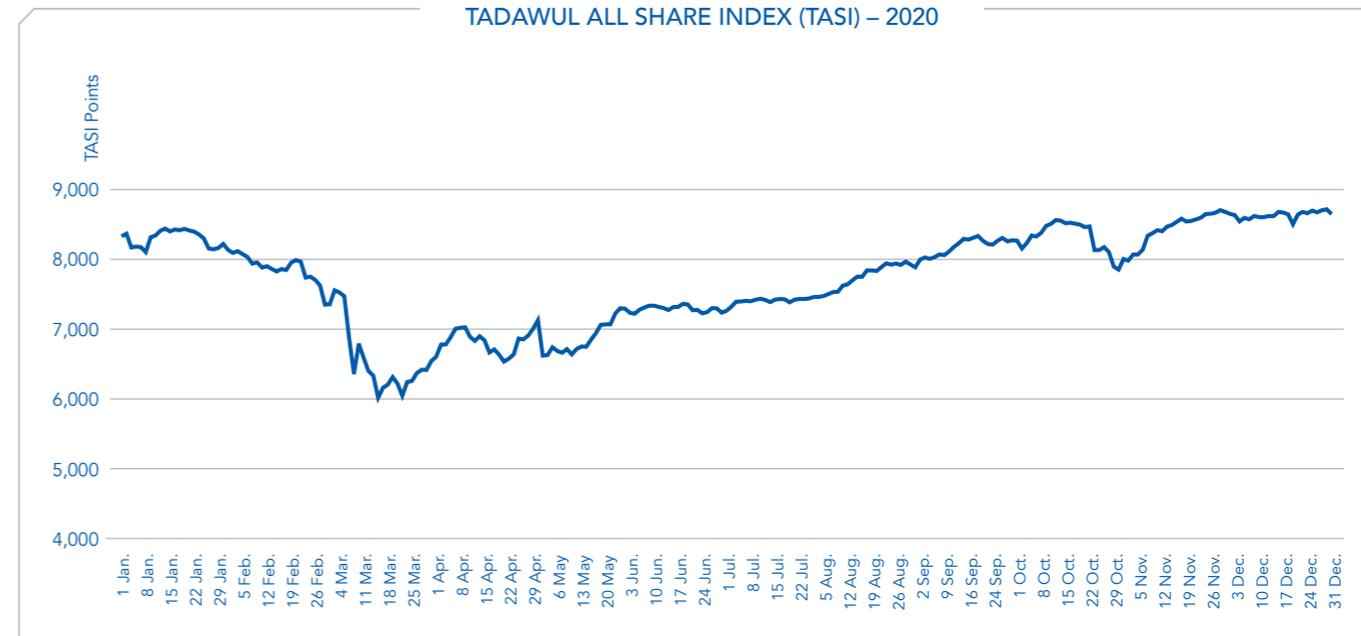
MARKET TURNOVER RATIO
23.03%
Market turnover ratio is the value of shares traded as a percentage of the average market capitalization over the year

A major step forward for the Exchange was the completion of the fifth and final tranche of the FTSE Russell Emerging Markets Index. This achievement demonstrates the recognition of the numerous market reforms implemented over the past few years. Another key development that signified the growing maturity of the market was the introduction of derivatives.

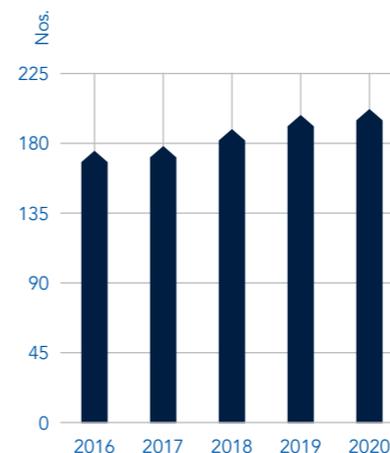
The COVID-19 pandemic did not have a negative impact on the trading or entry of QFIs. In fact, QFIs turned out to be net buyers to the tune of SAR 22.4 Bn for the period January to December. The number of QFIs has increased from 1,939 in January 2020 to over 2,300 at the end of the year.

NUMBER OF LISTED SECURITIES AS AT END 2020		NEW LISTINGS IN 2020	
EQUITIES 207 <small>(including REITs and Nomu)</small>	EQUITIES 3 Main Market	2 Nomu	
ETFs 6	ETFs 3		
SUKUKS AND BONDS 72	TRANSFERS FROM NOMU TO MAIN MARKET 3		

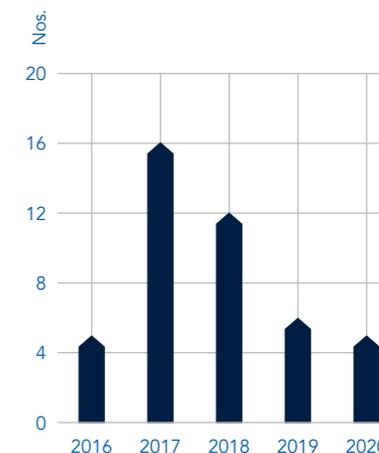
TADAWUL ALL SHARE INDEX (TASI) – 2020



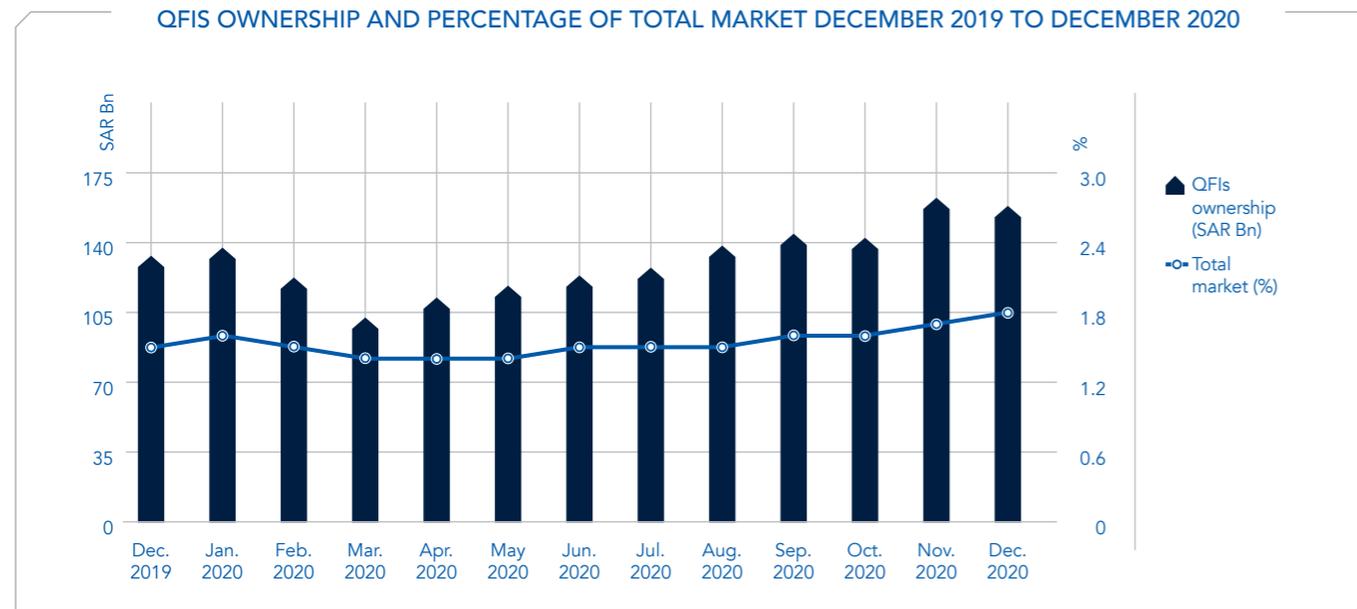
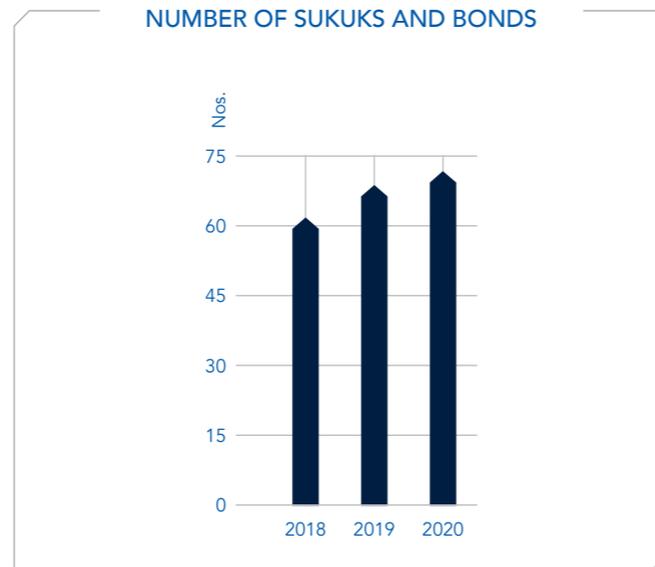
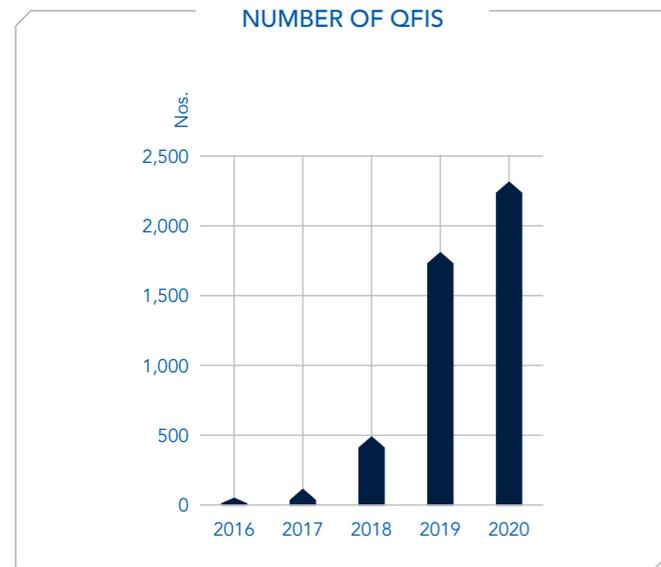
NUMBER OF LISTED COMPANIES



NUMBER OF LISTINGS 2016 – 2020 MAIN MARKET AND NOMU



A total of 53 securities have been listed since 2014 in the Main Market and Nomu; total offered value over the period has been approximately SAR 160 Bn.



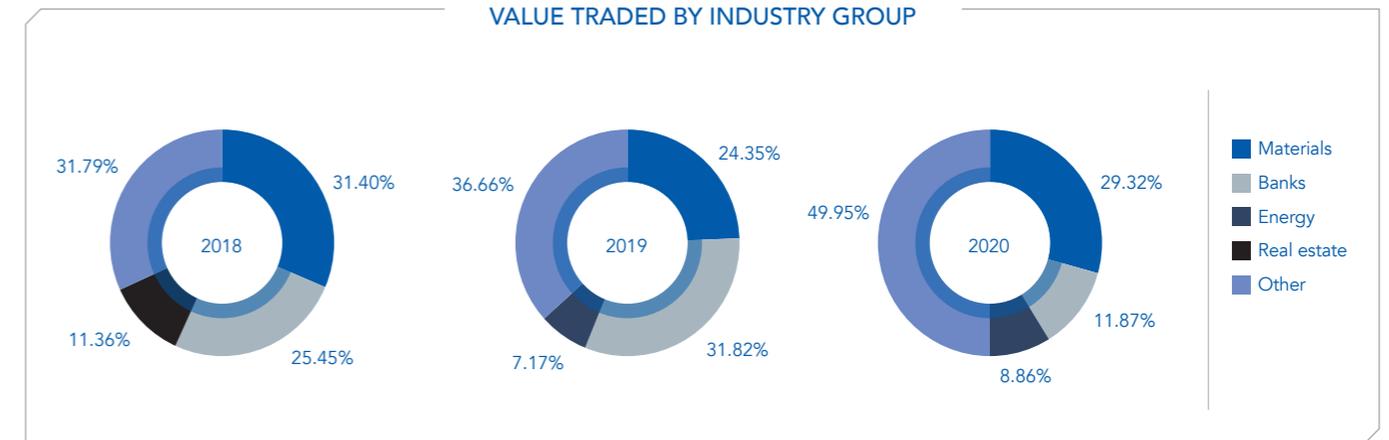
67 OUT OF 72 ARE GOVERNMENT SUKUKS AND BONDS

TOTAL SIZE OF ISSUANCE SAR 387.8 Bn

VALUE TRADED CORPORATE SUKUK AND BONDS INDEX: SAR 68.3 Mn GOVT. DEBT INSTRUMENTS INDEX: SAR 37.5 Mn SUKUK AND BONDS MARKET INDEX: SAR 37.5 Mn

Value traded by industry group

The value traded and percentage of total value traded of the largest three industry groups in the respective years are shown below:



A significant feature is that in 2020 the concentration in the three largest industry groups has reduced compared to the previous two years.

Inclusion in Global Indices

The index has derived numerous benefits by inclusion in the three emerging market indices.

- Enhanced market liquidity by allocating weight in global indices → Increased attractiveness and liquidity of the capital market
- Enhanced level of market accessibility and increase investor base → Increased market stability and efficiency by supporting institutional investors
- Increased level of disclosure and enhance regulatory frameworks → Further support the role of APs
- Enhanced the quality and quantity of studies covering companies listed in global indices published by financial analysts → Encouraged participation of experienced investors in listed companies General Meetings

'18

- DECEMBER**
Joining the UN Sustainable Stock Exchanges (SSE) initiative.
- SEPTEMBER**
Agreement with MSCI to launch joint tradable index.
- JULY**
Announcement of inclusion in S&P Dow Jones Index.
- JUNE**
Announcement of inclusion in MSCI Emerging Markets Index.
- MAY**
– Legal formation of Muqassa
– Implementing new auction mechanism for calculating opening and closing prices for equities and REITs.
- APRIL**
Listing of Government debt instruments.
- MARCH**
Announcement of inclusion in FTSE Russell Emerging Markets Index.

'19

- DECEMBER**
– Aramco listing.
– Total number of listed companies reached 199.
- OCTOBER**
Permitting direct listings on Nomu.
- SEPTEMBER**
Completion of inclusion in S&P Emerging Markets Index.
- AUGUST**
Completion of inclusion in MSCI Emerging Markets Index.
- MAY**
Implementation of "Trade at Last" session following closing auction for equities and REITs.
- MARCH**
MOU with Bahrain Clear.
- FEBRUARY**
MOU with Abu Dhabi Securities Exchange (ADX).
- JANUARY**
– Launch of MSCI MT30 Index.
– The fees for registering Sukuks and listed debt instruments was reduced by 80%, in addition to reducing the minimum listing fee by approximately 75% and reducing trading fees by 50%, in order to encourage offering and increase liquidity in the Sukuk and bond market.

'20

- NOVEMBER**
– Implementation of Negotiated Deals Requirements Enhancements.
– Implementation of developments on Daily Fluctuation Limits and Introduction of Static Limits and Volatility Guards for all listed securities on Nomu – Parallel Market and for newly listed securities on the Main Market for the first three days of trading.
- AUGUST**
– Launching of Derivatives Market.
– Launching of Securities Clearing Center Company, Muqassa.
- JUNE**
Completion of inclusion in FTSE Russell Emerging Markets Index.

Developments in trading

Consequent to the pandemic, movement and commercial activities were adversely affected across all major cities in the Kingdom. However, the Exchange took all possible measures to ensure business continuity. While market hours were curtailed, with the cooperation of members of the Exchange it was possible to ensure that trading continued in accordance with the guidelines of the CMA.

-  **Trading and liquidity levels were maintained** despite restricted trading hours
-  **Participation in global events and investor meetings** were shifted to Virtual Platforms
-  **Technology and infrastructure in place**, even pre-pandemic, ensured business continuity
-  **Necessary equipment was readily available** to staff to facilitate working remotely
-  **The staff gave their unstinted cooperation** in adjusting to the new working conditions and worked with commitment and determination to overcome any challenges

A number of enhancements were made to trading procedures during the year which contributed to the maturity and efficiency of the market. In the main market the limits of daily price volatility was increased from +/- 10% to +/- 30% and fixed limits for price volatility of +/- 10% were applied for only the first three days of trading a new security. In the parallel market, the limits of daily price volatility were increased to +/- 30% instead of the current limit of +/- 20%, and fixed limits for price volatility at +/- 10% were applied. These changes were implemented without a time limit for all the securities listed on the Nomu – Parallel Market. A static fluctuation limit was introduced with a limit of +/- 10%. If the static limit exceeds +/-10% a volatility auction is triggered for five minutes, which sets the new price of the security and readjusts the static limit based on the new price. Any number of volatility auctions can take place during the day but the limit of +/- 30% on daily price fluctuation applies. The new procedures apply to equities, REITs, and CEFs in the Main Market. The change gives investors more assurance of reaching the fair price of securities, while maintaining and promoting investor protection.

The minimum size requirement for negotiated deals was also changed from the previous across-the-board amount of SAR 1 Mn to a more flexible system, applicable for equities and REITs, which takes into account the liquidity characteristics of securities. A four tier system has been adopted based on the Average Daily Trading Value (ADTV) of the last six months. The minimum size ranges from SAR 5 Mn for the most liquid securities to SAR 300,000 for the least liquid.

Tadawul also implemented changes to the share buy-back report for listed companies which is accessible on the Tadawul website. This quarterly report, details share buy-backs of listed companies, including employee incentive plans and treasury shares. Investors are now able to easily compare buy-backs of different companies on a quarterly basis. The Exchange also revamped its ETF framework to provide a more conducive environment for listing and trading. Three ETFs were listed in 2020 following on the listing of the first sovereign Sukuk ETF, which was also the largest sovereign Sukuk ETF listed globally. Another pioneering step was the listing of the first gold commodity ETF. The first closed investment fund was also listed. In another significant step to open the market further to foreign investors, the restriction on QFI in the debt market has been removed, where foreign investors can now invest directly in the market.



Several technological developments have been made to facilitate trading in the Sukuk and bonds market, the most prominent of which is improving the quality of information and data on the Sukuk market and debt instruments available to the public. The annual return for both bid and ask prices was calculated and disseminated. In addition the process of transmitting the prices of Sukuk and debt instruments by primary dealers was automated, which aims to narrow the price range between supply and demand. This contributes to attracting investors and increasing the number of trades. Also, through close cooperation with the members, we have simplified the access to trading in the Sukuk and bond market for all investors. The suspension of trading on debt instruments of the listed companies before paying the coupon has been cancelled.

An advanced search tool for mutual funds has also been launched on the Tadawul website, which aims to provide accurate information that can be accessed by investors.



New products and services

Derivative products

Tadawul took another major step in its development when the Exchange launched its first exchange-traded derivative product in August 2020. The Saudi Futures 30 (SF30) is based on the MSCI Tadawul 30 (MT30) Index which was launched in 2019. Use of MT30 Index futures as a trading and hedging tool enables investors to protect their portfolio value by complementing cash market investment.

The launching of SF30 was another significant step towards introducing sophisticated market products and making the market more attractive to local and international investors. It provides new opportunity for investors to hedge and arbitrage. In the long term it will lead to efficient price discovery, increased transparency, and increased liquidity.

The introduction of derivatives will constrain market volatility and the cash market will function more smoothly. Retail investors may appreciate the opportunities afforded by a volatile market. However institutional investors may prefer to safeguard the value of their portfolio by using derivatives as hedging instruments. Derivatives will provide an alternative investment vehicle in the future when physical delivery is introduced. The expansion of the derivatives market will generate new employment opportunities for specialized professionals such as proprietary traders, market makers, futures managers, and risk managers. Trading in derivatives is not restricted to any investor category. Licensed brokers are empowered to assess the suitability of prospective clients.

Concurrent with the launching of the derivatives market there was a major revamp of the entire trading environment. First there was the introduction of a new trading engine. Second, the Securities Clearing Center Company, Muqassa, was brought on stream.

These achievements needed the collective effort of a range of stakeholders, internal and external, to be brought to fruition.



Market information and indices

The MT30 Index, mentioned above, includes around 30 of the largest stocks listed on Tadawul, based on free-float adjusted market capitalization, subject to their liquidity and their attractiveness to international investors. The number of constituent stocks can vary between 25 and 35 depending on market conditions. MT30 is rebalanced on a quarterly basis and the weightage that each stock has on the index is subject to a cap. This provides an effective benchmark for the investors on the largest and most liquid stocks. This Index was a milestone in financial product development and was used to create the MT30 Index Futures Contract and ETFs. The MT30 Index paved the way for identifying the largest and most liquid stocks in the market and also minimize market risks. MT30 data was also added to market data feeds.

In collaboration with IHS Markit, a global leader in information analytics and solutions, Tadawul developed two debt related indices.

- Local currency, Government focussed index, iBoxx Tadawul SAR Government Sukuk Index Series which is divided into maturity sub-indices.
- A broader local currency denominated benchmark index, iBoxx Tadawul SAR Government Sukuk and Bond Index.

Both indices provide investors and other market participants with an insight into the performance of Saudi Sukuks and Bonds. They can be used by portfolio managers, both active and passive, to benchmark portfolio and risk on behalf of their clients. The latter may include dealer banks, ETF issuers, buy-side investment firms, and third party vendors. ETFs and mutual funds, which consist of a basket of Sukuks and /or bonds, give a cost-effective and risk-minimizing way to invest in the Saudi debt market. The indices are rule based and the index methodology is transparent.

The Market Information and Indices Division has pursued development of uniform Sharia standards through discussions with market participants and their Sharia Boards. Through these meetings, the need for a Sharia Index emerged. In a parallel development, discussions with participants in the Government Sukuk market revealed the need for a Government Sukuk Index.

Incentives for listing

Encouraging private sector companies to list on Tadawul is one of the important goals of the Financial Sector Development Program (FSDP). To achieve this goal, Tadawul has collaborated with more than 10 governmental entities to provide special incentives to the listed companies. These concessions, which include financial and non-financial privileges, are a part of a number of incentive packages that have been launched. Moreover, this is a continuing process, and more incentives are expected to be announced in the future.

Launching a special incentives programme for listed companies on Tadawul

 <p>الجمارك السعودية SAUDI CUSTOMS</p>	 <p>الصندوق الصناعي Saudi Industrial Development Fund</p>	 <p>الهيئة العامة للغذاء والدواء Saudi Food & Drug Authority</p>	 <p>وزارة الصحة Ministry of Health</p>
<p>➤ Giving listed companies priority in applying to the Authorized Economic Operator Program.</p>	<p>➤ Increased loan limits granted to listed companies.</p>	<p>➤ Fast track services at the Authority's Business Support Center and advisory services including training courses on the Authority's electronic systems.</p>	<p>➤ Priority on training programmes, reporting and statistical data and advertisement at Ministry events.</p>
 <p>وزارة الاستثمار Ministry of Investment</p>	 <p>وزارة المالية Ministry of Finance</p>	 <p>صندوق التنمية الزراعية Agricultural Development Fund</p>	 <p>الهيئة العامة للزكاة والدخل General Authority of Zakat & Tax</p>
<p>➤ Facilitated approval process for listed companies to register foreign partners (joint ventures).</p>	<p>➤ Preference in business and Government procurement (under competition and Government procurement rule) for listed companies in the Stock Exchange.</p>	<p>➤ Increased funding percentage, and increased credit services limits for each customer.</p>	<p>➤ 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>
 <p>مبادرة مكتب المشاريع ذات الأولوية Priority Project Office Initiative</p>	 <p>Human Resources and Social Development</p>	 <p>صندوق دعم المشاريع Projects Support Fund</p>	<p>➤ Providing a fast-track service to deal with the requests of companies listed on the Stock Exchange.</p>
<p>➤ A fast track to overcome Governmental challenges that the listed companies might face.</p>	<p>➤ Inclusion of all listed companies on SAFWAH Programme.</p>	<p>➤ Raising the funding limits for "Mega Projects" of listed companies in the targeted sectors such as health, education, and real estate development.</p>	

Nomu

The Nomu market was established in 2017, as a parallel market with less stringent listing requirements to provide an additional source of funding for small and medium enterprises. It also helped diversify and deepen the Saudi Capital Market. Nomu is playing a major role in the Kingdom, by helping to achieve the Vision 2030 Goal of increasing the SME contribution to the Saudi GDP to 35%. Prior to 2020, several reforms were introduced to develop the Parallel Market. Among them were permitting companies to directly list in Nomu sans an IPO and easing the process of transitioning from Nomu to the Main Market.

In the year under review a number of further steps were taken to strengthen the Parallel Market and improve its attractiveness to issuers and investors. As in the Main Market, enhancements have been made to the minimum size for negotiated deals. The minimum size has now been reduced from SAR 1 Mn to SAR 300,000 for all companies listed on the Parallel Market. To bring Nomu in line with global best practices, the brokerage commission ceiling of 10.5bps has been removed. This gives room for members to provide value added services to clients, and promotes more flexibility in trading. The increase in daily fluctuation limits has also been increased to +/- 30% market-wide on Nomu and a static limit of +/- 10% has been introduced.

The Nomu Market Capped Index, which was introduced in March 2019, was reviewed in April 2020. The Index imposes a cap to the weight of each issuer of 35%.

The growth of the Parallel Market Nomu has helped to diversify and deepen the Saudi capital market. Nomu is making a major contribution to the Kingdom and the Vision 2030 Goal of increasing the SMEs contribution to GDP to 35%.

PERCENTAGE INCREASES OVER 2019:

Nomu Index	Market capitalization	Value of shares traded
252.8%	379.5%	211.8%
Number of transactions	Volume traded	
107.6%	36.2%	

NOMU MARKET – VALUE AND VOLUME TRADED – 2020



Future developments

In 2019 Tadawul entered into MOUs with Abu Dhabi Exchange (ADX) and Bahrain Clear. Subsequently, discussions have been held with companies from both exchanges regarding cross-listings. Some cross-listings are anticipated in 2021.

Following on the launch of MT30 and SF30, many further developments are expected in derivatives. The next stage is expected to be the launching of single stock futures and beyond that we are looking at launching options as well as physically settled derivatives. Market making is also expected to be introduced into the derivatives market.

The Exchange is also seeking to implement several new indices. One is the Sharia Index which will be a measure of the performance of all Sharia-compliant companies on Tadawul. A variation of the MT30 Index, the MT30 Tilt Index is also in the offing. This will increase the weightage of the companies with the highest dividend yield within the MT Index. The Corporate Governance Index, also to be introduced, will more heavily weight companies which adhere to the CMA Corporate Governance rules.

From the standpoint of developing the cash market, Tadawul's focus is on promoting fixed income securities (Bonds and Sukuks), ETFs and CEFs. We are also constantly enhancing the value added services we provide to members to promote trading and connectivity. We also endeavour to maintain our reputation locally and internationally, by working with our listed companies to promote sustainability.

When introducing any new products, services, or market enhancements we do so after giving careful consideration to global best practices, and how they should be adapted to suit our environment. This gives us the confidence that any changes will function seamlessly and assures the continued efficiency and transparency of the market.

LEVERAGING TECHNOLOGY

Supporting business requirements

Tadawul's technology strategy is closely intertwined with its business strategies. All our IT initiatives are linked to our organizational pillars and initiatives. Our technology roadmap is periodically reviewed to ensure this alignment and to take into account changing business needs.

During the year under review, despite the obstacles which arose from the COVID-19 pandemic we were able to deliver all the planned initiatives and milestones. All required changes, improvements, technical support and implementation relating to the Exchange's mega initiatives and milestones were in place on time to meet schedules. Parallel runs of a large number of mega projects such as Tadawul New Data Center, Network Infrastructure Upgrade, Post-trade Technology Project (PTTP), and Derivatives Market Launch were executed in the face of constraints. This was accomplished while keeping the daily routine market functions performing without interruption. In addition, the IT Division had to fulfil an unforeseen requirement; that of providing new solutions to handle the needs for remote working that arose due to the pandemic. The technical infrastructure had also to be upgraded to handle the additional load of the remote connection. Despite the pandemic and minimum on-site staff, target system availability was achieved.

Among the business requirements that were completed are Derivatives Project; Post-trade Programme; Tadawul New Data Center; Derivatives Market Launch; enhancement of Tadawul and IFSAH website to support the ETF market. The launching of the Derivative Market, required integration with the following systems and services:

- Changes on the following systems: IFSAH, Tadawul Website, Mobile Apps, Tadawulaty and ERP to support the new Market
- Development for the billing and reports at ERP system
- Derivatives market report at RDB (Reporting system).

Projects and initiatives

A large number of technical initiatives had to be accomplished to support the business requirements. The Operations and IT Division has recorded an impressive performance in keeping projects on track. Of the total of 10 projects that were initiated in 2020, a project progress rate of 98% has been notched; eight projects have been successfully completed, while two are still in progress.

In addition, the Division has contributed and completed the following projects and initiatives:

- IT Network Infrastructure Upgrade – Phase 3
- Brokers' Surveillance Solutions
- Increasing Storage Capacity
- IFSAH Enhancement
- Test Automation Robot Framework
- Enable Data Management Layer
- Authorized Persons Surveillance Solution
- Tadawul New Data Center

The following are still in progress:

- Database Hardware Replacement (in progress – 89% complete)
- Private Cloud Servers Hardware Refresh (in progress – 94% complete)

Dealing with the pandemic

In the wake of the COVID-19 pandemic swift responses were required from the Division to facilitate working in the changed conditions. VPN and necessary hardware were provided to facilitate remote working. Video meeting and work stream collaboration solutions were introduced. Easy remote access had to be facilitated for all production systems and minimum number of on-site employees to maintain efficient operations had to be ascertained.



The New Data Center (DC) has been launched and is operational. The project closure has been approved and is now completed. With the completion of the project, Tadawul has been able to migrate its backup site to the new DC (Tier IV) which will become our primary DC. The new DC will enable Tadawul to offer collocation hosting services which will be a revenue service.

Market information

Providing timely and accurate market information is vital for the development of an efficient stock exchange. The following services have been developed to improve market information and data analytics.

- With the introduction of the Sukuk Index a new release was developed and launched to display the required changes on Tadawul Website and Tadawul Mobile Apps
- IFSAH and Tadawul Website systems were enhanced to support the ETF Market
- Requirements on REITs disclosure were enhanced to provide more information to investors
- Automated process of reporting the companies Share buy-back details for each quarter has been developed and is accessible on IFSAH and Website

- The Debt Market presentation in Tadawul Website was enhanced
- IFSAH and Tadawul Website systems were enhanced to support the Mutual Funds Market in keeping with updated CMA regulations.

Infrastructure

The enhancements to the infrastructure, in hardware and software that have been implemented over the past few years have been fruitful in terms of improving the performance and reliability. The impact has spanned several areas including storage and backup, network and network security; it has also increased the capacity of the DC. The performance and processing time has improved several fold. Core systems have recorded 100% availability, while non-core systems recorded 99.99%.

Security, efficiency, and governance

Many improvements have also been recorded in IT security and governance. The annual surveillance ISO 20000-1:2011 and ISO 9001 certifications have been successfully completed. In addition, we have conducted continuous reviews and enhancements for all IT and operations policies and processes to ensure the alignment with international ISO standards. Several enhancements to security systems also ensured compliance with cybersecurity policies and National Cybersecurity Authority Regulations (NCA). All audit findings by internal audit have been addressed in acceptable time frames. Cybersecurity Penetration Testing and Cybersecurity Vulnerability Assessment have been completed satisfactorily. Failover exercises were also conducted with members and data vendors.

The road ahead

Over the next two to three years we intend to continue executing the planned initiatives. While doing so, we will remain open to new opportunities for developing products and services. The PTTP has a number of phases remaining and is anticipated to continue for several years. Other projects of which the execution will continue include Database Hardware Replacement Project, Private Cloud Hardware Refresh Project, ERP Enhancement Project, Trading X-stream Servers Hardware Upgrade, and launching of hosting service. We will continue to liaise closely with other divisions in developing our product and service portfolio as well as striving to improve and operational efficiency and reduce operating costs.

THE PEOPLE FACTOR

The strategy

Developing and nurturing human resources is a major thrust of Tadawul’s organization strategy. A key strategic objective is to improve the Organization Health Index (OHI) through focusing on communicating the organization direction and vision, bringing in a culture of positive reinforcement, and greater employee empowerment. In 2020, most of the planned strategic objectives remained in focus and many were achieved. However, due to the COVID-19 pandemic a few had to be postponed. The pandemic and the curfew precluded working in normal locations. Employees’ working methods had to be rethought to facilitate remote working. They had to be provided the necessary hardware, connection facilities and tools, and awareness for working remotely.

Online access had to be granted to all HR platforms. New communication channels were also introduced to ensure that work flows continued smoothly. “E-learning” training solutions were introduced to replace physical training.

HR activities in 2020

Due to the pandemic, alternative solutions were found for some HR services that were formerly performed manually. During the period when physical meetings were not possible, internal and external communications were conducted through conference calls on a video conferencing medium. When necessary, special permits had to be obtained for the employees to travel during curfew hours. Foreign travel and visits from overseas were unavoidably curtailed. A remarkable event was the conducting of two virtual town hall meetings, with the CEO, the executive team, and the entire staff. These meetings resulted in an open discussion regarding the prevailing situation, challenges, and actions taken. It gave an opportunity for the staff to raise any concerns they were having.

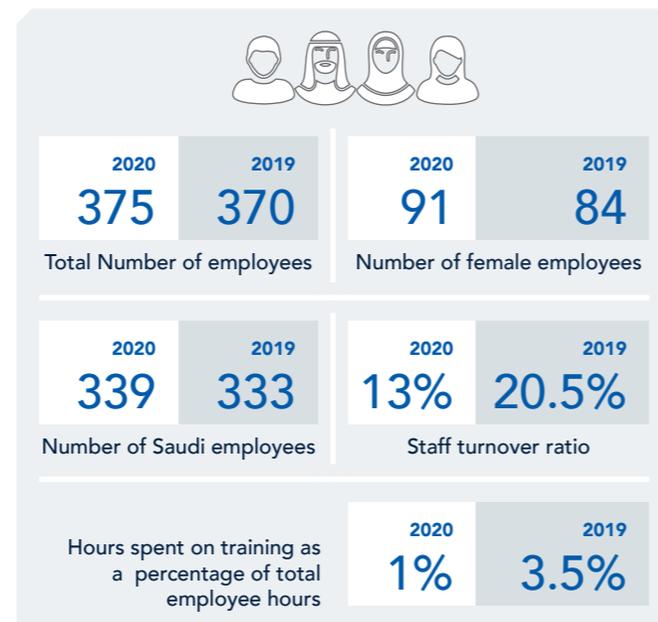
Since employee engagement remained one of the focus areas, some initiatives to engage employees between each other have been conducted despite the pandemic situation. Programmes were redesigned to achieve the best possible outcome in the circumstances. The training priorities were decided on given the

exigencies of the situation. Priority was given to new business products, working and leading remotely, and soft skills. A special training programme was developed for middle managers to hone their skills in managing teams remotely. Other online programmes were also tailored and delivered.

A survey was conducted to gauge the level of staff satisfaction and the response to the new working arrangements. The survey showed a generally positive response. As much as 94% of the staff viewed the distanced working arrangements favourably.

The story in numbers

Total employees



It is significant that the staff turnover ratio has reduced substantially. While the percentage of time spent on training has reduced, this is understandable in view of the fact that many of the usual training programmes could not be conducted owing to the pandemic.



	تداول السعودية Saudi Exchange	إبداع Edaa	مقاصة Muqassa
Total number of employees	300	50	25
Number of female employees	86	2	3
Number of Saudi employees	274	49	16

Training and development

	2020
Number of training programmes	21
Total number of participants	317
Total training days	419 days
Training days per participant	1.3 day
Number of trained staff	153

Our commitment to the Vision 2030 Goal of increasing female participation in the work force is demonstrated by the doubling of women employees with 0-5 years of service over the period 2016-2020.

Training programmes conducted

1. Data Analysis and Business Reporting Techniques Using Excel – Level 1
2. Microsoft PowerPoint Techniques and Public Presentation Skills
3. CME-1 Preparation Course
4. Strategic Planning Course
5. KPI Professional (KPI-P) Certification Programme
6. Business Process Management BPM
7. PMI Tools and Techniques
8. Advanced Project Management
9. Quality Management
10. Emotional Intelligence
11. Innovation in Digital World
12. Women Leadership
13. Sustainable Leadership a Corporate Social Responsibility
14. Unleash Innovation
15. Leading Creative Transformation in Critical Times
16. Prime Brokerage – Assessment
17. Introduction to Derivatives – Assessment
18. Exchange-Traded Funds (ETFs) – Assessment
19. Corporate Finance – Assessment
20. Effectively Leading Teams Remotely
21. Derivatives Awareness Session

A key strategic HR objective is to improve the Organization Health Index (OHI) through focusing on communicating the organization direction and vision, bringing in a culture of positive reinforcement, and greater employee empowerment.

Employees by category

Grade	Male					Female				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
Senior Management	14	16	13	15	13	2	2	3	2	2
Middle Management	70	68	52	57	55	6	5	5	5	2
Non-Management	200	202	211	214	221	83	77	73	66	70

The steady increase in the ranks of middle management is noteworthy.

Employees by status

	2020	2019	2018	2017	2016
Permanent	375	370	357	359	363
Outsourced	22	22	15	17	16

Employees by age group

Age group	Male					Female				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
18-30 years	78	88	82	79	78	69	63	61	49	49
31-40 years	130	126	126	141	160	17	17	18	22	23
41-50 years	59	57	56	49	40	5	4	2	2	2
Over 51 years	17	15	12	17	11	-	-	-	-	-
Total	284	286	276	286	289	91	84	81	73	74

As employee engagement remained as one of the focus areas of the Exchange, initiatives to engage employees between each other have been conducted despite the pandemic situation.

Employees by service period

Service period	Male					Female				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
0-5 years	169	165	135	111	90	84	74	64	49	41
6-10 years	34	38	43	62	78	3	6	10	15	23
11-15 years	62	64	75	86	93	4	4	7	9	10
16-20 years	19	19	23	27	28	-	-	-	-	-
Total	284	286	276	286	289	91	84	81	73	74

The fact that the number of female employees with service period 0-5 years has doubled since 2016 mirrors the increasing recruitment of females in recent years. This is also reflected in the increasing numbers of female staff in the age group 18-30 years in the employees by age group. This demonstrates our commitment to the goals of Vision 2030, one of which is increasing women's participation in the workforce.

Salaries and benefits

SAR Mn	2020	2019	2018	2017	2016
Salaries paid	127,404,415	132,161,921	127,595,446	130,257,981	121,416,259
Benefits paid	4,936,316	6,060,536	6,448,966	6,672,563	6,158,636
Social security contributions	9,409,212	9,685,562	9,405,908	9,823,897	9,405,483
Staff Insurance	12,963,851	12,996,762	11,932,641	12,226,274	10,351,161
Total salaries and benefits paid	154,713,794	160,904,781	155,382,961	158,980,715	147,331,539

The future outlook

We can be justly proud of the performance of our team in the midst of a national and global crisis. Our employees rose to the occasion with commitment and delivered outstanding performance, notwithstanding the constraints. The business continuity we achieved was a great contribution towards keeping the wheels of the economy turning.

Looking ahead, we intend to develop strategies and initiatives that will enable us achieve the development and growth objectives. With our achievements this year, despite the pandemic, we have full confidence in the ability of our team to continue to deliver.

GROWING SUSTAINABLY

ESG, stock exchanges and Tadawul's role

The COVID-19 pandemic has thrust on the world the importance of ESG issues as never before. The ESG theme is in the forefront in forums of all sectors; government, business, development, foreign aid, and non-profit. Stock exchanges are well positioned to engage with market participants to promote sustainability in business and financial practices.

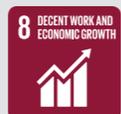
Tadawul became a member of the United Nations Sustainable Stock Exchanges (SSE) in 2018. The SSE is a network which provides for stock markets and market participants to conduct advocacy and drive performance on ESG issues. The UN Sustainable Development Goals provide a framework which can serve as guide to steering ESG programmes towards achieving positive and measurable impact.

SSE has identified six action areas where securities regulators can facilitate the building of financial systems that better support ESG goals. They are encouraging investment flows towards achieving Sustainability Development Goals (SDGs) through financial products; improving the quantity and quality of disclosure on environmental and social data; guiding investors on the integration of sustainability into their decisions; introducing Board responsibilities related to environmental and social factors; and facilitating the training of market participants on sustainability topics.

There are a number of mechanisms and supporting activities that could help achieve the above. Analysis of the factors that affect the ability of market players to support ESGs helps to identify gaps and barriers. The development of national or regional roadmaps for sustainable finance includes actions to achieve the same end. Sharing experiences with other securities regulators can result in building knowledge on the subject. Working with relevant international bodies can facilitate implementing guidelines and frameworks. Collaboration with other relevant organisations such as stock exchanges, regulators, and industry associations aligns efforts to support SDGs.

While Tadawul has taken some steps regarding the SSE action areas, such as networking to promote sustainability issues it has more to achieve in this direction. Further, steps are planned for 2021 such as conducting awareness workshops for listed companies.

Tadawul has identified the following six of the SDG targets/goals to focus on from the 17 goals in its sustainability programmes.

 Target 5.5:	Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life.
 Target 8.3:	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.
 Target 10.5:	Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations.
 Target 12.6:	Encourage companies, especially large and trans-national companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.
 Target 13.3:	Improve education, awareness raising, human, and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.
 Target 17:	Strengthen the means of implementation and revitalize the global partnership for sustainable development.

Tadawul's initiatives

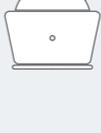
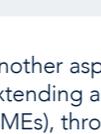
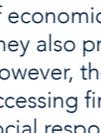
As ESG is a continuously evolving subject, Tadawul constantly keeps abreast of developments by consulting with market participants and global leaders on the subject. We thereby intend to adopt the most widely accepted frameworks. Tadawul continues to structure its ESG activities around four themes: economy, environment, education, and community. We have held one-to-one discussions with listed companies and other market participants which have helped to take the subject forward.

Our sustainability activities have included more than 15 initiatives directly linked to the core strategy of Tadawul. Some of them are described below under the four themes.

The identified six UN Sustainable Development Goals (SDGs) provide a framework which guides the Exchange in the development of ESG programmes which will achieve a positive and measurable impact.

Economy

One of Tadawul's main initiatives towards the economic aspect of sustainability is the Invest Wisely Program. This programme aims to promote financial literacy and investment awareness. The programme is targeted at participants of varying levels who are taken through a comprehensive learning experience. Students learn through practical experience in a realistic environment through simulation exercises. The programme completed its fourth year during which several workshops on specialized subjects were conducted.

	24,811 New registrations
	19,153 Active users
	261,928 Total orders
	627,666 Total number of users

Another aspect of our contribution to the SDGs is our role in extending a helping hand to the small and medium enterprises (SMEs), through the Nomu – Parallel Market that is dedicated for this sector. This relates to our commitment to SDG 8 (Decent Work and Economic Growth). SMEs are a major driver of economic growth and job creation in emerging economies. They also provide opportunities for entrepreneurial talents. However, they face many constraints including impediments to accessing finance. Capital markets and stock exchanges have a social responsibility to help overcome this barrier.

Nomu – Parallel Market has lighter listing requirements than the Main Market, which facilitates listing by smaller companies. By listing on Nomu, SMEs can begin their journey of growth by raising finance and gradually make the transition to the Main Market. Our efforts to assist the smaller companies dovetail well with our commitment to the SME Growth and sustainable development initiative.

From the launch of Nomu Market in early 2017, Tadawul supported more than 14 companies to list and raise financing; in about two to three years, more than five companies have raised capital for expansion and gradually made the transition to the Main Market successfully.

Community

In accordance with our commitment to gender equality, Tadawul hosted "Ring the Bell for Gender Equality" to mark International Women's Day annually, starting from 2019. The celebration was held in the presence of Princess Moudi bint Khalid bin Abdulaziz the Chairperson of Al Nahdha Foundation, Tadawul Chairperson Sara Al-Suhaimi, Tadawul CEO Eng. Khalid Al-Hussan. In addition, several senior executives and female leaders from listed companies also graced the occasion. Tadawul joined over 90 stock exchanges worldwide in participating in this event under the auspices of the SSE. This event symbolises the contribution that business and markets must make in enhancing gender equality.



Internally, Tadawul lives up to its commitment to gender equality. Out of Tadawul's workforce 28% is female and we are committed to increasing the number. Women also occupy 25% of the C-Level positions. Two members of the Board including the Chairperson are women. In addition, 40% of our employees are below 30 years of age which demonstrates the importance we give to youth in general. Tadawul supports and mentors the young women who play a key role in the Exchange's future and is committed to growing the representation of women within the Exchange.

We have introduced the Nursing Allowance for female employees from the date of birth to age five of SAR 15,000 per year per child with a maximum of SAR 30,000 per year. We have also supported female employees by paying their driving school and license fees up to SAR 3,000 per employee. Female parent employees were facilitated to work remotely for a period of one month during the COVID-19 pandemic to support "Remote Education".

Tadawul's CEO signed the Women's Empowerment Principles, giving us the distinction of being the first Saudi company to do so. The principles are directed towards strengthening the role of women in the capital market as well as in listed companies. The Exchange also supported several listed companies to sign the Women's Empowerment Principles and thereby commit themselves to empower female employees. Some of the listed companies have also joined the Women's Empowerment UN Initiative.



Chairperson Sarah Al-Suhaimi was named a Leadership Champion for the Women Entrepreneurs Finance Initiative (We-Fi) for the period June 2020 – May 2022. This position gives an opportunity to galvanize global support for female entrepreneurs through a host of activities which will lead to providing a more conducive environment for women-owned or women-led SMEs. The supporting activities include easier access to debt, equity, venture capital, insurance products, networks, and mentors.

Education

The Graduate Development Program was launched by Tadawul and its subsidiaries in 2019, with the objective of grooming future leaders. Through the programme the trainees are exposed to practical situations where they can apply their theoretical knowledge. The trainees are given a specific job title and prepared for a specific job role once they complete their training where they will be able to fulfil the expectations. In 2020, a total of 15,700 applications were received out of which 41 were selected.

Environment

Tadawul is also concerned about its impact on the environment and seeks to minimize its impact by reducing consumption. One related initiative is the recycling of paper and plastic waste. We are also conducting advocacy in this direction by way of our membership in the Climate Change Advisory Group.

Partnership with SSE

A major development during the year was Tadawul joining the SSE Derivatives Exchanges Advisory Group on the invitation of SSE. This initiative is a research project on the role of derivative exchanges in sustainable development. This Group has an important role to play in view of the fact that many exchanges that are members of the SSE provide a platform for derivative trading.

Another initiative in which Tadawul is participating is the SSE Climate Change Exchanges Advisory Group. Climate change today is a global issue of paramount importance. This project aims to facilitate exchanges to provide guidance to issuers on climate change impacts. The objective is to develop a best practice reporting guide for issuers. This project is a joint effort in partnership with UN COP26 Climate Change Conference. Tadawul also contributes to quarterly calls of the SSE, which links all the members globally.

Tadawul continuously conducts dialogues with issuers and other market participants on matters relating to ESG. Our discussions with listed companies focus on sustainability, while we also held discussions with institutional investors and members to understand their perspectives. In the future we intend to expand our activities in this direction further.

What lies ahead

The Exchange has drafted its roadmap for ESG. The Senior Management is actively participating in the initiative, which underlines the importance Tadawul gives to ESG considerations.

In 2021, Tadawul intends to conduct awareness workshops for listed companies as well as for the general public. The objective is to help market participants adopt global best ESG practices and align with international standards and frameworks regarding disclosures. Tadawul has entered into an MOU with one organization to advance ESG awareness. Many MOUs with other local bodies are in progress.

Looking ahead, one of the SSE initiatives Tadawul needs to address is climate action and green finance. Given the universal concerns on climate change and green finance, green products, and services are moving into centre stage 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.

Tadawul is also planning to publish an ESG Disclosure Guidelines document soon, intended for market participants, particularly issuers. This will communicate the importance of ESG to issuers, educate them on current developments, and provide guidelines on disclosure and reporting. Tadawul is committed to enhancing the ESG profile, not only in the Kingdom but also worldwide and being part of the global discussion. We are optimistic that in 2021, we will be able to make substantial progress towards this goal.

SUBSIDIARY REVIEW



The Securities Depository Center Company – Edaa, was established in 2016 and its main mission is to maintain a depository and settlement system that maintains a record of securities and tracks their ownership. It also provides many value-added services.

Functions of Edaa

Edaa aims to achieve the strategic objectives of the financial market in terms of developing the infrastructure and implementing the resulting procedures to execute transactions in line with international standards. It also aims to enhance the efficiency of services related to securities deposit and ownership registration by developing a more streamlined environment that promotes excellence in all sectors related to the financial market. Edaa supports the first objective of the Financial Sector Development Program, which is to ensure the establishment of an advanced capital market.

The main activity of Edaa is to operate the depository and settlement system used to register and maintain securities and their ownership electronically. Edaa seeks to develop its infrastructure, systems and procedures to comply with international standards while providing the highest levels of reliability and efficiency. In 2020, deposit revenue was 47% of total Group revenue.

In addition to its basic tasks, Edaa provides many other services that add more value to its role, such as organizing general assemblies, electronic voting, and submitting reports and notifications.

Edaa provides services for a full range of securities, which are offered by "Tadawulaty" and also provides services in partnership with custodians through the "Tadawulaty" platform. Brokers or custodians can vote on behalf of investors through the "Tadawulaty" platform that also facilitates public meetings.

The types of securities that Edaa deals with include stocks, debt instruments, Sukuk and bonds, exchange-traded funds, real estate investment-traded funds, closed-end exchange-traded funds, and investment funds.

Dealing with the pandemic

The Covid-19 pandemic caused many challenges to Edaa operations, as changes had to be made in operating systems and processes, while adhering to the precautionary measures and the requirements of the Capital Market Authority. In this context, the Capital Market Authority issued instructions to suspend the holding of assemblies for companies listed in the financial market physically, and to accept holding them virtually.

To keep pace with the new situation, an intelligent system has been developed to include an electronic attendance system and extend the time for electronic voting until the closing of the general assembly meeting. Moreover, 361 public meetings were held virtually and using electronic voting service in 2020, and the method of submitting reports and notifications related to holding public meetings has been improved for successful implementation. Since

reducing direct contact between people was an imperative, it was necessary to deal electronically with the requirements of signature and stamping of documents by the authorized person, and this also required the use of e-mail to clients to confirm procedures.

New developments

Among the improvements made to the voting mechanism was the introduction of the partial voting system. In cases where institutional investments are managed by more than one asset manager, it is permissible to divide the vote among several individuals when voting for the managers.

In 2020, a profit distribution service was introduced to facilitate the process of dividend distribution through the "Tadawulaty" system. This service resulted in many benefits for shareholders such as maintaining confidentiality, obtaining accurate reports throughout the system, standardizing procedures, and paying tax for non-resident shareholders. The value provided to securities issuers has also been enhanced through rapid dividend distribution to shareholders. Edaa also significantly contributed to strengthening the debt market, as a new business system was introduced for the offering process in cooperation with the National Center for Debt Management and the main dealers. This development helped improve efficiency due to its limited risks. Depository also provides a guarantee transfer process in transactions. Through these transactions, the Company also facilitates the transfer of guarantees from the seller to the buyer, thus providing a safe financing framework and reducing credit risk.

Depository also played an important role in giving more opportunities for foreign investors; and the introduction of the framework for certificates of deposit would enable local custodians to facilitate redemptions. Through these facilities, foreign investors can keep certificates of deposit representing Saudi securities and trade them in their own stock markets without being registered in Tadawul. Edaa has also become the sole central authority for all fixed securities data of the National Numbering Agency Association that issues International Securities Identification Numbers (ISINs). Edaa also provides a number of registration services for unlisted companies. Depository services include maintaining ownership records and transferring ownership, depositing shares in the centre's accounts, electronic voting, dividend reports, enabling issuers and market makers to access detailed reports and profit data, as well as updating their records through "My Trading". It should be noted that the facilities provided by Edaa enable companies to maintain a service that is fully compliant with regulatory instructions.

Edaa and Clearstream also signed a Memorandum of Understanding to establish cross-border links to facilitate foreign investors' access to the debt instruments market in the Kingdom of Saudi Arabia, especially government debt securities, in line with the goals of the Kingdom's Vision 2030. Developing the financial sector and the Capital Market Authority to facilitate access to the debt market for foreign investors, contributed to improving liquidity. Edaa also participated in the "Biban Riyadh" forum organized by the Small and Medium Enterprises Authority "Monshaat". This forum gave the opportunity for small and medium-sized companies to adopt new solutions while presenting their innovative products.



Functions of Muqassa

The Securities Clearing Center Company, Muqassa, was established in 2018 as a wholly owned subsidiary of Tadawul. The Company was formed with a share capital of SAR 600,000,000 divided into 60,000,000 shares with a nominal value of SAR 10 each. Muqassa operations was an important objective of the Financial Sector Development Program (FSDP). The Company's core functions are to reduce post-trade risks, eliminate counterparty risk and develop clearing services in accordance with international best practices. This will contribute to increasing the safety and transparency of the capital market.

Muqassa is an entity that acts as an intermediary between two parties to a trade, by becoming the buyer to each seller and the seller to each buyer. The establishment of a clearing centre was an essential step if the Exchange was to go forward in development of new products and services. Muqassa will introduce new mechanisms to the market to reduce post-trade risks and provide centralized counterparty risk management. The Company will also carry out netting of transactions on a multilateral basis that will reduce the value and number of payments and security transfers. As a potential economic benefit of netting efficiency, CCP will bring to the market more than 80% combined value of cash and securities, which will be unlocked for the market to utilize.

A number of procedural steps had to be carried out before Muqassa could become operational. Changes had to be made to the Capital Market Law; Muqassa's role in the trading process had to be legally enshrined. New clearing laws, rules and procedures had to be enacted. The organization structure of the new entity had to be drawn up and responsibilities and procedures assigned to business units.

The challenges faced

The COVID-19 pandemic was a major obstacle to Muqassa's operations and the fulfilment of its objectives. However, the Company was able to overcome the challenges by working in tandem with the Tadawul Group and by taking all the necessary health measures. Muqassa documented and disseminated all the necessary health precautions. Awareness materials were distributed and training sessions were conducted. Staff at all levels was well motivated to deal with the situation and gave their utmost cooperation. Where possible, employees were facilitated to work from home; necessary messages and instructions were issued for work to proceed seamlessly. In spite of the constraints, Muqassa was able to commence operations. However although Muqassa was not able to achieve all the desired objectives, the work is in progress to amend the plans considering minimizing the deviation. Finally, Muqassa has to acknowledge the support received from its partners such as CMA, SAMA, and the clearing members, because without their support none of the above would have been achieved.

Developments of the year

Muqassa became operational in 2020. One of the functions implemented is index futures clearing, as a first step in opening the derivatives market. This is a key objective of the Tadawul Group as well as a contribution to the goals of FSDP. While implementing this,

Muqassa has also assumed the counterparty risk in trading. Netting of transactions has also been implemented in the payment process and margin related transactions. The introduction of derivatives was a major step forward in achieving parity with leading global exchanges. This also delivered cost benefits to the investors, as they need to pay only the margin portion of the contract upfront instead of the full cost of the security. Muqassa has also made a contribution to the integrity of the market by acting as a guarantor to the completion of the trade.

Looking at the future

The derivatives market has so far been limited to index futures. However, in 2021, it will be expanded to include derivatives and clearing services for the equity market. New products and services take time to be introduced as they need careful study, adaptation, and measurement to ensure that they meet the desired objectives. Our success in dealing with and commencing operations during the COVID-19 pandemic, is an example that is worthy of emulation and could be adopted as a case study by many organizations. With this experience in hand, we are well positioned to act proactively to meet any challenges we may face in the future.



Tadawul Advanced Solutions Company was established in 2020. It is a closed joint stock company wholly owned by the Group with a capital of SAR 300 Mn divided into 30 million shares, the nominal value of each share being SAR 10. Wamid aims to employ modern technologies and data in developing the Saudi financial market and enhancing economic growth to contribute to achieving the Kingdom's Vision 2030. It also aims to enhance efficiency in providing innovative solutions and pioneering technologies to the financial sector and other sectors, and to add value to all market participants and target groups. By providing access to a list of data, specifically financial market data, Wamid also provides innovative solutions and products to all participants in the Saudi financial market and other sectors. The main activity of Wamid is the development of innovation-based solutions, providing the appropriate dynamic solutions for companies, and advancing the development of the Saudi financial market by creating modern products and services. Wamid also seeks to create additional value for the Saudi Tadawul Group by expanding the scope of its objectives; by diversifying its business sector, developing a new generation of solutions based on innovative technologies, and promoting the sustainable growth of the Group. Wamid also contributes to supporting market members to upgrade their offerings by providing data and technical solutions to ensure that investors receive continuously developed products, and to provide an advanced technical infrastructure that supports financial market products such as investment fund platforms, financial technology companies and their products, and other areas of interest to different categories of investors.

PRUDENT PROGRESS

Tadawul strives to maintain the highest standards of corporate governance, aligned with best practices and the relevant laws and regulations. The Board exercises its oversight through a system of committees consisting of Board members and other independent members.

BOARD OF DIRECTORS



MRS. SARAH JAMMAZ AL-SUHAIMI

Chairperson of the Board of Directors

Membership in the Board Committees:
Chairperson of the Nomination and Remuneration Committee

Mrs. Al-Suhaimi is the Chairperson of the Company Board of Directors, which is considered the largest exchange in the Middle East. In her capacity, she spearheads Tadawul's efforts to integrate the Saudi Capital Market with global peers by way of aligning the platforms operations and governing regulations.

Mrs. Al-Suhaimi is also a Board Member at the Saudi Arabian Airlines Public Agency, the Cultural Development Fund and the Saudi Telecom Company. In addition, Mrs. Al-Suhaimi is a trustee of the International Financial Reporting Standards Foundation and a We-Fi Leadership Champion. She served as the CEO of NCB Capital (NCBC) from 2014 to 2021 and was a member of the Board of Directors. During her tenure, AUMs grew by over four times, NCBC's brokerage market share increased by more than 10% and the bank executed multiple large investment banking mandates earning league table status in DCM and M&A. Sarah served a two-year term as Vice-Chairperson of the Advisory Committee of the Capital Market Authority (CMA) Board of Directors from 2013 to 2015.

Prior to that, she led the Asset and Wealth Management Division at Jadwa Investment Company, where she was also the Chief Investment Officer from 2007 to 2014, and a member of the firms' Management Committee. Sarah started her career within asset management at Samba Capital.

She holds a Bachelor's Degree in Accounting with Honors from King Saud University, and completed the General Management programme in Harvard Business School.



MR. YAZEED ABDULRAHMAN AL-HUMAID

Vice-Chairman of the Board of Directors

Membership in the Board Committees:
Chairman of the Audit Committee

Mr. Al-Humaid is the Head of Local Holdings Investments Division in the Public Investment Fund (PIF), where his responsibilities include managing two key investment pools: Saudi Equity Holdings pool and Saudi Sector Development pool, being the most condensed pools with assets under management. His responsibilities also include attracting international strategic partners to invest in Saudi and to localize cutting edge technologies, as well as carrying PIF role as a driver of the economy.

In 2015, Mr. Al-Humaid joined PIF as an advisor to H.E. the Governor to contribute to PIF restructure and strategy crafting, post its reallocation to Council of Economic and Development Affairs. He was then, in 2016, been appointed as the Chief of Staff, in addition to his advisory post, delivering during that post outstanding achievements, such as contributing to the construction of PIF updated strategy and business plan, managing PIF investment projects from inception to being established as companies, developing a comprehensive governance model for PIF portfolio companies along with establishing the foundations and mechanisms for representations in the Boards of Director for PIF portfolio companies, developing several international strategic partnerships, and enhancing PIF relations to become an enable to other local entities.

In addition to his tenure at PIF, Mr. Al-Humaid's career journey surpasses the 16 years mark, during which he has developed an extensive experience in both financial and management fields, starting in PricewaterhouseCoopers (PwC) from 2004 to 2008,

then joining the Capital Market Authority (CMA) afterwards until 2015. During which he headed the mergers and acquisitions, and was exposed to international practices as he was seconded to work at the Malaysian Securities Commission and the regulatory body of mergers and acquisitions in the United Kingdom. He also served as advisor to H.E. the Chairman of CMA, enabling him to develop a comprehensive understanding of the CMA and its practices.

Mr. Al-Humaid's contributions reach beyond his executive role, by being a member in permanent committees in PIF such as the Management Committee, the Portfolio Companies Nomination Committee and Management Investment Committee. His contributions exceed PIF as an organization in both public and private sectors, as being the Chairman of the National Security Services Company, Vice-Chairman for both SAMBA Financial Group, and the Saudi Telecom Company and a Board Member in several companies such as Saudi Arabian Airlines, Civil Aviation Holding, Richard Attias & Associates and Flyadeal, in addition to being a member in several subcommittees from the aforementioned Boards of Directors.

Mr. Al-Humaid holds a Bachelor's Degree in Accounting from the King Saud University, along with being certified by several of the top tier international academic institutes such as London Business School in Executive Management Programmes.



ENG. KHALID ABDULLAH AL-HUSSAN

Board Member

Membership in the Board Committees:
Regulatory Policy and Oversight Committee

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

Eng. Al-Hussan 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, and for the period of 10 years 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. Before joining Tadawul, he worked in various sectors including the insurance sector, business management and product development, marketing, PMO, and strategy. He is also a member of the Board of Directors of the World Federation of Exchanges and the Arabic Federation of Exchanges.

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.



MR. HASHEM OTHMAN AL-HEKAIL

Board Member

➔ **Membership in the Board Committees:**
Audit Committee

Currently he is the Chairman of Boa Technology Company and he previously worked as Deputy Governor of the Saudi Central Bank (SAMA) for developing the financial sector and national initiatives, and he also co-founded Derayah Financial, 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 is also a Board Member of Derayah Financial and Bayan Payments Limited. 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.



MR. YOUSEF ABDULLAH AL-BENYAN

Board Member

➔ **Membership in the Board Committees:**
Chairman of the Risk Management Committee

Currently he is the CEO and Vice-Chairman of the Saudi Basic Industries Corporation (SABIC) since February 2015. He is also the Chairman of the Board of Directors of the Saudi Arabian Fertilizers Company (SAFCO) and SABIC for investment and content (Nusaned), and a member of the Board of Directors of Saudi Information Technology Company. Previously, he 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.



MR. SABTI SULAIMAN AL-SABTI

Board Member

➔ **Membership in the Board Committees:**
Risk Management Committee

Currently he is the CEO of Riyadh Capital, an investment bank that works in all areas and activities of financial markets. He is also a Board member of the Zakat, Tax and Customs Authority. He is also a Board member of the Zakat, Tax and Customs Authority. 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 offer, 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) and (CPA).



MR. MARK MAKEPEACE

Board Member

➔ **Membership in the Board Committees:**
Nomination and Remuneration Committee

Currently he is the CEO of Wilshire Company and as a result of that he became a Director in a number of Wilshire subsidiaries, he is also a Board Member in the Singapore Stock Exchange and

the Vice Chairman of Tadawul Advanced Solutions Company (Wamid). He is also an advisor to Hang Seng Bank in Hong Kong. Prior to that he was the 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, CEO and Chairman of Information Services in 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.



MS. RANIA MAHMOUD NASHAR

Board Member

➔ **Membership in the Board Committees:**
Nomination and Remuneration Committee

Currently she is the Adviser to the Governor of PIF, she was the CEO of Samba Financial Group, and she was a member in the Boards of Directors in Samba Capital, Samba Bank Limited in the Republic of Pakistan and Samba Global Markets Limited Company. Ms. Rania is also 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 and in 2020 the Ministers' Council appointed her as Board member of the The National Center for Performance Measurement (Adaa) she is also the Chairperson of the Audit Committee of the FII Institute. 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 is a member of both the Saudi Polo Federation and the The Institute of International Finance, and Ms. Rania represents the private sector alliance to empower women in business during Saudi Arabia G20 Presidency.

She obtained a Bachelor's Degree with Honors in Computer Science and Information Technology 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.



MR. XAVIER ROLET

Board Member

➤ **Membership in the Board Committees:**
Risk Management Committee

Currently he is the Chairman of Shore Capital Markets and a Board Member in Golden Falcon Acquisitions and Tadawul Advanced Solutions Company (Wamid). He was the CEO of CQS Mgt (Ltd.) and he previously worked as a CEO of the London Stock Exchanges Group (LSEG) from 2009 to 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.

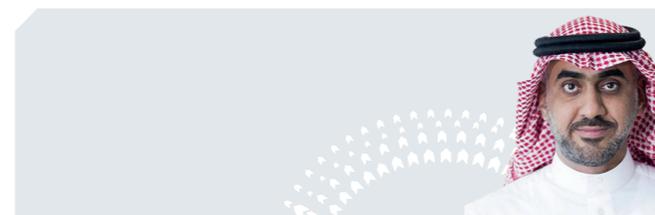
EXECUTIVE MANAGEMENT FOR 2020



ENG. KHALID ABDULLAH AL-HUSSAN

Chief Executive Officer

The profile is available on page 59.



KHALID ABDULAZIZ AL-GHERIRI

Chief of Regulatory Oversight and Authorization

Mr. Al-Gheriri 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. Mr. Al-Gheriri 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.

Mr. Al-Gheriri holds a Bachelor's Degree in Computer Information Science from Minnesota State University, USA. He also has several professional certifications from various respectable institutions.



RAED HAMOUD AL-BULUWI

Chief of Internal Audit

Mr. Al-Buluwi joined Tadawul in 2011, and in 2015, he assumed the responsibilities of Chief of Internal Audit. Mr. Al-Buluwi has extensive experience in information technology and internal auditing.

In addition to various professional certifications, Mr. Al-Buluwi holds a Bachelor's Degree in Computer Engineering from King Fahad University of Petroleum and Minerals.



SREE KUMAR NAYAR

Chief Derivatives Officer

Mr. Nayar 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.

Mr. Nayar holds a Bachelor's Degree in Commerce, from Madras University, India. He also has the CFTC Series 3 Derivatives qualification from the USA and the Malaysia Futures and Options Qualification from the Securities Commission of Malaysia.

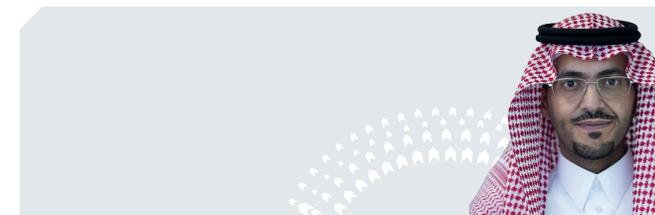


SHAHRUKH QURESHI

Chief Finance and Support Services Officer

Mr. Qureshi joined Tadawul in March 2018 as Chief Finance and Support Services Officer. He has over 20 years of experience in strategic financial planning, financial management and accounting, investment management, financial audits, start-ups management, transformation, mergers and asset and liability management.

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



ABDULLAH ABDULLATIF AL-ESHEIKH

Chief Legal Officer

Mr. Al-Esheikh 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. Mr. Al-Esheikh 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 joined several training courses from reputable institutions.



MOHAMMED SULAIMAN AL-RUMAIH

Chief of Markets (currently the CEO of the Saudi Exchange)

Since joining Tadawul in 2009, Mr. Al-Rumaih has held various administrative and leadership positions, including Head of Primary Market and Chief of Sales and Marketing. He has extensive experience in the financial services sector, and has led Saudi Exchange through numerous milestones, its recent transformation and a period of exponential growth. Mr. Al-Rumaih oversees Saudi Exchange's markets operations, including the Main Market, Nomu-Parallel Market, Sukuk and Bonds and others.

He has been instrumental in the Exchange's adoption of new market enhancements and products to further cement its status as an advanced capital market and regional powerhouse. His notable achievements include Saudi Exchanges' inclusion in emerging market indices, the launch of Saudi Arabia's first derivatives market, the revamp of the Nomu-Parallel Market, the success of the Saudi Capital Market enhancement programme, and facilitating the smooth public listing of Saudi Aramco, the world's largest IPO, in 2019.

Mr. Al-Rumaih holds a Bachelor's degree in Management Information Systems from King Fahd University of Petroleum and Minerals, and an MBA from the Manchester Business School.



MAHA MOHAMMED AL-BESHER

Chief Human Resource Officer

Ms. Al-Besher joined Tadawul in May 2018 as Chief Human Resource Officer. She has wide experience in the field of human resources development, support services, corporate communications and leading FinTech initiatives.

Ms. Al-Besher holds a Master's Degree in HR from the Catholic University of America, USA.

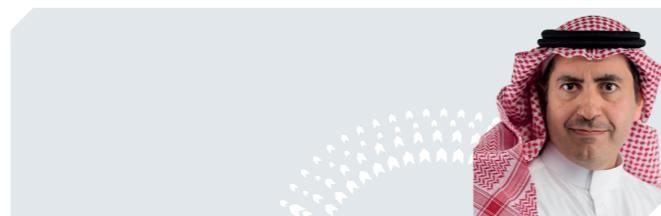


HANADI ABDULRAHMAN AL-SHEIKH

Chief of Strategy

Ms. Al-Sheikh 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 effectively worked in several functions and assumed different responsibilities.

In addition to various recognized professional certifications, Ms. Al-Sheikh holds a Bachelor of Science Degree in Computer Science with first-class honors.



WALEED ABDULLAH AL-BAWARDI

Chief of Operations and Information Technology

Mr. Al-Bawardi 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.

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



HUSEYIN ERKAN

Chief of Market Information and Indices

Mr. Erkan joined Tadawul in 2017 as CEO Advisor. He was appointed as the Chief of Market Information and 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.

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

GOVERNANCE IN TADAWUL

Compliance with corporate governance principles and regulations

Governance is an important part of the values and practices of 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:

1. Companies Law
2. Capital Market Law
3. Company Bylaws

In addition to being guided by the Corporate Governance Regulations issued by the Board of the Capital Market Authority, the Corporate Governance Regulations for unlisted joint stock companies, and the governance guides issued by the Public Investment Fund for companies that are fully owned by the Fund.

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

The Board of Directors of Tadawul relies in its composition on the Capital Market Law issued by Royal Decree No. (M/30) dated 2/6/1424 H. Clause (b) of Article 22 states that: "The Exchange, the Security Depository Center and the Securities Clearing Center 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.

Diversity of the Board

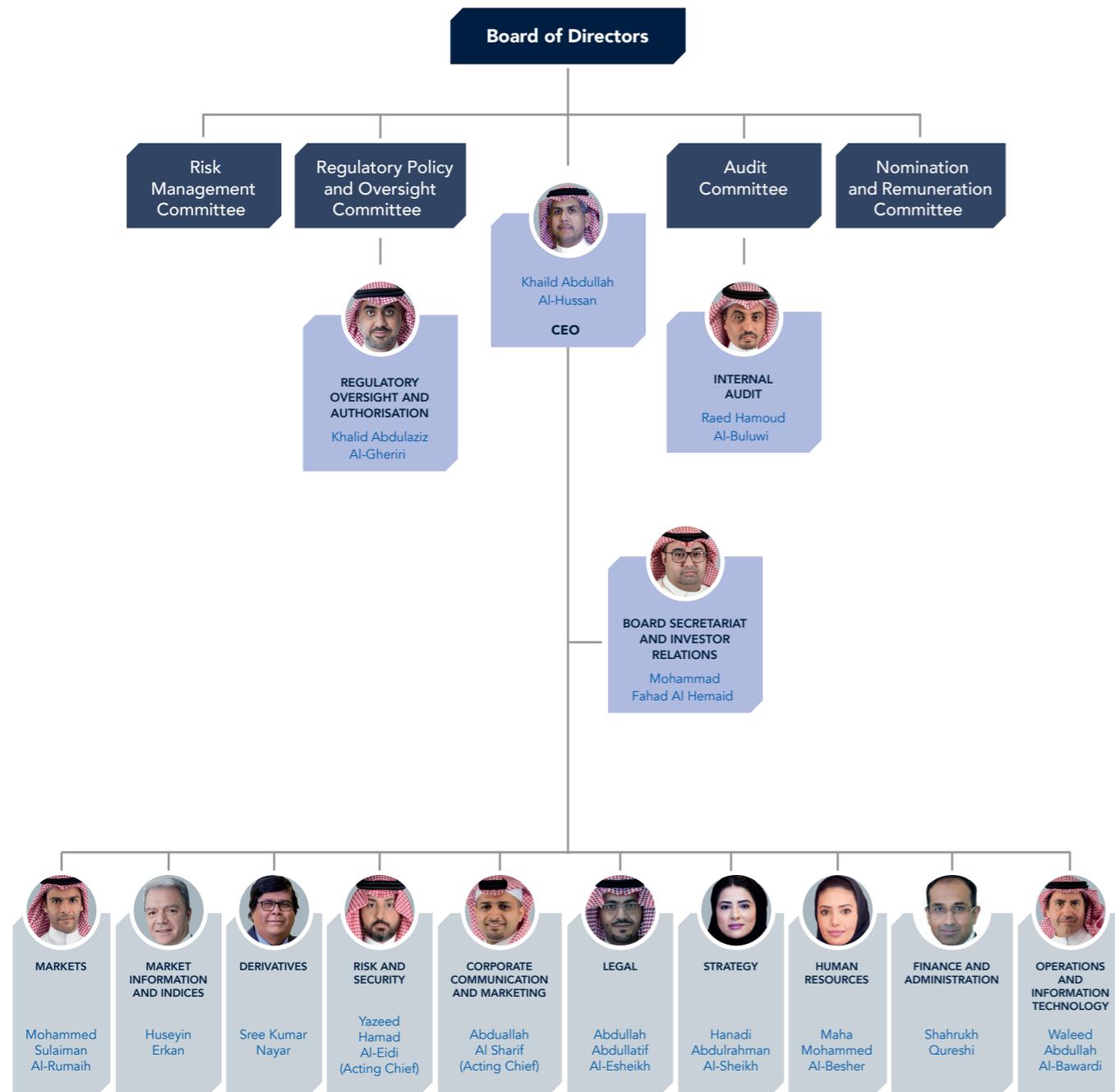
NON-EXECUTIVE AND EXECUTIVE DIRECTORS



BOARD'S GENDER COMPOSITION



Governance structure of Tadawul



The 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.

Statement of current Board members 2020

No.	Member	Membership category	Positions and membership on other companies
1.	Mrs. Sarah Jammaz Al-Suhaimi	Chairperson of the Board of Director Non-Executive	<ul style="list-style-type: none"> • NCB Capital – CEO and Member of the Board of Directors
2.	Mr. Yazeed Abdulrahman Al-Humaid	Vice-Chairman Non-Executive	<ul style="list-style-type: none"> • Public Investment Fund – Head of the General Department for Investments in Local Companies • The National Security Services Company – Chairman of the Board of Directors • Samba Financial Group – Vice-Chairman • Saudi Arabian Airlines General Corporation – Member of the Board of Directors • Civil Aviation Holding Company – Member of the Board of Directors • Flyadeal Aviation Company – Member of the Board of Directors • RAA-Richard Attias Associates – Member of the Board of Directors
3.	Eng. Khalid Abdullah Al-Hussan	Chief Executive Officer	<ul style="list-style-type: none"> • The Securities Depository Center Company (Edaa) – Chairman of the Board of Directors • The Securities Clearing Center Company (Muqassa) – Chairman of the Board of Directors • Tadawul Real Estate Company – Member of the Board of Directors and Chairman of the Audit Committee • World Federation of Exchanges (WFE) – Member of the Board • Arab Federation of Exchanges (AFE) – Chairman of the Board of Directors • Tadawul Advanced Solutions Company (Wamid) – Chairman of the Board of Directors
4.	Mr. Hashem Othman Al-Hekail	Non-Executive	<ul style="list-style-type: none"> • Boa Information Technology Company – Chairman of the Board of Directors • Derayah Financial – Member of the Board of Directors • Bayan Payments Limited – Member of the Board of Directors
5.	Mr. Sabti Sulaiman Al-Sabti	Non-Executive	<ul style="list-style-type: none"> • Riyadh Capital – CEO • Zakat, Tax and Customs Authority – Member of the Board of Directors
6.	Mr. Yousef Abdullah Al-Benyah	Non-Executive	<ul style="list-style-type: none"> • Saudi Basic Industries Corporation (SABIC) – CEO and Vice-Chairman • Saudi Arabian Fertilizer Company (SAFCO) – Chairman of the Board of Directors • Saudi Information Technology Company – Member of the Board of Directors • Nusand Investment Company – Chairman of the Board of Directors

No.	Member	Category	Positions in Other Companies
7.	Ms. Rania Mahmoud Nashar	Non-Executive	<ul style="list-style-type: none"> • Samba Financial Group – CEO and Member of the Board of Directors • Samba Bank Limited Pakistan – Member of the Board of Directors • Samba Group for Global Markets Ltd. – Member of the Board of Directors • Samba Capital for Assets and Investment Management – Member of the Board of Directors • Capital Market Authority – Member of the Advisory Committee • Saudi Space Authority – Member of the Board of Directors • The National Center for Performance Measurement (Aadaa) – Member of the Board of Directors • Future Investment Initiative Audit Committee (FII) – Chairperson
8.	Mr. Xavier Rolet	Non-Executive	<ul style="list-style-type: none"> • Shore Financial Markets Ltd. – Chairman of the Board • Tadawul Advanced Solutions Company (Wamid) – Member of the Board of Directors • Golden Falcon Acquisition Company – Member of the Board of Directors
9.	Mr. Mark Makepeace	Non-Executive	<ul style="list-style-type: none"> • Tadawul Advanced Solutions Company (Wamid) – Member of the Board of Directors • London Stock Exchange Group (LSEG) – Chairman, Information Services • FTSE Russell – Chairman of the Information Services Group • Monica Top GP (Cayman), LLC – Member of the Board of Directors • Monica Intermediate Holdings GP, LLC – Member of the Board of Directors • Monica Holdco (US), Inc – Member of the Board of Directors • Monica Holdco (UK) Limited – Member of the Board of Directors • Wilshire Opco UK Limited – Member of the Board of Directors • Wilshire Advisors LLC – Member of the Board of Directors • Suzhou Wilshire Investment Services Co., Ltd. – Member of the Board of Directors • Wilshire Hong Kong Limited – Member of the Board of Directors • Wilshire Australia Pty Limited – Member of the Board of Directors • Wilshire Global Advisors, LLC – Member of the Board of Directors • Wilshire U.S. Private Markets Fund VI (Offshore), Inc – Member of the Board of Directors • Wilshire European Private Markets VIII (Offshore), Inc – Member of the Board of Directors • Wilshire Asia Private Markets VIII (Offshore), Inc – Member of the Board of Directors • Wilshire U.S. Private Markets Fund VIII (Offshore), Inc. – Member of the Board of Directors • St Giles Global (SGG) GP LLC – Member of the Board of Directors • St Giles Global (SGG) LP – Member of the Board of Directors • The Singapore Stock Exchange (SGX) – Non-Executive Director

Attending Board meetings

+ Number of meetings: **7**

Name of member	Position	05.02.2020	19.04.2020	29.06.2020	25.08.2020	20.10.2020	10.11.2020	17.12.2020
Mrs. Sarah Jammaz Al-Suhaimi	Chairperson of the Board of Directors	✓	✓	✓	✓	✓	✓	✓
Mr. Yazeed Abdulrahman Al-Humaid	Vice-Chairman	✓	✓	✓	✓	Excused	✓	✓
Eng. Khalid Abdullah Al-Hussan	Member	✓	✓	✓	✓	✓	✓	✓
Mr. Hashem Othman Al-Hekail	Member	✓	✓	✓	✓	✓	✓	✓
Mr. Sabti Sulaiman Al-Sabti	Member	✓	✓	✓	✓	Excused	✓	✓
Mr. Yousef Abdullah Al-Benyan	Member	✓	✓	Excused	✓	✓	✓	✓
Ms. Rania Mahmoud Nashar	Member	✓	✓	✓	✓	✓	✓	✓
Mr. Xavier Rolet	Member	✓	✓	✓	✓	✓	✓	✓
Mr. Mark Makepeace	Member	✓	✓	✓	✓	✓	✓	✓

Board of Directors' remuneration

Each member of the Board of Directors receives an annual remuneration of SAR 250,000, and the Chairperson of the Board of Directors receives an additional annual reward of SAR 100,000.

Board members receive an attendance allowance for Board meetings, an amount of SAR 3,000.

Each member of the Board of Directors is entitled to an annual remuneration for their membership in the committees of the Board of SAR 150,000, in addition to the allowance for attending committee meetings of SAR 3,000.

Reference to the Board and Committees remuneration policy approved by the 12 General assembly in 2020 and accordance with the Company's commitment to what is stipulated in Article 76 of the Companies Law, which regulates the remuneration of members of the Board of Directors, which states that in all cases; The total remuneration and financial or in kind benefits and rewards that a member of the Board of Directors receives does not exceed an amount of SAR 500,000 annually, according to the controls laid down by the competent authority.

Remuneration of Board members for their membership in the Board for the year 2020 (New Term)

Name of member	The number of meetings attended by the member	Number of Board meetings	Board member remuneration SAR	Remuneration of the Chairperson of the Board SAR	Total SAR
Mrs. Sarah Jammaz Al-Suhaimi	7	7	250,000	100,000	350,000
Mr. Yazeed Abdulrahman Al-Humaid	6	7	250,000		214,286
Eng. Khalid Abdullah Al-Hussan	7	7	250,000		250,000
Mr. Hashem Othman Al-Hekail	7	7	250,000		250,000
Mr. Sabti Sulaiman Al-Sabti	6	7	250,000		214,286
Mr. Yousef Abdullah Al-Benyan	6	7	250,000		214,286
Ms. Rania Mahmoud Nashar	7	7	250,000		250,000
Mr. Xavier Rolet	7	7	250,000		250,000
Mr. Mark Makepeace	7	7	250,000		250,000
Total					2,242,858

Allowances for members to attend Board meetings for the year 2020 (New Term)

Name of member	The number of meetings attended by the member	Number of Board meetings	Meeting attendance allowance SAR	Total SAR
Mrs. Sarah Jammaz Al-Suhaimi	7	7	3,000	21,000
Mr. Yazeed Abdulrahman Al-Humaid	6	7	3,000	18,000
Eng. Khalid Abdullah Al-Hussan	7	7	3,000	21,000
Mr. Hashem Othman Al-Hekail	7	7	3,000	21,000
Mr. Sabti Sulaiman Al-Sabti	6	7	3,000	18,000
Mr. Yousef Abdullah Al-Benyan	6	7	3,000	18,000
Ms. Rania Mahmoud Nashar	7	7	3,000	21,000
Mr. Xavier Rolet	7	7	3,000	21,000
Mr. Mark Makepeace	7	7	3,000	21,000
Total				180,000

Remuneration of committee members for their membership in the Board's committees for the year 2020 (New Term):

Name of member	The number of meetings attended by the member	The number of committee meetings during the fiscal year	Membership bonus SAR	Allowance to attend committees SAR	Total SAR
Nomination and Remuneration Committee					
Mrs. Sarah Jammaz Al-Suhaimi	3	4	150,000	3,000	121,500
Ms. Rania Mahmoud Nashar	4	4	150,000	3,000	162,000
Mr. Mark Makepeace	4	4	150,000	3,000	162,000
Mr. Bandar Abdulrahman bin Mogren	4	4	150,000	3,000	162,000
Audit Committee					
Mr. Yazeed Abdulrahman Al-Humaid	3	4	150,000	3,000	121,500
Mr. Hashem Othman Al-Hekail	4	4	150,000	3,000	162,000
Dr. Abdullah Abdulrahman Al-Shuwayer	4	4	150,000	3,000	162,000
Mr. Omar Mohammed Al Hoshan	4	4	150,000	3,000	162,000
Mr. Abdulrahman Mohammed Al-Odan	4	4	150,000	3,000	162,000
Regulatory Policy and Oversight Committee					
Dr. Abdullah Hassan Al-Abdulqader	5	5	150,000	3,000	165,000
Dr. Abdulrahman Abdul Mohsen Al-Khalaf	5	5	150,000	3,000	165,000
Dr. Najim Abdullah Al-Zaid	5	5	150,000	3,000	165,000
Eng. Khalid Abdullah Al-Hussan	3	5	150,000	3,000	99,000
Risk Management Committee					
Mr. Yousef Abdullah Al-Benyan	3	3	150,000	3,000	159,000
Mr. Xavier Rolet	3	3	150,000	3,000	159,000
Mr. Sabti Sulaiman Al-Sabti	2	3	150,000	3,000	106,000
Dr. Yahya Ali Al-Jabr	2	3	150,000	3,000	106,000
Total					2,501,000

Remuneration and allocations for Senior Executives* (in SAR)

Statement	Total amounts
Salaries and allowances	8,849,838
Periodic and annual bonuses	17,440,000
Total	26,289,838

* The Senior Executives' remuneration represents the top five Executives and includes the CEO and CFO.

Board of Directors Committees

Four subcommittees emanate from the Board of Directors, consisting of Board members and other independent members with expertise and specializations necessary for the work of each committee. The committees are formed according to the general procedures set by the Board of Directors. The committees submit their findings and decisions to the Board, and the Board of Directors supervises the committees' work regularly to ensure that they perform the duties and tasks assigned to them. Each of these committees has approved charters that define their powers and work procedures.

Audit Committee

The Audit Committee was formed by the resolution of the Company's Ordinary General Assembly on 19 March 2020.

The Audit Committee is responsible for monitoring the Company's business, verifying the integrity of the reports, financial statements and internal control systems and approving the annual internal audit plan, reviewing the efficiency of the Company's business, including compliance with international standards for the practice of the internal audit profession. This is done by appointing an external body to review the work of both the Audit Committee and the Internal Audit Division every five years.

The Committee recommends the approval to review the financial and accounting policies, and recommend to the General Assembly the external auditors candidates and act as a link between the External Auditors and the Board; reviews the appointment of the Chief of Internal Audit, approves and evaluates his performance indicators, and takes decisions regarding them. The Committee's tasks also include reviewing the results of the regulatory authorities and ensuring that the

Company takes the necessary measures regarding them. The Committee is also working to put in place a mechanism that allows the Company's employees to submit their observations regarding any breach of financial reports confidentially.

The Committee has important powers in order to perform its duties, "based on Article 59 of the Corporate Governance Regulations" are:

1. The right to review the Company's records and documents.
2. To request any clarification or statement from members of the Board of Directors or the Executive Management.
3. To ask the Board of Directors to invite the Company's General Assembly to convene if the Board of Directors impedes its work or is exposed to severe damages or losses.

The Committee consists of five members and they are:

➔ Number of meetings: 1 (Previous Term)

Name of member	Position	01.01.2020
Mr. Suhail Muhammad Abanmi	Committee Chairman	✓
Mr. Hashem Othman Al-Hekail	Member	✓
Dr. Abdulrahman Ibrahim Al-Humaid (May Allah rest his soul)	Independent member	✓
Dr. Abdulrahman I. Al-Humaid	Independent member	✓
Mr. Abdulrahman Mohammed Al-Odan	Independent member	✓

Name of member	Position	26.03.2020	10.06.2020	26.08.2020	02.12.2020
Mr. Yazeed Abdulrahman Al-Humaid	Committee Chairman	✓	✓	✓	Excused
Mr. Hashem Othman Al-Hekail	Member	✓	✓	✓	✓
Dr. Abdullah Abdulrahman Al-Shuwayer	Independent member	✓	✓	✓	✓
Mr. Omar Mohammed Al Hoshan	Independent member	✓	✓	✓	✓
Mr. Abdulrahman Mohammed Al-Odan	Independent member	✓	✓	✓	✓

Risk Management Committee

The Committee is responsible for risk management and information security responsibilities. Its tasks include recommending to the Board the approval of the necessary policies for managing risks in the Company, looking into the recommendations of the Risk and Security Division regarding analyzing the risks of the Company's business and determining an acceptable level of risks that the Company may be exposed to and maintaining it, including risks related to services and products provided by the Company and its capital investment. The Committee also studies the risks of information technology systems and ensures their adequacy for conducting business, managing the mechanisms of trading, settlement, clearing, depositing, registering ownership of listed securities, disseminating information related to them, studying the business continuity plan and analyzing its impact on the Company's business. In addition to preparing detailed reports on exposure to risks and the proposed steps for managing these risks and submitting them to the Board of Directors, while continuously verifying the independence of the risk management personnel from the activities that may result in the Company's exposure to risks and working to increase awareness of the risk culture of the Company's risk management staff. The Committee consists of four members and they are:

➔ Number of meetings: 3

Name of member	Position	16.03.2020	27.07.2020	15.11.2020
Mr. Yousef Abdullah Al-Benyani	Committee Chairman	✓	✓	✓
Mr. Sabti Sulaiman Al-Sabti	Member	Excused	✓	✓
Mr. Xavier Rolet	Member	✓	✓	✓
Dr. Yahya Ali Al-Jabr	Independent member	✓	Excused	✓

Nomination and Remuneration Committee

The Committee undertakes tasks related to human capital in the Company and studies the human resources strategy and related policies. The Committee shall set standards for the performance of the CEO, evaluate it, ensure the existence of a long-term succession plan for the CEO and the Executive Management, and supervise its implementation. The Committee also examines the organizational structure of the Company and undertakes the study and development of the competencies and qualifications of the Executive Management. The Committee is also responsible for reviewing the performance of the Board and its members and for recommending the appointment of independent members in the committees emanating from the Board. The Committee consists of four members and they are:

➔ Number of meetings: 4

Name of member	Position	20.05.2020	20.08.2020	24.11.2020	06.12.2020
Mrs. Sarah Jammaz Al-Suhaimi	Committee Chairperson	✓	✓	Excused	✓
Ms. Rania Mahmoud Nashar	Member	✓	✓	✓	✓
Mr. Mark Makepeace	Member	✓	✓	✓	✓
Mr. Bandar Abdulrahman bin Mogren	Member	✓	✓	✓	✓

Regulatory Policy and Oversight Committee

The Committee oversees the work of the Regulatory Oversight and Authorization Division, which is the executive arm directly responsible for the regulation, control, and supervision activities entrusted to Tadawul and its Capital Market infrastructure companies.

Among the tasks of the Committee is studying draft market regulations and rules and their amendments, and supervising communication and coordination between the market and the capital market authority in matters related to market regulations. Its responsibilities also include studying management recommendations regarding listing applications, suspending and canceling them, issuing approval for listing decisions in the main market, the parallel market (Nomu) and debt markets, supervising their implementation, and requests for transferring from the parallel market (Nomu) to the main market, in addition to requests for changes in capital issuer and issuance of approvals to increase the capital of the listed companies.

As for its tasks related to members, the Committee studies the recommendations of the Division in the matter of licensing applications for members and their agents who fall within the market jurisdiction, and requests to suspend and cancel the license, in addition to supervising the Division's procedures in the matter of overseeing the activities of members and their agents who fall within the market's jurisdiction, including their activities and procedures. Taken in the matter of their violations of any of the provisions of the Market rules, regulations and instructions, and decisions are taken in their regard.

The Committee consists of four members:

➔ Number of meetings: **5**

Name of member	Position	13.02.2020	16.04.2020	28.07.2020	14.10.2020	29.12.2020
Dr. Abdullah Hassan Al-Abdulqader	Committee Chairman (Independent)	✓	✓	✓	✓	✓
Dr. Abdulrahman Abdul Mohsen Al-Khalaf	Independent member	✓	✓	✓	✓	✓
Dr. Najim Abdullah Al-Zaid	Independent member	✓	✓	✓	✓	✓
Eng. Khalid Abdullah Al-Hussan	Executive member	✓	✓	✓	Excused	Excused

Dividend policy

The Company is obligated to distribute its annual net profits in accordance with the methods stipulated in its basic system and the extent of availability of liquidity necessary to fulfil the Company's obligations and strategic projects, where the annual net profits of the Company are distributed – after deducting all general expenses and other costs – as follows:

- 10% of the net profits shall be set aside to form a statutory reserve, and the Ordinary General Assembly may stop this deduction when the said reserve reaches 30% of the Company's paid-up capital.
- The Ordinary General Assembly – based on the proposal of the Board of Directors – to allocate a percentage of the net profits to form a consensual reserve and allocate it to one or more specific purposes.
- The Ordinary General Assembly may decide to set up other reserves, to the extent that it serves the interest of the Company or guarantees the distribution of fixed profits as possible to the shareholders. The aforementioned association may also deduct amounts from the net profits to establish social institutions for the Company's employees or to assist such institutions that may exist.
- The Board of Directors may recommend that a certain percentage of the remaining profits be distributed to the shareholders. The Company has the right to distribute quarter and half profits after complying with the requirements of the relevant authorities.

The following are the proposed dividends for the year 2020 compared to the dividends for the year 2019:

Dividend	2020 SAR Mn	2019 SAR Mn
Net profit/loss for the year	500,518,870	153,293,786
Appropriating 10% of net profit as a statutory reserve	(50,051,887)	(15,329,379)
Dividends (5% of capital)	(60,000,000)	(60,000,000)
Dividend (additional share)	(60,000,000)	(60,000,000)
The net	330,466,983	17,964,407

Tadawul's subsidiaries

Name of subsidiary	Capital	Tadawul's ownership percentage %	Activity	The main country of operations	Country of incorporation
Securities Depository Center Company (Edaa)	400,000,000	100	Actions related to depositing securities, registering their ownership, transferring them, settling and clearing them, and recording any ownership restrictions on the deposited securities.	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Securities Clearing Center Company (Muqassa)	600,000,000	100	Stock Clearing.	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Tadawul Advanced Solutions Company	300,000,000	100	FinTech solutions, engineering and technology research and development, market research and opinion polls.	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

Transactions with related parties

The Company has conducted transactions with parties related to the Public Investment Fund (the shareholder), as well as some companies in which some of the Company's Board members are members. As the terms of these transactions are similar to that of ordinary commercial debtors and creditors, there is no preference or special benefits offered to related parties. The following are the material transactions and related amounts as of 31 December 2020:

Dealing with related parties	2020 SAR Mn	2019 SAR Mn
Trading commission	767,002,623	317,830,780
Market information services	112,495,753	61,345,104
Deposit center services	132,255,954	123,287,116
Listing services	65,340,676	60,615,484
Other services	1,179,864	1,669,415
Subsidiaries	7,749,946	7,462,037
Board of Director's remuneration and allowances	6,254,359	5,437,049
Balance due from Tadawul Real Estate Company	-	130,000,000

Balances and operations resulting from these transactions included in the financial statements as of 31 December 2020 (in SAR):

Description	Nature of the relationship	Monitoring at the beginning of the year	Charged during the year	Collected/Paid during the year	Balance at the end of the year
Accounts receivable	Joint ownership and Directors	10,136,265	663,738,287	(666,656,727)	7,217,825
Accounts payable	Joint ownership and Managers	8,506,476	17,350,437	(12,203,276)	13,653,637

It should be noted that the Company, in its dealings with related parties, takes into account the procedures followed to deal with cases of conflict of interest in accordance with the relevant regulations, in addition to the rules of professional conduct for the members of the Company's Board of Directors and approved in the Commission's Board Decision No. 2010-02-20 dated 27/08/1431 AH. Corresponding to 8 August 2010.

Loans

The Company has no loans.

Company declarations

The Company's Management declares the following:

- Correctly prepared account records.
- The internal control system was prepared on a sound basis and was effectively implemented.
- There is not the slightest doubt about the Company's ability to continue its activity.

In addition, there are no differences from the accounting standards issued by the Saudi Organization for Certified Public Accountants. There are no material notes from the Auditor's on the Company's financial statements for the fiscal year 2020.

Due system payments

Statement	SAR Mn	Description
Distributed profits	120,000,000	What is paid or charged to the period as dividends to government agencies (Public Investment Fund)
Social insurance contributions	20,041,855	What is paid or charged to the period in accordance with the provisions of the Labor Law in the Kingdom of Saudi Arabia
Withholding tax	2,729,688	What is paid or charged to the period according to the provisions of the Department of Zakat and Income Authority
Total	32,758,785	It represents the statutory amounts due and payments to government agencies

Sanctions or penalties from regulatory or governmental bodies

There are no sanctions or penalties from any Government agencies.

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

The Internal Audit Department submits periodic reports to the Audit Committee on the results of the auditing processes, which aim to verify the adequacy of the internal control system in protecting the assets of the Company and its subsidiaries (deposit and clearing), assess business risks and measure the efficiency and effectiveness of control procedures and systems in all aspects (operational, administrative and financial). The External Auditor also conducts an evaluation of this system as part of the tasks of his review of the final financial statements of the three companies, which ensures that he is able to view all the minutes and reports of the internal audit of the financial period under examination or review.

Based on the periodic reports presented to the Committee during the year 2020 by both the Internal Audit Department and the External Auditors, the Audit Committee confirms the adequacy and efficiency of financial and operational controls and that there are no control gaps or fundamental weaknesses in the Company's business during the fiscal year 2020 that affect the accuracy and fairness of financial statements.

Despite the Internal Audit Department adopting the risk-based audit methodology in line with the international standards for the professional practice of internal auditing issued by the Institute of Internal Auditors (IIA) and applying it properly and effectively, no internal control system can give an absolute assurance of the integrity of the control system in the Company.

RISK MANAGEMENT POLICY AND CONTROL

Tadawul (through its Risk and Security Division) has a systematic and integrated risk structure as well as a consistent risk methodology with all the relevant procedures in place ensuring the Company's preparedness to deal with the emerging risks which can surface instantly and unpredictably.

The Risk and Security Division of the Exchange follows the "Three Lines of Defence" methodology, which is considered the best according to international standards. It also helps to define the responsibilities of each of the general departments in the Company, the Executive Management and the Board Committees accurately and effectively with regard to risks. One of the important roles of the Management is to approve and develop standards and requirements for information security and business continuity for all market members and data providers in proportion to the accompanying and surrounding changes to the market; in addition to raising the level of awareness of risks, security and business continuity in line with changes in the market and the vision of the Company.

The following are the types of risks identified and approved by Tadawul:

Type 1 Operations risks
 These are the risks arising from the inefficiency or failure of internal and external processes, individuals, systems, or external events, and it includes the risks arising from issuance operations, clearing company transactions, market deals, asset and deposit transactions, market regulation, human resources and physical assets. The Risk and Security Division reviews all sources related to operational risks in cooperation with the concerned departments in order to reduce these risks.

Type 2 Technical risks
 These are the risks associated with information technology that result from the possibility of malfunctions in information systems or errors in the technical structure or communications. Risk prevention and mitigation strategies must take into account human factors, especially the possibility of intentional harm, as well as collateral damage. These strategies include limiting Company's liability for any risks, avoiding them altogether, mitigating their harmful effects, or absorbing their consequences in whole or in part.

Type 3 Organizational risks
 This is the risk resulting from the Company's management making wrong decisions, wrong implementation of organizational decisions, or failure to take timely decisions, which may lead to losses or loss of alternative opportunities. These risks may arise due to the Company's violation of regulations and standards established by the regulatory authorities or the absence of an appropriate strategy to achieve goals in the short term and the long term.

Type 4 Financial risks
 These are the current or future risks that could affect the Company's revenues or reduce the efficiency of operating expenses. One example of this is the volatile nature of the trading commission which constitutes a large proportion of the revenue. Other risks include variation in interest rates, exchange rates and the market value of stocks that may affect the rate of return on investment, in addition to the risks of the main risk mitigation strategies in increasing income, liquidity, investment, insurance and financial analysis. One of the main risk mitigation strategies is to increase non-trading income, in order to mitigate risks arising from market volatility. Financial risks also include risks related to procurement and support services for which a strategy has been developed to limit their potential impacts.

Type 5 Information security risks
 It is the risk arising from technical gaps and threats to the information assets used by the Company that affect the achievement of business objectives. Information security risks include internal and external threats, risks of data privacy and confidentiality, and risks of correctness and availability of information. The Risk and Security Division determines the level of data confidentiality to ensure the effectiveness of tools, procedures and mandatory controls to access it, in addition to evaluating the Company's ability to protect confidential data in the face of all threats arising from any unauthorized disclosure or access.

Type 6 Business continuity risks
 It is the risk that leads to a catastrophic and effective suspension of the Company's operations, which leads to large losses in the technical structure and level of services provided. These risks include infrastructure breakdown, natural disasters, problems faced by logistical support providers, and threats targeting individuals.

The Risk and Security Division determines the requirements for effecting reinforcement of service in the wake of major breakdowns and ensuring the Company's ability to maintain the services provided in a manner that ensures preserving the integrity and credibility of the market and investors. The Division is also working on setting controls and plans to reduce the risks of system or public facilities breakdowns to ensure business continuity in line with the requirements of raising market efficiency.

Type 7 External risks
 This is the potential risk or loss resulting from a number of external factors that shape the surrounding environment and affect the performance and business of the Company such as economic, political, and environmental conditions, and include market members' risks, legal risks, data providers' risks, and the risks of vendors and suppliers.

Major challenges of 2020

Tadawul, as many other entities did, nationally and internationally faced many challenges due to the pandemic. These were either to prevent the operations from being disrupted or to prevent any further impact from the new risks that have arisen. One of the main difficulties was to keep the operations functioning as usual while aiming to prevent the spread of the virus. It was also necessary to keep Tadawul's plans and projects on track while managing the financial and operational risks that could have an impact on the Exchange's operations.

With the emergence of the COVID-19 outbreak every organization had to face unexpected disruption. Our immediate response and resilience were the key to ensuring the business continuity; focusing first on people's safety and then on how to continue operating the market efficiently. The crisis management process was immediately activated to successfully leverage all possible solutions to manage the COVID-19 pandemic.

The COVID-19 Committee was formed to review and monitor the situation and adapt proactively as the crisis evolves. COVID-19 Committee members are three CEOs and six concerned chiefs to ensure the best level of alignment. The Committee is chaired by Tadawul's CEO to ensure that the mitigating actions initiated from the highest level are implemented without any obstacles. The Committee responded to the crisis with both short-term measures and long-term actions to increase resilience against future disruptions and prepare for recovery.

The efforts included, but were not limited to; supporting the market operations' continuity effectively while not compromising people's safety; rapid internal processes and staff communication; compliance with regulations and government instructions; managing the impact of COVID-19 on corporate strategy and financial structure and gradually executing the return to the office with appropriate plans.

The COVID-19 pandemic had a direct and significant potential impact on operational, financial, strategy, technology, cybersecurity, and business continuity risks of the Company which needed to be responded to in a very limited time frame. Tadawul's risk categorization and methodology were already covering pandemic related risks as part of the exogenous risks and disasters family of the business continuity risks. Furthermore, risk and control categorizations and their assessments were revisited with more intense focus leading to sensitive updates on the likelihood and impact ratings. Handling these risks by ensuring timely and appropriately embedded controls was a major challenge.

Fortunately, a very good level of business continuity was assured without any disruption in the critical services as result of the risk management efforts. We were glad to see that there was not even a momentary disruption in the availability of the mission critical systems as the result of the business functions efforts supported by effective risk management activities as a second line.

Major initiatives of 2020

In 2020, the Risk and Security Division;

- Ensured 24/7 monitoring of pandemic related risks and assured effective controls were embedded in a timely and appropriate manner
- Provided remote access to all employees in a timely manner and ensured the healthy transition with all the cybersecurity controls in place.

- Implemented new cybersecurity measures mainly to mitigate the increased exposure resulting from remote working as well as initiation of the new products and services.
- Proactively contributed to the major initiatives such as Post Trade Technology Program (PTTP) and introduction of Derivatives Market both from pre-trade and post-trade perspective in terms of business continuity, risk management and cybersecurity.
- Actively managed the business continuity plans of Tadawul and its subsidiaries taking into account appropriate contingency scenarios and also by facilitating appropriate testing and rehearsals to ensure successful deployment.
- Actively monitored the cybersecurity framework with regular assessments to prevent vulnerabilities.
- Despite scope limitations caused by the pandemic, effectively completed risk and control self-assessment (RCSA) activities for Tadawul, Edaa, and Muqassa without any disruption in the services.
- Initiated physical security measures related to controlled and healthy access to the building and other premises.
- Actively monitored the key risks of the Company and reported them to the Risk Management Committee regularly with intense focus on the emerging risks and their impact.
- Actively worked collaboratively with the technology provider Nasdaq through regular discussion sessions and reconciliations to align the efforts from a risk management perspective.
- Actively participated and contributed to World Federation of Exchanges (WFE) committee meetings regarding the most serious risks for the stock exchanges and necessary mitigating actions during the pandemic.
- Actively contributed to the improvement of Edaa and Muqassa risk functions to ensure the handling of the risks with effective alignment at the enterprise level.
- Conducted and managed readiness sessions with all the members in terms of PTTP transition and obtained structured feedback from all members in terms of incidents that occurred at their levels.

Governance efforts of 2020

The Enterprise Risk Management (ERM) Framework was reviewed effectively and relevant amendments were made to be aligned with the new products, new projects, and the pandemic situation. Furthermore, regular meetings were held with the technology provider Nasdaq to ensure the harmonization of the risk management efforts with a collaborative approach. Risk Assessment (RA) approach and guidelines were reviewed during the year and new procedures were developed to ensure mitigating of the emerging risks and 2020 requirements in terms of products, projects and governance.

Key Risk Indicator (KRI) guidelines were reviewed and updated to govern the roles, responsibilities and processes related to preparing, calculating, validating, monitoring, and reporting the KRIs. This enabled ensuring an effective process to identify appropriate KRIs and KRI thresholds. Furthermore, in addition to the current Company KRIs, potential KRIs were identified to ensure readiness for timely reacting to the changes in corporate strategy.

Challenges ahead

In the past few years, Tadawul has become a major player in the world through its massive initial public offerings, introducing new products and entering new markets in line with Vision 2030 and the necessities of the competition with the largest stock exchanges. The main challenge that lies ahead for Tadawul will be to ensure the continued success and maturity of these initiatives, thus maintaining the consistency of the sensitive and effective risk management methodology while working to continuously improve it.

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INDEPENDENT AUDITORS' REPORT



KPMG Professional Services

Riyadh Front, Airport Road
P O Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Headquarter

Commercial Registration No 1010425494

TO THE SHAREHOLDERS OF SAUDI STOCK EXCHANGE COMPANY

Opinion

We have audited the consolidated financial statements of Saudi Stock Exchange Company ("Tadawul" or "the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 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 applicable requirements of the Regulations for Companies, Group'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 International Standards of Auditing 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.

Independent auditor's report



As part of an audit in accordance with International Standards of Auditing 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express and opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 ("Tadawul" or "the Company") and its subsidiaries ("the Group").

KPMG Professional Services



Khalil Ibrahim Al Sedais
License No. 371

Riyadh, 17 Shaban 1442H
Corresponding to: 30 March 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020
(Saudi Arabian Riyals)

	Notes	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property and equipment	4	21,381,712	13,693,404
Intangible assets	5	179,552,282	176,516,175
Equity-accounted investee	6	378,895,293	40,996,978
Investments	7	101,267,886	231,554,876
Right-of-use assets	8	19,856,726	11,271,347
Total non-current assets		700,953,899	474,032,780
Current assets			
Investments	7	3,103,518,964	2,660,288,572
Account receivables	9	57,364,818	41,179,879
Prepaid expenses and other current assets	10	102,271,835	102,841,000
Deposits with Saudi Central Bank ("SAMA")	11	32,177,558	-
Cash and cash equivalents	12	96,798,376	268,487,867
Total current assets		3,392,131,551	3,072,797,318
Total assets		4,093,085,450	3,546,830,098
EQUITY AND LIABILITIES			
Equity			
Share capital	1	1,200,000,000	1,200,000,000
Statutory reserve	13	376,963,633	326,911,746
General reserve	14	1,114,180,214	1,114,180,214
Retained earnings		943,478,532	618,313,284
Total equity		3,634,622,379	3,259,405,244
Non-current liabilities			
Employees' end-of-service benefits liability	15	91,024,046	77,294,401
Lease liability	16	4,658,348	-
Total non-current liabilities		95,682,394	77,294,401

Consolidated statement of financial position

As at 31 December 2020
(Saudi Arabian Riyals)

	Notes	31 December 2020	31 December 2019
Current liabilities			
Margin deposits from clearing participants	17	19,030,340	-
Members' contribution to clearing house funds	18	3,147,217	-
Lease liability	16	9,128,643	4,263,087
Accounts payable	19	95,314,671	105,383,866
Balance due to Capital Market Authority		32,758,785	22,330,201
Deferred revenue		3,223,464	3,134,967
Accrued expenses and other current liabilities	20	116,616,283	75,018,332
Zakat payable	21	83,561,274	-
Total current liabilities		362,780,677	210,130,453
Total liabilities		458,463,071	287,424,854
Total equity and liabilities		4,093,085,450	3,546,830,098

The accompanying Notes from (1) through (34) 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 2020
(Saudi Arabian Riyals)

	Notes	2020	2019
Operating revenue	22	1,079,635,090	564,747,899
Operating costs	23	(356,484,493)	(326,128,116)
Gross profit		723,150,597	238,619,783
General and administrative expenses	24	(180,244,860)	(196,960,609)
Operating profit		542,905,737	41,659,174
Investment income	25	38,797,145	94,343,939
Share of net loss in an equity-accounted investee	6	(2,101,685)	(1,610,095)
Other income		4,478,947	18,900,768
Non-operating profit		41,174,407	111,634,612
Profit for the year		584,080,144	153,293,786
Zakat expense	21	(83,561,274)	-
Net profit for the year		500,518,870	153,293,786
Other comprehensive income			
Items that will not be reclassified to the consolidated statement of profit or loss			
Re-measurement of employees' end-of-service benefits liability	15	(5,301,735)	(8,547,741)
Other comprehensive loss for the year		(5,301,735)	(8,547,741)
Total comprehensive income for the year		495,217,135	144,746,045
Basic and diluted earnings per share	26	4.17	1.28

The accompanying Notes from (1) through (34) form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020
(Saudi Arabian Riyals)

	Share capital	Statutory reserve	General reserve	Retained earnings	Total equity
Balance as at 1 January 2020	1,200,000,000	326,911,746	1,114,180,214	618,313,284	3,259,405,244
Profit for the year	-	-	-	500,518,870	500,518,870
Other comprehensive loss for the year	-	-	-	(5,301,735)	(5,301,735)
Dividends (Note 33)	-	-	-	(120,000,000)	(120,000,000)
Transfer to statutory reserve	-	50,051,887	-	(50,051,887)	-
Balance as at 31 December 2020	1,200,000,000	376,963,633	1,114,180,214	943,478,532	3,634,622,379

	Share capital	Statutory reserve	General reserve	Retained earnings	Total equity
Balance as at 1 January 2019 (Audited)	1,200,000,000	311,582,367	1,114,180,214	608,896,618	3,234,659,199
Profit for the year	-	-	-	153,293,786	153,293,786
Other comprehensive loss for the year	-	-	-	(8,547,741)	(8,547,741)
Dividends (Note 33)	-	-	-	(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

The accompanying Notes from (1) through (34) form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020
(Saudi Arabian Riyals)

	Notes	2020	2019
Cash flows from operating activities			
Profit before Zakat		584,080,144	153,293,786
Adjustments to reconcile net profit for the period to net cash generated from operating activities:			
Depreciation and amortization	23, 24	48,213,576	51,272,542
Charge for credit losses on accounts receivable	9	19,735,859	148,494
Reversal for impairment on investments held at amortized cost	7	(1,076,063)	(342,923)
Provision for employees' end-of-service benefits	15	11,300,262	10,966,445
Realised gain on sale of investments	25	(15,751,508)	(5,425,998)
Unrealised gain on investments	25	(8,817,609)	(50,234,343)
Share of loss in equity-accounted investee	6	2,101,685	1,610,095
Interest expense on lease liability		253,057	149,208
Reversal of provision for specific obligation		-	(17,430,875)
Changes in operating assets and liabilities:			
Deposits with Saudi Arabian Monetary Authority		(32,177,558)	-
Accounts receivable		(35,920,798)	(2,734,030)
Prepaid expenses and other current assets		569,165	(70,881,119)
Margin deposits from clearing participants		19,030,340	-
Members' contribution to clearing house funds		3,147,217	-
Accounts payable		(10,069,195)	18,115,824
Balance due to Capital Market Authority		10,428,584	(34,330,800)
Deferred revenue		88,497	(1,598,140)
Accrued expenses and other current liabilities		41,597,951	15,881,400
Cash generated from operations		636,733,606	68,459,566
Employees' end-of-service benefits paid	15	(2,872,352)	(14,279,612)
Net cash generated from operating activities		633,861,254	54,179,954

Consolidated statement of cash flows

For the year ended 31 December 2020
(Saudi Arabian Riyals)

	Notes	2020	2019
Cash flows from investing activities			
Purchase of investments		(2,558,201,111)	(1,219,357,541)
Additional investment in equity-accounted investee		(210,000,000)	-
Proceeds from disposal of investments		2,065,902,889	1,306,182,897
Proceeds from maturity of Sukuk		75,000,000	-
Purchase of intangible assets and property and equipment		(45,676,373)	(94,111,745)
Net cash used in investing activities		(672,974,595)	(7,286,389)
Cash flows from financing activities			
Dividends paid	33	(120,000,000)	(120,000,000)
Lease rentals paid		(12,576,150)	(21,584,616)
Net cash used in financing activities		(132,576,150)	(141,584,616)
Net increase/(decrease) in cash and cash equivalents		(171,689,491)	(94,691,051)
Cash and cash equivalents at the beginning of the period		268,487,867	363,178,918
Cash and cash equivalents at end of the period	12	96,798,376	268,487,867
Non-cash supplemental information			
Conversion of Sukuk investment to equity-accounted investee	6	130,000,000	-
Dividend income capitalized		11,367,239	12,782,200

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(Saudi Arabian Riyals)

1. GENERAL

Saudi Stock Exchange Company (Tadawul" or 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). As at 31 December 2020, the authorized, issued and fully paid-up share capital of the Company is SAR 1,200 Mn (31 December 2019: SAR 1,200 million) divided into 120 million shares (31 December 2019: 120 million shares) of SAR 10 each and is 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 2020 and 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 2020 and 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.

Tadawul Advance Solution Company ("TASC")

The Company's Board of Directors in their meeting dated 19/04/2020 under a decision number 02-02-2020 approved the formation of a new company, Tadawul Advance Solutions Company ("TASC"). TASC was registered as a closed joint stock company in Riyadh under Commercial Registration number 1010656577 dated 11/02/1442 (corresponding to 28/09/2020) with an authorized share capital of SAR 300 Mn divided into 30 million shares of SAR 10 each.

As at 31 December 2020, the Company held 100 percent of the issued shares capital of TASC. The main objective of TASC is to provide financial technology solutions, research and development in the field of engineering and technology, market research and opinion polls.

Significant event

The COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing a "second wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the unprecedented yet effective measures taken by the Government.

Recently, number of COVID-19 vaccines have been developed and approved for mass distribution by various governments around the world. The Government has also approved vaccines

Notes to the consolidated financial statements

For the year ended 31 December 2020
(Saudi Arabian Riyals)

1. GENERAL (CONTINUED)

Significant event (Continued)

which have begun to roll out and will be available to the masses in general during 2021.

These events have impacted the businesses and economies. The management of the Group is continuously monitoring the situation and its impact on the Group's operation, cash flows and financial position. Management believes, based on their assessment, that the Group has sufficient liquidity available to continue to meet its financial commitments for the foreseeable future as and when they become due.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the 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") and in compliance with the provisions of the Regulations for Companies in the Kingdom of Saudi Arabia and the By-laws of the Group.

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 employees' end-of-service benefits which is measured using actuarial techniques, using the accrual basis of accounting and the going concern concept.

2.3 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.

2.4 Critical accounting estimates and judgments

The preparation of these consolidated financial statements in conformity with the International Financial Reporting Standards

("IFRS") requires management to make judgments, estimates 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	3.5
Useful lives of intangible assets	3.6
Allowance for credit loss on investments at amortized cost	3.4
Allowance for credit losses on accounts receivables	3.4
Valuation of the employees' end-of-service benefits liability	3.11

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below:

3.1 New accounting policies adopted during the year

Deposits with the Saudi Central Bank ("SAMA")

Cash received from the clearing members to cover initial and variation margins and default fund contributions are deposited with the Saudi Central Bank ("SAMA"). Moreover, the Group has also made an initial deposit as required by the Capital Market Authority ("CMA").

Margin deposits from clearing members

The Group receives margin deposits from its clearing members as collateral in connection with the outstanding derivative contracts between the Group and its members. The obligation to refund the margin deposits is recognized and presented as margin deposits from clearing participants under current liabilities. Liabilities held in this category are initially recognized at fair value and subsequently re-measured at amortized cost using the effective interest rate method.

Notes to the consolidated financial statements

For the year ended 31 December 2020
(Saudi Arabian Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Members' contributions to clearing house funds

This represents a prefunded default arrangement that is composed of assets contributed by the Group's participants that may be used by the Group in certain circumstances to cover losses or liquidity pressures resulting from participant defaults. These balances are included under current liabilities. Liabilities held in this category are initially recognized at fair value and subsequently remeasured at amortized cost using the effective interest rate method.

3.2 Changes in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual audited consolidated financial statements for the year ended 31 December 2019. Based on the adoption of these amendments and in consideration of current economic environment, the following accounting policies are applicable effective 1 January 2020 replacing, amending or adding to the corresponding accounting policies set out in 2019 annual audited consolidated financial statements.

Amendments and interpretations adopted in preparation of these consolidated financial statements

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2020. The management has assessed that the amendments have no significant impact on the Group's financial statements.

- Amendments to IFRS 3: Definition of a Business;
- Amendments to IAS 1 and IAS 8: Definition of Material;
- Amendments to References to the Conceptual Framework in IFRS Standards; and
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform – Phase 1

New standards and amendments issued but not yet effective and not early adopted

The accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Group's accounting year beginning on or after 1 January 2021 are listed below. The Group has opted not to early adopt these pronouncements and do not expect these to have significant impact on the consolidated financial statements.

- COVID-19 – Related Rent Concessions (Amendments to IFRS 16);
- IFRS 17 – Insurance contracts, applicable for the period beginning on or after 1 January 2023;

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current, applicable for the period beginning on or after 1 January 2022;
- Onerous contracts – Cost of Fulfilling a contract (Amendments to IAS 37);
- Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16); and
- Reference to Conceptual Framework (Amendments to IFRS 3)

The management of the Group anticipates that the application of these new standards and amendments in the future will not have significant impact on the amounts reported.

3.3 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.

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.

3.4 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.

Notes to the consolidated financial statements

For the year ended 31 December 2020
(Saudi Arabian Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

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 FVTPL

Financial assets at fair value through profit or loss comprise investments in equity securities that do not qualify for measurement at either amortized cost or at FVOCI.

Financial instruments held at FVTPL are initially recognized at fair value, with transaction cost recognized in the statement of profit or loss as incurred. Subsequently, they are measured at fair value and any gains and losses are recognized in the statement of profit or loss as they arise.

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 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.

Notes to the consolidated financial statements

For the year ended 31 December 2020
(Saudi Arabian Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

iv. Offsetting

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 being 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 impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

Expected credit loss shall be measured and provided either at an amount equal to (a) 12 month expected losses; or (b) lifetime expected losses. If the credit risk of the financial instrument has not increased significantly since inception, then an amount equal to 12 month expected loss is provided. In other cases, lifetime credit losses shall be provided. For trade receivables with a significant financing component a simplified approach is available, whereby an assessment of increase in credit risk need not be performed at each reporting date. Instead, the Group can choose to provide for the expected losses based on lifetime expected losses. The Group has chosen to avail the option of lifetime expected credit losses (“ECL”). For trade receivables with no significant financing component, the Group is required to follow lifetime ECL.

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.

3.5 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.

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.

Notes to the consolidated financial statements

For the year ended 31 December 2020
(Saudi Arabian Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 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 6 years.

Work in progress is stated at cost until the development of software are complete and installed. The software are developed by third parties to Group's specification. Upon the completion and installation, the cost together with cost directly attributable to development and installation are transferred to the intangibles. No amortization is charged on work in progress.

3.7 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 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.

3.8 Investments in 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.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is any objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the loss in the consolidated statement of profit and loss.

3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on 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.

Notes to the consolidated financial statements

For the year ended 31 December 2020
(Saudi Arabian Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 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.

3.11 Employees' end-of-service benefits liability

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

The Group's net obligation in respect of employees' end-of-service benefits is calculated 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.

Re-measurements, comprising 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. Re-measurements 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; and
- Interest expense.

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

3.12 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.

Notes to the consolidated financial statements

For the year ended 31 December 2020
(Saudi Arabian Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Revenue recognition (Continued)

The trading commission revenue is recognized at the trade date to which the transaction pertains when the obligation to provide trade services has been fulfilled. Part of total commissions and services provided by the Group are deducted in favor of CMA.

The Group charges a listing fee service, which represents initial subscription fees of the listed companies in addition to the annual renewal fees.

Listing fee is collected semi-annually and is recorded as unearned revenues (deferred revenue) and is subsequently recognized in the consolidated statement of profit or loss on a straight line basis over the period to which the fee relates, as it reflects the extent of the Group's progress towards completion of the performance obligation under the contract.

Securities depository services includes multiple revenue streams which pertains to Edaa. Most significant component of this revenue stream relates to registry services. Registry fee is collected annually at the start of the year and is recorded as unearned revenue (deferred income) and is subsequently recognized in the consolidated statement of profit or loss on a straight line basis over the period to which the fee relates, as it reflects the extent of the Group's progress towards completion of the performance obligation under the contract.

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.

3.13 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.

3.14 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 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.

3.15 Zakat

Based on Royal Decree 35657 issued on 29/6/1442H, the Group is subject to Zakat in accordance with the Zakat regulation issued by the General Authority for Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia effective 1 January 2020. Zakat is recognized in profit or loss. Zakat is levied at a fixed rate of 2.5% of the Zakat base as defined in the Zakat regulations.

Additional Zakat calculated by GAZT, if any, related to prior years is recognized in the year in which final declaration is issued.

3.16 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.

3.17 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

Notes to the consolidated financial statements

For the year ended 31 December 2020
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Fair value measurement (Continued)

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.

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 re-assessing 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 re-measured or re-assessed 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.

3.18 Right-of-Use assets and lease liabilities

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of identified asset for a period of time in exchange for consideration.

As a lessee:

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred at and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; - variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items relating to office equipment.

Notes to the consolidated financial statements

For the year ended 31 December 2020
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Right-of-Use assets and lease liabilities (Continued)

As a lessor:

The Group does not have any contracts in capacity of lessor.

3.19 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 realised or intended to sell or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised 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.

Notes to the consolidated financial statements

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4. PROPERTY AND EQUIPMENT

	Land	Building	Furniture and fixtures	Computers	Office equipment	Vehicles	Total
Cost:							
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
Balance as at 1 January 2020	2,310,985	618,248	22,012,162	105,474,040	18,781,964	1,656,350	150,853,749
Additions	-	141,755	35,085	12,455,164	325,042	-	12,957,046
Disposals	-	-	-	(153,594)	-	-	(153,594)
Balance as at 31 December 2020	2,310,985	760,003	22,047,247	117,775,610	19,107,006	1,656,350	163,657,201
Accumulated depreciation:							
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
Balance as at 1 January 2020	-	89,302	16,409,766	102,235,984	16,892,547	1,532,746	137,160,345
Charge for the year	-	20,608	610,572	3,958,461	555,493	123,604	5,268,738
Disposals	-	-	-	(153,594)	-	-	(153,594)
Balance as at 31 December 2020	-	109,910	17,020,338	106,040,851	17,448,040	1,656,350	142,275,489
Net book value:							
As at 31 December 2020	2,310,985	650,093	5,026,909	11,734,759	1,658,966	-	21,381,712
As at 31 December 2019	2,310,985	528,946	5,602,396	3,238,056	1,889,417	123,604	13,693,404

Property and equipment include work in progress amounting to SAR 2 Mn (2019: SAR 1.6 Mn). Work in progress is not depreciated until the asset is placed in service.

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5. INTANGIBLE ASSETS

For the year ended 31 December	2020	2019
Cost:		
Balance at beginning of the year	396,690,327	305,731,768
Additions	32,719,327	90,958,559
Disposals/write-off	-	-
Balance at end of the year	429,409,654	396,690,327
Accumulated amortization:		
Balance at beginning of the year	220,174,152	191,109,604
Charge for the year	29,683,220	29,064,548
Disposals/write-off	-	-
Balance at end of the year	249,857,372	220,174,152
Net book value as at 31 December	179,552,282	176,516,175

Intangible assets include work in progress amounting to SAR 98.7 Mn (2019: SAR 103.7 Mn). Work in progress is not amortized until the asset is placed in service.

6. EQUITY-ACCOUNTED INVESTEE

This represents the Group'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 through voting rights. As at 31 December 2020, the Group owns 33.12% (31 December 2019: 20%) share capital of the Associate. The main activity of the Associate is to develop a commercial office tower in King Abdullah Financial District, Riyadh, where the Group expects to be headquartered.

The movement of investment in the Associate is as follows:

For the year ended 31 December	2020	2019
Balance at beginning of the year	40,996,978	42,607,073
Additional investment during the year	340,000,000	-
Share of loss for the year	(2,101,685)	(1,610,095)
Balance at end of the year	378,895,293	40,996,978

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6. EQUITY-ACCOUNTED INVESTEE (CONTINUED)

The following table summarizes the financial information of the Associate as included in the audited financial statements as of 31 December 2020 and 31 December 2019:

	31 December 2020	31 December 2019
Summarized statement of financial position		
Total current assets	298,827,419	230,738,931
Total non-current assets	1,925,466,589	1,258,086,427
Total current liabilities	969,825,327	458,032,604
Total non-current liabilities	47,354,400	674,805,324
Net assets (100%)	1,207,114,281	355,987,430
Summarized statement of comprehensive income		
Total comprehensive loss for the year	8,873,149	6,244,803

The Group has recognized its share of loss for the year ended 31 December 2020, based on the 2020 audited financial statements of the Associate. The financial restructuring of the Associate was completed during the year 2020. The restructuring involved conversion of investment of the Group in the Associate in the form of Sukuk amounting to SAR 130 Mn (Note 7) to equity investment. Furthermore, the Company made additional equity investment amounting to SAR 210 Mn to the Associate. These transactions were approved by the Group's Board of Directors on 19 April 2020. This restructuring has not resulted to the Group to gain control over the Associate.

7. INVESTMENTS

Investment securities portfolios are summarized as follows:

	Notes	31 December 2020	31 December 2019
Non-current			
Investments at amortized cost	7.1	101,267,886	231,554,876
		101,267,886	231,554,876
Current			
Investments at amortized cost	7.3	–	75,000,000
Investments at FVTPL	7.4	3,103,518,964	2,585,288,572
		3,103,518,964	2,660,288,572

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7. INVESTMENTS (CONTINUED)

7.1 Investments at amortized cost – non-current

This represents investment in Sukuk issued by counter parties operating in Kingdom of Saudi Arabia having sound credit ratings. These Sukuks carry an average commission rate of 2.50% per annum during 2020 (2019: 2.7%). The details of these investments are as follow:

Description	Notes	31 December 2020	31 December 2019
General Authority of Civil Aviation		100,000,000	100,000,000
Tadawul Real Estate Company	7.1.1	–	130,000,000
Accrued income		1,311,751	2,674,804
Impairment loss on investments at amortized cost	7.2	(43,865)	(1,119,928)
		101,267,886	231,554,876

7.1.1 Tadawul Real Estate Company Sukuk which was held by the Group previously was converted to equity investment during the year ended 31 December 2020 (refer to Note 6).

7.2 The movement of the expected credit losses on investment held at amortized cost is summarized as follows:

	31 December 2020	31 December 2019
Balance at the beginning of the year	1,119,928	1,462,752
Reversal for the year	(1,076,063)	(342,923)
Balance at the end of the year	43,865	1,119,928

7.3 Investments at amortized cost – current

Description	31 December 2020	31 December 2019
Savola Group Company Sukuk	–	75,000,000
Total	–	75,000,000

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

This represents investment in units 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 2020		31 December 2019	
	Cost	Fair value	Cost	Fair value
Money market funds	3,017,198,517	3,074,346,514	2,458,092,921	2,548,344,972
Real estate funds	40,000,000	29,172,450	40,000,000	36,943,600
Total	3,057,198,517	3,103,518,964	2,498,092,921	2,585,288,572

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8. RIGHT-OF-USE ASSETS

	31 December 2020	31 December 2019
Balance at beginning of the year	11,271,347	25,698,494
Additions	21,846,997	-
Depreciation charge for the year	(13,261,618)	(14,427,147)
Balance at end of the year	19,856,726	11,271,347

9. ACCOUNT RECEIVABLES

	Notes	31 December 2020	31 December 2019
Account receivables:			
- Related parties	28.1	7,217,825	10,136,265
- Others		76,760,587	37,921,349
Less: Allowance for credit losses	9.1	(26,613,594)	(6,877,735)
		57,364,818	41,179,879

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

For the year ended 31 December	2020	2019
Balance at the beginning of the year	6,877,735	6,729,241
Charge for the year	19,735,859	148,494
Balance at the end of the year	26,613,594	6,877,735

10. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	Notes	31 December 2020	31 December 2019
Advance against purchase of property	10.1	77,500,000	77,500,000
Prepaid insurance expenses		7,770,332	7,767,406
Accrued operational revenue		10,108,448	5,551,232
Advance to employees		2,875,632	6,232,881
Prepaid maintenance expenses		1,418,613	1,328,331
Value-added tax (VAT) receivable, net		-	745,507
Other receivables		2,598,810	3,715,643
		102,271,835	102,841,000

10.1 This represents advance paid to purchase a property for establishing the data center in King Abdullah Financial District.

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11. DEPOSITS WITH SAUDI CENTRAL BANK ("SAMA")

This represents cash collateral received from clearing participants in the form of initial margin, variation margin and default fund. It also includes SAR 10 Mn deposited by the Group as per CMA guidelines. Commission is earned on such deposits, part of the commission is booked by the Group and the clearing members' share of the commission is added to their collateral accounts.

12. CASH AND CASH EQUIVALENTS

	Note	31 December 2020	31 December 2019
Cash at banks – current accounts		96,798,376	142,140,619
Short-term Murabaha placement	12.1	-	126,347,248
		96,798,376	268,487,867

12.1 Short-term Murabaha placement was with a counter party having sound credit rating. This placement had an original maturity period of less than three months and carried an average special commission rate of 2.45% per annum. This Murabaha matured in the month of January 2020 and was not renewed.

13. STATUTORY RESERVE

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

14. 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 headquarter in 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 had resolved, according to a decision number 6/8/2008, to transfer such balance of the contractual reserve to a general reserve.

15. EMPLOYEES' END-OF-SERVICE BENEFITS LIABILITY

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

For the year ended 31 December	2020	2019
Balance at beginning of the year	77,294,401	72,059,827
Current service cost	9,028,207	7,941,617
Interest cost	2,272,055	3,024,828
Amount recognized in profit or loss	11,300,262	10,966,445
Re-measurement loss recognized in other comprehensive income	5,301,735	8,547,741
Benefits paid during the year	(2,872,352)	(14,279,612)
Balance at the end of the year	91,024,046	77,294,401

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15. EMPLOYEES' END-OF-SERVICE BENEFITS LIABILITY (CONTINUED)

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

	31 December 2020	31 December 2019
Present value of benefit liability	91,024,046	77,294,401
Fair value of plan assets	-	-
Net defined benefit liability	91,024,046	77,294,401

15.2 Remeasurement loss recognized in other comprehensive income for the year is as follows:

For the year ended 31 December	2020	2019
Effect of changes in financial assumptions	5,930,906	6,881,144
Effect of changes in demographic assumptions	-	-
Effect of experience adjustments	(629,171)	1,666,597
Remeasurement loss recognized in other comprehensive income	5,301,735	8,547,741

15.3 Principal actuarial assumptions

	31 December 2020	31 December 2019
Key actuarial assumptions		
Discount rate used (%)	1.85	2.85
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 un-funded) 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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15. EMPLOYEES' END-OF-SERVICE BENEFITS LIABILITY (CONTINUED)

15.4 Maturity profile of the defined benefit liability

	2020	2019
Weighted average duration (years)	7.82	7.48
Distribution of timing of benefit payments:		
Years	Amount	Amount
1	10,186,507	6,031,485
2	12,717,122	8,573,188
3	8,549,431	7,722,731
4	8,229,939	5,562,937
5	8,793,346	5,380,932
6-10	51,312,962	33,863,686

15.5 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 2020		31 December 2019	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	90,624,158	98,126,361	76,620,657	82,666,148
Future salary growth (0.5% movement)	96,337,369	92,251,617	81,214,900	77,945,735

15.6 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.

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16. LEASE LIABILITY

This represents amount of lease liability as per IFRS 16 for the rented offices of the Company.

Following are the classification and maturity analysis of lease liabilities into current and non-current:

	Future minimum lease payments	Interest	Present value of minimum lease payments
Current	9,381,700	253,057	9,128,643
Non-current	5,037,933	379,585	4,658,348
	14,419,633	632,642	13,786,991

17. MARGIN DEPOSITS FROM CLEARING PARTICIPANTS

	Notes	31 December 2020	31 December 2019
Clearing members house collateral	17.1	1,001,361	-
Clearing members client collateral	17.2	16,539,779	-
Clearing members initial margin	17.3	1,489,200	-
		19,030,340	-

17.1 This represents cash collateral received from clearing members on their own account.

17.2 This represents cash collateral received from clearing members on account of their customers.

17.3 This represents cash collateral from clearing members highlighting values with position.

18. MEMBERS' CONTRIBUTION TO CLEARING HOUSE FUNDS

This represents prefunded default arrangement that is composed of assets contributed by clearing member that may be used by the Group in certain circumstances to cover the losses or liquidity pressure resulting from participant defaults.

19. ACCOUNT PAYABLES

	Note	31 December 2020	31 December 2019
Trade payables			
Others		81,667,208	96,877,390
Related parties	28.3	13,647,463	8,506,476
		95,314,671	105,383,866

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20. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	31 December 2020	31 December 2019
Accrued employees expenses	94,647,318	67,464,699
Accrued social insurance – General Organization for Social Insurance	2,108,213	2,007,831
Value added tax (VAT), net	10,195,945	-
BOD payable	5,470,358	-
Others	4,194,449	5,545,802
	116,616,283	75,018,332

21. ZAKAT PAYABLE

Effective 1 January 2020, the Group is subject to Zakat in accordance with the Zakat regulation issued by GAZT based on Royal Decree 35657 issued on 29/6/1442H. The Group is yet to file its consolidated Zakat return for the Company and its wholly-owned subsidiaries with GAZT. Zakat charge for the year amounted to be SAR 92.34 Mn.

	31 December 2020
Share capital	1,200,000,000
Statutory reserve	326,911,746
General reserve	1,114,180,214
Retained earnings	618,313,284
Liabilities and provisions	98,310,239
Non-current assets	(721,787,698)
Zakat base	2,635,927,785
Zakat %	2.5847
	68,130,825
Adjusted profit	617,217,951
Zakat %	2.5
	15,430,449
Zakat charge for the year	83,561,274

Movement of Zakat is as follows:

	31 December 2020
Balance at the beginning of the year	-
Charge for the year	83,561,274
Balance at the end of the year	83,561,274

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22. OPERATING REVENUE

For the year ended 31 December	Notes	2020	2019
Trading commission	22.1	767,002,623	317,830,780
Securities depository services		132,255,954	123,287,116
Market information services		112,495,753	61,345,104
Listing fee		65,340,676	60,615,484
Clearing fees	22.2	943,253	-
Membership		416,967	-
Other		1,179,864	1,669,415
		1,079,635,090	564,747,899

22.1 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 instructions; and
- The Group is entitled to keep 100% of operating revenue (except trading commission, which is subject to the above-mentioned financial return sharing arrangement).

22.2 This represents income from activities in derivative market.

23. 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	2020	2019
CMA fees	23.1	91,000,000	79,000,000
Salaries and related benefits		134,131,451	119,098,176
Consultancy		3,469,564	7,206,119
Maintenance		54,307,911	41,060,572
Depreciation and amortization		31,808,960	29,315,749
Data network lines		11,515,517	26,094,087
Utilities		974,729	1,230,843
Security expense		2,071,007	1,998,109
Hospitality and cleaning		1,740,702	1,992,157
Credit loss on accounts receivable	9.1	19,735,859	148,493
SAREE system usage fees		1,099,000	1,016,000

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23. OPERATING COSTS (CONTINUED)

For the year ended 31 December	Notes	2020	2019
Communication		447,258	366,658
Business trip		68,192	351,677
Marketing and sponsorship		459,632	10,205,894
License fees		910,744	654,431
Training		(71,721)	3,911,452
Others		2,815,688	2,477,699
		356,484,493	326,128,116

23.1 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 and CMA Board decision No. (3-2-2019) dated 7 January 2019.

24. GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended 31 December	2020	2019
Salaries and related benefits	126,096,173	123,513,152
Consultancy	11,073,105	17,097,581
Maintenance	3,958,241	3,792,500
Depreciation and amortization	16,404,616	22,497,007
Board of Directors' remuneration	6,254,359	5,437,049
Security expense	1,863,725	1,791,059
Utilities	870,601	1,073,158
Hospitality and cleaning	1,861,712	1,792,885
Communications	324,716	947,702
Business trip	283,371	437,812
Trading activities insurance contracts	1,036,418	657,207
Training	2,562,074	5,356,816
Stationery and office supplies	281,323	378,457
Marketing and sponsorship	2,087,106	3,257,249
License fees	2,166,835	1,800,433
Data network lines	24,173	11,664
Others	3,096,312	7,118,878
	180,244,860	196,960,609

Salaries, consultancy and maintenance expenses pertaining to 2019 amounting to SAR 10.9 Mn, SAR 4.2 Mn and SAR 8.7 Mn, respectively, were reclassified from General and administrative expenses to Operating costs in the comparative period. This reclassification is to conform with the current year presentation as a result of a more rigorous assessment made during 2020.

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25. INVESTMENT INCOME

For the year ended 31 December	2020	2019
Special commission income	2,856,686	25,901,398
Dividend income	11,367,239	12,782,200
Realized gain on investments, net	15,751,508	5,425,998
Unrealized gain on investments, net	8,817,609	50,234,343
Commission from SAMA deposits	4,103	-
Total	38,797,145	94,343,939

26. 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 2020, totaling 120 million shares (31 December 2019: 120 million shares).

27. 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 2020	31 December 2019
Purchase of assets	21,651,765	13,593,996
Committed expenditure	24,838,057	9,839,370
Letter of guarantee	11,300,000	11,300,000
Total	57,789,822	34,733,366

28. 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.

28.1 The significant transactions with related parties during 2020 in relation to the Group's core activities are as follows:

Nature of relationship	Nature of transactions			Year ended 31 December 2020
	Sales and marketing	Securities depository services	Securities clearing services	
Affiliates	75,733,048	23,163,779	190,111	99,086,938
Board of Directors	3,356,070	-	-	3,356,070
Board of Directors/Affiliates	561,295,279	-	-	561,295,279
Total	640,384,397	23,163,779	190,111	663,738,287

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28. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

Nature of relationship	For the year ended 31 December 2020			
	Opening balance	Invoiced	Collections	Ending balance
Affiliates	6,286,548	99,086,938	(102,549,637)	2,823,849
Board of Directors	1,185,250	3,356,070	(4,541,320)	-
Board of Directors/Affiliates	2,559,467	561,295,279	(559,460,770)	4,393,976
The Associate	105,000	-	(105,000)	-
Total	10,136,265	663,738,287	(666,656,727)	7,217,825

Nature of relationship	Nature of transactions		31 December 2019
	Sales and marketing	Securities depository services	
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

Nature of relationship	For the year ended 31 December 2019			
	Opening balance	Invoiced	Collections	Ending balance
Affiliates	3,134,914	171,143,505	(167,991,871)	6,286,548
Board of Directors	2,486,452	62,608,472	(63,909,674)	1,185,250
Board of Directors/Affiliates	6,955,800	107,950,564	(112,346,897)	2,559,467
The Associate	105,000	105,000	(105,000)	105,000
Total	12,682,166	341,807,541	(344,353,443)	10,136,265

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

Nature of relationship	For the year ended 31 December 2020			
	Opening balance	Purchases/(Disposals)	Unrealized gain	Ending balance
Board of Directors	1,395,019,617	(269,427,458)	17,241,287	1,142,833,446

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

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28. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

Nature of relationship	For the year ended 31 December 2020			
	Opening balance	Services received	Payments made	Ending balance
Affiliates	7,462,036	10,581,360	(10,293,450)	7,749,946
Board of Directors	1,044,440	6,769,077	(1,909,826)	5,903,691
Total	8,506,476	17,350,437	(12,203,276)	13,653,637

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	(5,975,032)	1,044,439
Total	6,953,881	18,105,521	(16,552,925)	8,506,476

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

The above balance has been converted and transferred from investment (Sukuk) to equity-accounted investee during the year ended 31 December 2020 (refer to Note 6).

29. 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.

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.

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29. SEGMENT INFORMATION (CONTINUED)

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.

2020	Markets	Edaa	Muqassa	Derivatives	Market information	Corporate	Total
Operating revenues	454,435,197	511,328,368	441,819	933,953	112,495,753	-	1,079,635,090
Net income/(loss)	308,924,148	279,659,576	(70,909,803)	(22,828,877)	85,901,318	3,333,782	584,080,144
Total assets	-	777,018,280	228,684,367	-	-	3,087,382,803	4,093,085,450
Total liabilities	-	70,026,151	44,959,059	-	-	259,916,587	374,901,797

2019	Markets	Edaa	Muqassa	Derivatives	Market information	Corporate	Total
Operating revenues	221,906,317	281,496,478	-	-	61,345,104	-	564,747,899
Operations income/(loss)	86,520,412	91,711,848	(42,935,462)	(25,582,746)	34,043,912	9,535,822	153,293,786
Total assets	-	548,679,850	130,041,282	-	-	2,868,108,966	3,546,830,098
Total liabilities	-	39,457,182	25,130,752	-	-	222,836,920	287,424,854

30. 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

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. Furthermore, 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 organisational 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 pre-defined risk appetite.

Notes to the consolidated financial statements

For the year ended 31 December 2020
(Saudi Arabian Riyals)

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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

30.1 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	2020	2019
Effect on profit for the period	31,035,190	25,852,885

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

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.

Commission rate risk

Commission risk is represented by the exposure to multiple risks related to the impact of changes in commission rates in the market on the Group's financial position and cash flows. The Group monitors the fluctuations in commission rates and believes that the impact of commission rates risk is not significant as financial instruments held by the Group are not exposed to variable commission rate risk.

30.2 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 2020	31 December 2019
Cash and cash equivalents	96,798,376	268,487,867
Investments at amortized cost	101,311,751	308,794,732
Deposits with SAMA	32,177,558	-
Accounts receivable	83,978,412	48,057,614
Accrued operational revenue	10,108,448	5,551,232
Advance to employees	2,875,632	6,232,881
Other receivables	2,598,810	3,715,643
	329,848,987	640,839,969

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:

Long term	Fitch		Moody's	
	Short term	Long term	Short term	
BBB+	F2	A1	P-1	

Account receivables

Account receivables are shown net of allowance for credit losses. The Group applies IFRS 9 simplified approach in 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.

Accrued operational revenue

Accrued operating revenue represents earned revenue which is yet to be billed to the customers. These are short-term in nature and from low credit risk counterparties.

Notes to the consolidated financial statements

For the year ended 31 December 2020
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30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.2 Credit risk (Continued)

Other receivables

Other receivables represent receivables from low credit risk counterparties and is short-term in nature.

Investments at amortized cost

Investments at amortized cost represents Sukuk with General Authority of Civil Aviation (GACA). Such Sukuk is backed by the Saudi government therefore credit risk is assessed as low.

30.3 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 2020.

	Weighted average loss rate (%)	Gross carrying amount	Loss allowance	Credit impaired
0-30 days (not past due)	27.03	72,286,524	19,539,792	No
30-60 days	1.34	519,181	6,963	No
61-90 days	2.88	159,588	4,602	No
91-120 days	4.44	74,013	3,283	No
121-180 days	18.05	308,439	55,679	Yes
181-360 days	45.13	2,012,859	908,403	Yes
More than 360 days past due	70.72	8,616,658	6,094,872	Yes
		83,978,412	26,613,594	

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)	0.31	33,543,951	103,190	No
30-60 days	2.00	1,261,061	25,233	No
61-90 days	2.99	2,392,842	71,536	No
91-120 days	4.51	435,539	19,647	No
121-180 days	18.17	2,571,107	467,183	Yes
181-360 days	45.43	2,077,669	943,808	Yes
More than 360 days past due	90.85	5,775,445	5,247,138	Yes
		48,057,614	6,877,735	

Notes to the consolidated financial statements

For the year ended 31 December 2020
(Saudi Arabian Riyals)

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.4 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.

30.5 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 2020			31 December 2019		
	Less than 12 months	More than 12 months	Total	Less than 12 months	More than 12 months	Total
Cash and cash equivalents	96,798,376	-	96,798,376	268,487,867	-	268,487,867
Deposits with SAMA	32,177,558	-	32,177,558	-	-	-
Investments	3,104,830,715	100,000,000	3,204,830,715	2,662,963,376	230,000,000	2,892,963,376
Account receivables	57,364,818	-	57,364,818	41,179,879	-	41,179,879
Accrued operational revenue	10,108,448	-	10,108,448	5,551,232	-	5,551,232
Advance to employees	2,875,632	-	2,875,632	6,232,881	-	6,232,881
Other receivables	2,598,810	-	2,598,810	3,715,643	-	3,715,643
Total financial assets	3,306,754,357	100,000,000	3,406,754,357	2,988,130,878	230,000,000	3,218,130,878
Margin deposits from clearing participants	19,030,340	-	19,030,340	-	-	-
Members' contribution to clearing house funds	3,147,217	-	3,147,217	-	-	-
Lease liability	9,128,643	4,658,348	13,786,991	4,263,087	-	4,263,087
Accounts payable	95,314,671	-	95,314,671	105,383,866	-	105,383,866
Balance due to CMA	32,758,785	-	32,758,785	22,330,201	-	22,330,201
Accrued expenses and other current liabilities	104,312,125	-	104,312,125	73,010,501	-	73,010,501
Employees' end-of-service benefits liability	-	91,024,046	91,024,046	-	77,294,401	77,294,401
Total financial liabilities	263,691,781	95,682,394	359,374,175	204,987,655	77,294,401	282,282,056
Net financial assets	3,043,062,576	4,317,606	3,047,380,182	2,783,143,223	152,705,599	2,935,848,822

Notes to the consolidated financial statements

For the year ended 31 December 2020
(Saudi Arabian Riyals)

31. 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.

	31 December 2020				
	Carrying value	Fair value			Total fair value
Level 1		Level 2	Level 3		
Investments					
FVTPL	3,103,518,964	-	3,103,518,964	-	3,103,518,964

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

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 2020 (31 December 2019: Nil).

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For the year ended 31 December 2020
(Saudi Arabian Riyals)

32. SUBSEQUENT EVENTS

Subsequent to the year-end as discussed in Note 3.14, Royal Decree 35657 was issued on 29/6/1442 H whereby the Group was subjected to Zakat effective 1 January 2020. Based on management assessment, this event was accounted as an adjusting event for the year ended 31 December 2020.

Apart from the above, there is no event subsequent to the year-end which requires adjustment to or disclosure in these consolidated financial statements.

33. DIVIDEND

The ordinary assembly meeting held on 09 Dhul-Qadah 1441 H (corresponding to 30 June 2020) approved the payment of dividends to shareholders for the year ended 31 December 2019 amounting to SAR 120,000,000 (31 December 2019: SAR 120,000,000).

34. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Board of Directors on 15 Shaban 1442 H corresponding to 28 March 2021.

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 Amortization
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 TADAWUL GROUP

Registered logo



Legal form

The Saudi Tadawul Group, formally known as 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.

Subsidiary companies

Name of Subsidiary	Ownership	Country of operation	Country of establishment
Saudi Exchange	100%	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
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
Wamid (Tadawul Advanced Solutions Company)	100%	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

Auditors

KPMG Professional Services

Head office/Registered office

Saudi Tadawul Group

6897 King Fahd Road – Al Olaya

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