SAB الأول

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IN THIS EDITION ...

Saudi women are making their mark on the kingdom's economy. Latest data from the General Authority for Statistics (GASTAT) show unemployment rate among Saudi women declined to 15.4% in the fourth quarter of 2022, a much lower number compared to the past few years.

Together with the decline in women's unemployment, the ratio of employed women to the population rose to 30.4% in the fourth quarter of 2022, compared to 27.6% during the same period in 2021. Overall, 1.47 million were employed by the last quarter of 2022, compared to 1.23 million in Q4 of 2021. The private sector employed just over 861,000 women, with government entities employing just more than 609,000 Saudi women, data shows.

"The total number of women workers subject to the social insurance laws and regulations reached 970,330, where the highest number of female workers was in wholesale and retail trade activity and repair of motor vehicles and motorcycles, amounting to 192,952 female workers, followed by construction activity with 139,654 female workers, and human health and social work activities with 111,052 female workers," GASTAT said.

Tourism emerged as an especially viable sector for Saudi women with the industry employing just over 66,845 according to latest available data, with catering and beverage entities employing 41,000 women, and accommodation activity recruiting more than 10,000 women.

Saudi women also showed their entrepreneurial skills, taking advantage of the Ministry of Human Resources and Social Development's freelance certificate programme to boost women's earning options and improve their skills and expertise in a variety of business disciplines. The number of certificates issued to women in 2021 was (961,189), more than the number issued in 2020 (105,518), and considerably higher than the just under 8,000 certificates issued in 2019.

Business, management and law was the most popular discipline for higher education with 48,000 female graduates in the field, followed by over 33,0000 in arts and humanities, and more than 16,000 in education.

The rise of Saudi women in the economy is further bolstering the kingdom's non-oil economy and will help the country achieve its ambitious Vision 2030 goals.

ECONOMY

Oil revenues slumped in the first six months of 2023, but the non-oil sector stepped up to the plate with a double-digit increase compared to the same period in 2022.

Read More...

NIDLP

A programme associated with the country's Vision 2030 strategy made significant progress in attracting investments and generating jobs in industries, mining, energy, logistics and transportation.

Read More...

OIL&GAS

The world's largest oil producer remains resilient in the midst of market conditions that have seen hydrocarbon prices taking a hit and forcing energy exporters to cut supplies.

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RENEWABLE ENERGY

Saudi Arabia and Japan share a common vision of advancing the delivery of clean energy worldwide, while the kingdom also facilitates other projects to shore up its green transformation.

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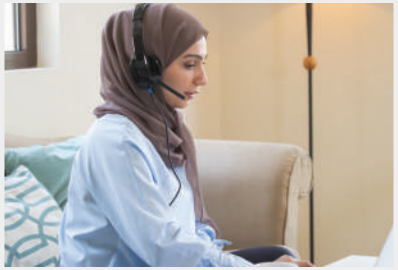

SME

Capital poured into small and medium enterprises in the kingdom has been the highest in the Middle East and North Africa, with particular focus on e-commerce, retail and tourism companies.

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NON-OIL SECTOR SUSTAINS SAUDI'S GROWTH MOMENTUM

Saudi Arabia posted a budget deficit of USD 1.41 billion in the second quarter of 2023, the kingdom's finance ministry reported, as lower oil revenue weighed on the economy.

The world's top oil exporter recorded a budget surplus of almost USD 30 billion in 2022, beating its own estimates, as higher oil prices boosted government revenues by 31%. The year-to-date budget deficit extended to SAR 8.2 billion, raising the possibility of a tilt into a full-year deficit in 2023 after last year's surplus.

Total revenues in the second quarter stood at SAR 314.8 billion, down 15% from the same period in 2022, while spending was up 9% year on year, at just over SAR 320 billion, the finance ministry said in its quarterly budget performance report.

Oil revenues slipped 17% during the first half to SAR 358.5 billion, while taxes on income, profit and capital gains rose 66% to SAR 24 billion. Overall, non-oil revenues rose SAR 237 billion, an 11% increase over the same period last year.

The Saudi economy grew 8.7% last year as high oil prices boosted revenue and led to the kingdom's first budget surplus in almost 10 years.

The government has forecast a second, albeit narrower, surplus this year. However, there has been a significant drop in revenue from oil exports in 2023 as lower prices and production cuts weigh. Oil revenues in the second quarter dropped 28% year on year, to SAR 179.7 billion, making up 57% of total revenue. In contrast, non-oil revenue was up 13% during the quarter.

Flash estimates from the General Authority for Statistics (GASTAT), shows the kingdom's real GDP grew 1.1% in the second quarter, compared to the same period last year. This growth was due to a 5.5% increase in non-oil activities, and a 2.7% expansion in government services activities. Meanwhile, oil activities decreased by 4.2% on an annual basis.

"Seasonally adjusted real GDP decreased by 0.1% in Q2/2023 compared to the previous quarter (Q1/2023). This effect was due to the decrease in oil activities by 1.4%. Non-oil activities increased by 1.8% and government services activities grew by 0.6% on a quarterly basis," GASTAT noted in its report.

BUSINESS SENTIMENT

Corporate and consumer sentiment also remains upbeat despite a summer slowdown. Purchasing Managers' Index (PMI) from S&P Global showed another strong performance for the non-oil private sector as favourable domestic economic conditions underpinned a sharp upturn in business activity. However, overall growth lost momentum since June, mostly reflecting the slowest rise in new work for seven months and a slightly weaker pace of job creation.

"Weaker new order growth was the main factor holding back the headline PMI in July. Although still sharp, the rate of new business expansion eased considerably after reaching its highest level for over eight years in June," S&P said in its July report. "Moreover, the latest rise in new work was the slowest for seven months. Survey respondents often commented on intense competitive pressures and subsequent price discounting to stimulate sales."
Still, business activity remained strong during the month, with manufacturing and construction companies reporting robust activity.

"Forthcoming new projects and planned business activity growth supported a sharp rise in input buying across the non-oil private sector during July," S&P noted.

PIF INVESTMENTS

Public Investment Fund (PIF), the kingdom's sovereign wealth fund, is also investing heavily on the home front to propel economic growth. Over the past month, the PIF launched a company to unlock the potential of the Saudi camel dairy industry. Sawani will work in partnership with the private sector to increase the production capacity of the camel dairy industry and boost the domestic production ecosystem by modernising operations, improving the localisation of knowledge, and investing in the sector's latest technologies.

Al Madinah Heritage Company, a separate PIF entity, is charged with focusing on raising production of Ajwa dates, but will also foster the growth and development of the wider Saudi dates industry.

"Ajwa dates are widely considered among the finest dates in the world, due to their high nutritional value and significant health benefits, and a rich source of fibre, protein antioxidants and other nutritious factors," PIF said. "In addition, Ajwa dates have a religious and cultural value in the Muslim world, and for visitors to the Madinah region, in particular."

Meanwhile, PIF also launched SRJ Sports Investments, a sports investment company that aims to accelerate the growth of the sports sector in Saudi Arabia and the rest of the Middle East and North Africa (MENA) region.

The company will invest in acquiring and creating new sports events IP, commercial rights of popular and prominent sports competitions, and hosting of major global events in Saudi Arabia, targeting businesses specialised in offering unique fan engagement activities and transformative sports technology across the industry.

The new entities are expected to generate thousands of new jobs, bring in new revenue streams for the non-oil sector, and create a fertile environment for business, investment and trade opportunities for the kingdom's private sector.

SAUDI INDUSTRIAL SECTOR ON FAST TRACK TO RECOVERY

The National Industrial Development and Logistics Program (NIDLP) has made great strides since it was launched in 2019. The Saudi Vision 2030 pillar, aimed at strengthening and expanding the country's industrial, logistics and manufacturing base, has attracted billions of dollars in capital, created jobs, and harnessed the kingdom's non-oil sector.

The NIDLP's 2022 Annual Report highlights the progress made so far, the most impressive of which is the increase of total non-oil exports to SAR 435 billion, a 38% increase over 2021. In addition, the four sectors of the programme — industries, mining, energy, and logistics and transportation — created more than 266,000 new jobs last year, bringing the total number of workers to 1.655 million.

"In the energy sector, ownership of the Saudi Power Procurement Company has been transferred to the government to enable the electricity sector to achieve its strategic objectives. As a result, the company signed power purchase agreements for renewable energy projects with total capacity of 3.2 gigawatts (GW), which will contribute to attracting investments worth SAR 9 billion. This is in addition to launching five new projects for renewable energy electricity production," according to the report.

Five new renewable energy ventures were also developed last year, including three wind energy projects in Yanbu, Al-Ghat, and Waad Al-Shamal, and two solar projects in Al-Hanakiyah and Tabarjil. With total projected capacity of 3.3 GW, these projects will attract investments totalling SAR 12 billion. The sector also achieved a 63% localisation rate for industries related to oil and gas, thus achieving the target set for 2022.

DIGGING DEEP

The country's promising mining sector achieved a second straight year of record revenues in 2022, rising to SAR 1.45 billion. This was driven by a successful tendering process completed in 2022, which saw exploration licenses granted for two important mining developments, namely Al-Kheniqiyeh mining site in Al-Quwaiiyah Governorate in the Riyadh region for SAR 255 million, which is one of the largest exploration sites in the kingdom. The area spreads over 350 square kilometres (sq km) and the mineral resources are estimated at about 25 million tonnes. The other license was awarded to explore the Umm Al-Dummar mining site, which covers an area of more than 40 sq km, and features copper, zinc, gold, and silver deposits.

In addition, a regional geological survey was completed in 2022, making new data accessible on the geological and geochemical potential of more than 25% of the Arabian Shield. Mining licenses reached 2,272 including those involving reconnaissance, exploration, mining and small-scale mine, and building materials quarry.

Ma'aden, the company leading the kingdom's mining sector also saw strong financial support with Moody's Investors Services assigning the company a long-term issuer rating of Baa1 with a 'stable' outlook, and Fitch Ratings assigning a long-term issuer default rating of BBB+, also with a 'stable' outlook. The ratings affirm Ma'aden's sustainable low-cost base, and robust financial profile, as local and international investment opportunities are assessed.

"The investment grade ratings reflect Ma'aden's diversified multi-commodity business model with global leadership in phosphate production, the Middle East's largest integrated aluminium value chain, and a scalable base metals and new minerals business," the company said.

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INDUSTRIAL STRENGTH

In the industrial sector, the kingdom launched the National Industrial Strategy (NIS), a roadmap for the sector's rapid growth.

"Also, the Saudi Industrial Development Fund approved loans worth SAR 14 billion to fuel growth in the industrial, energy and mining sectors, while the Saudi Export-Import Bank provided credit facilities valued at SAR 14.6 billion to improve access to non-oil exports," according to the NIDLP 2022 report.

Latest bulletin by the National Industrial and Mining Information Center also showed 385 new industrial licenses were issued with investments amounting to SAR 14 billion in the first four months of the year. As many as 314 factories started production with investments exceeding SAR 8.10 billion, enabling the sector to create more than 29,000 job opportunities, 15,000 of these allocated for Saudis, indicating a total workforce of 726,750 employees by the end of April. In addition, the total number of factories in the kingdom at the end of April reached 10,873, with investments amounting to SAR 1.4 trillion.

The logistics sector saw the creation of a special integrated logistics area at King Khalid International Airport, and the opening of an Apple distribution centre, both of which will help meet the demands of local and regional markets.

The kingdom's railway expansion was also on track, with Saudi Arabia Railways (SAR) inaugurating a project that links the north and east networks in the Eastern Province, and providing logistical support to industrial and commercial ports in Jubail and Dammam.

SAUDI PUTS HOPES ON FUTURE DEMAND FOR HYDROCARBONS

Saudi Aramco's net income reached USD 62 billion in the first half of the year, showing resilience despite lower hydrocarbon prices during the period. The company said it remains focused on generating shareholder returns through a balanced mix of growth and yield, and declared base dividend of USD 19.5 billion for the second quarter.

"Aramco believes demand for oil, gas, and chemicals will remain strong over the medium- to long-term. During the quarter, capital expenditures were USD 10.5 billion, reflecting Aramco's aim to capture unique growth opportunities and maximise value from its integrated portfolio," according to the company's statement.

The company's hydrocarbon output in the second quarter totalled 13.5 million barrels of oil equivalent per day (mboed). Aramco is also expanding its Marjan and Berri crude oil output, with new production capacity of 300,000 barrels per day (bpd) and 250,000 bpd, respectively, by 2025. In addition, the Dammam development project is expected to add 25,000 bpd by 2024 and ramped up to 50,000 bpd by 2027. The company's Zuluf crude oil increment project is expected to provide a central facility to process a total of 600,000 bpd of crude oil from the Zuluf field by 2026.

NATURAL GAS OUTPUT

Aramco also intends to increase its gas production capacity to meet domestic demand growth. During the quarter, the company progressed multiple projects in support of this aim.

Design and construction activities continued on the Jafurah Gas Plant, part of the Jafurah unconventional gas field, which is expected to commence production in 2025 and will gradually increase natural gas deliveries to reach a sustainable rate of 2.0 billion standard cubic feet per day (bscfd) by 2030.

Aramco is also building its gas resources with construction and procurement activities continuing apace at the Tanajib Gas Plant, part of the Marjan development programme. The plant is expected to be onstream by 2025 and add 2.6 bscfd of additional processing capacity from the Marjan, Safaniyah, and Zuluf fields.

Hawiyah Unayzah Gas Reservoir Storage, the first underground natural gas storage in the kingdom, achieved its maximum injection target of 1.5 bscfd. This programme will provide up to 2.0 bscfd of natural gas for reintroduction into the Master Gas System by 2024.

Gas compression projects at the Haradh and Hawiyah fields continued commissioning activities, and are expected to be fully on stream in 2023; and Hawiyah Gas Plant expansion, which is part of the Haradh gas increment programme, continued commissioning activities and is expected to be on stream also in 2023.

Aramco, its subsidiary SABIC and partner Total Energies, also successfully converted oil derived from plastic waste into ISCC+ certified circular polymers — the first company to do so in the Middle East Africa region. The plastic pyrolysis oil, also called plastic waste derived oil (PDO), was processed at the SATORP refinery jointly owned by Aramco and Total Energies in Jubail, Saudi Arabia. It was then used as a feedstock by PETROKEMYA, a SABIC affiliate, to produce certified circular polymers.

OIL MARKETS

Saudi Arabia's oil production expansion comes as the oil markets remain resilient despite an economic slowdown in China and recessionary fears in Western economies. The world's top oil exporter said it extends a voluntary oil output cut of 1 million bpd for another month to include September, to provide additional support to the oil market.

Prices of crude oil futures bounced back in July from low levels recorded in June, as selling pressure in futures markets ceased and market sentiment turned optimistic about improving global oil market fundamentals in the second half of 2023, according to the latest report by the Organization of the Petroleum Exporting Countries (OPEC).

"Moreover, the expectations that central banks were approaching the end of their monetary tightening cycles, the sharp decline of the US dollar in the first half of July and expectations of economic stimulus in China added to the positive sentiment in financial markets," the organisation noted.

World oil demand in 2023 is expected to grow by 2.4 million bpd, with consumption in OECD region expected to rise by 74,000 bpd, to an average of 46 million bpd, while non-OECD region will rise by nearly 2.4 million bpd, to average 56 million bpd, OPEC August forecast shows.

"For 2024, world oil demand is forecast to grow by a healthy 2.2 mbpd, unchanged from the previous assessment. The OECD is anticipated to expand by about 0.3 mbpd, with OECD Americas contributing the largest increase. The non-OECD is set to drive growth, increasing by around 2.0 mbpd, with China, the Middle East and Other Asia contributing the largest share, with further support from India, Latin America, and Africa," according to OPEC's report.

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SAUDI-JAPAN DEAL TO BOOST SUPPLY CHAIN IN RENEWABLE ENERGY

Saudi Arabia is expanding its trade ties with Japan with the creation of the KSA-Japan Lighthouse Initiative for Clean Energy Cooperation.

In June, the two countries established the partnership to develop their strategies and roadmaps toward their net zero ambitions. Saudi Arabia – a major energy exporter to Japan – plans to decarbonise and reach net zero by or before 2060, benefitting from the globally low cost of renewable and clean hydrogen energy, as well as its strategic location on trade routes used to supply energy products to the world. Those goals dovetail with Japan's strong decarbonisation efforts to achieve net zero by 2050 and become a global pioneer in clean energy technology solutions.

"The Lighthouse initiative aims at showcasing Saudi Arabia and Japan's leadership in clean energy projects and sustainable advanced materials, as well as maintaining the resiliency of the supply chain to ensure sustainable and secure supplies," the two governments said. "The initiative will support the ongoing efforts that Saudi Arabia is undertaking to become a hub for clean energy, mineral resources, and energy components supply chains."

The programme aims to facilitate major Saudi and Japanese efforts to boost their collaboration and enhance the energy supply chain that will enable the development of the Lighthouse projects, such as components for renewable energy.

"The partnership will develop Lighthouse projects that guide clean energy transition, focusing on areas such as hydrogen and ammonia, e-fuel, circular carbon economy/carbon recycling, direct air capture, critical minerals required for the energy sector and supply chain resilience, sustainable advanced materials, and research and knowledge exchange," the two countries announced.

ADVANCING THE QUEST FOR CLEAN ENERGY

In August, Sungrow, a leading global inverter and energy storage system solution supplier, signed a contract with Larsen & Toubro to supply inverter skid solutions for a 2.2 gigawatts alternating current (GWac) PV plant – the largest single-site utility-scale PV Plant in the Middle East – for the NEOM Green Hydrogen Project of the NEOM Green Hydrogen Company (NGHC). NGHC will use solely renewable energy sources, such as wind and solar power, to produce up to 600 tonnes per day of carbon-free hydrogen by the end of 2026. This project marks a significant milestone in advancing the kingdom's Vision 2030 initiative for a clean and sustainable energy future.

Sungrow is well engaged in the NEOM Green Hydrogen project. Earlier, Sungrow signed the contract with Larsen & Toubro to supply 400 megawatt hour (MWh) energy storage systems comprising a DC capacity of 536MW/600MWh to the NEOM Green Hydrogen project. Sungrow's 1+X Modular Inverter solution for the 2.2 GWac PV plant is another remarkable supply that it contributes to the NEOM Green Hydrogen project.

"The solution is an innovation combining the advantages of both central and string inverters, featuring a 1.1 MW single unit as the minimum, and the maximum capacity can be expanded to 8.8 MW by combining eight units together, bringing a more flexible design for different block sizes, and making the on-site operation and maintenance easier," the company said. "Each module is designed with an independent maximum power point tracking MPPT, further improving the power generation capacity of the power plant. Tailored for this gigawatt project, the medium-voltage station integrated 1+X Modular Inverter of 8.8 MW capacity is offered."

SUN POWERING RED SEA PROJECT

Meanwhile, the Red Sea Global development reported the installation of 750,000 solar panels and five solar stations dedicated to the operation of the first phase of the Red Sea Project, which features 16 hotels, retail, and entertainment venues, and supporting infrastructure facilities to be powered entirely by renewable energy.

Installation of electroluminescent (EL) panels at the five solar stations had been completed as part of the first phase of the Red Sea Project, and the complete independence of the mega venture from the national grid makes it not only the largest, but also the first, of its kind in the world.

One of the solar stations is located near the Six Senses Southern Dunes, the Red Sea Resort, and Spa, the first solar-powered resort and hotel to be inaugurated of the 16 hotels of the Red Sea Project's first phase. Two solar stations are located near the Desert Rock Mountain Resort and the Sheybarah Resort on Sheybarah Island. In comparison, two other solar stations of larger capacity will power the remaining resorts and the 15 beach villas in the Turtle Bay Village.

Red Sea Global is also in the process of developing the world's largest battery storage facility at a capacity of 1,200 MWh, which will enable the mega tourism project to achieve 100% grid independence, meet its sustainability and development goals, and contribute to realising the Saudi Vision 2030's targets.

STEADY FLOW OF FUNDING DEMONSTRATES CONFIDENCE IN SAUDI START-UPS

The kingdom's start-up space continues to impress, becoming the most funded country in the Middle East North Africa (MENA) and securing the second-highest transactions in the region during the first half of 2023.

Capital deployed dropped 27% during the period compared to last year, but Saudi Arabia still garnered USD 446 million, or around 42% of total funding in the MENA region, according to Magnitt, which tracks regional start-up data. Egypt was a distant second with deals worth USD 305 million, while the UAE was third with USD 239 million.

Saudi Arabia captured 28% of total deals in the MENA region in the first half of 2023. Deals in the kingdom posted their second half yearly decline to stand at 54. On a yearly basis, deals retreated by 44% compared to H1 2022 to stand at their lowest since the second half of 2020. The UAE led the region with the number of deals reaching 60.

The kingdom's start-ups captured 28% of total deals in the MENA region in the first half of 2023, however, on an yearly basis, deals retreated by 44% compared to H1 2022 to stand at their lowest since the second half of 2020.

"The first half of 2023 broke the record of the kingdom's mega deal funding which stood at USD 289 million," according to Magnitt. "The two Series 'C' deals closed by Floward and Nana captured 65% of the country's total funding and were the main propeller behind uplifting the kingdom's capital deployed in the covered period."

INVESTORS EYE E-COMMERCE

Interest in e-commerce and retail was on the rise in Saudi Arabia in the first half of 2023, with the industry accounting for 83% of total funding with USD 368 million aggregated across 11 deals.

"E-commerce/retail was the rising star of industries in the kingdom in 2023 with a 245% YoY expansion in funding mainly due to the two mega deals," said Magnitt. "MENA's industry of choice, fintech, slowed its funding pace in the kingdom and landed fourth with an 90% YoY drop in funding. However, SVC's recent launch of the 'Investment in FinTech VC Funds' product with an allocation of USD 80 million promises a more prosperous picture for the industry."

The kingdom is in the midst of a growing start-up ecosystem and it aims to raise the GDP contribution of small and medium-sized enterprises (SMEs) from 20% to 35%. SMEs' operating revenues reached SAR 1.26 trillion in 2021, rising 25% compared to the previous year, according to the latest available data from the General Authority for Statistics (GASTAT). Operating expenditure amounted to SAR 659.5 billion (+33%), while employees' compensation in SMEs amounted to SAR 155.8 billion, increasing 19% compared to 2020.

NEW TOURISM INITIATIVES

Authorities are also setting in motion new initiatives to nurture an entrepreneurial culture in the country. In July, the Public Investment Fund (PIF) launched the Saudi Tourism Investment Company (Asfar) to develop attractive destinations with hospitality, tourism, retail, and food and beverage offerings in cities across the kingdom, eventually creating a local tourism value chain.

Asfar will enable the private sector through co-investment opportunities and by creating an attractive environment for local suppliers, contractors, and SMEs to develop tourism projects and destinations, thereby building a competitive environment that will enhance the variety and quality of the hospitality and tourism offerings.

The Saudi Venture Capital (SVC), another major venture capital company supporting start-ups, is doubling its investment in the global specialty lending fund managed by Partners for Growth (PFG), one of the international and experienced fund managers providing venture and growth stage debt instruments to start-ups and SMEs, bringing the total investment by SVC in the fund to USD 32 million.

Last year, SVC announced its first investment in the venture debt fund managed by PFG, following the launch of the 'Investment in Venture and Private Debt Funds' product. The fund will continue to focus on offering venture debt instruments to high-growth start-ups and SMEs in several sectors.

As a government investment company, SVC was setup in 2018 as a subsidiary of the SME Bank, one of the development banks affiliated with the National Development Fund. SVC aims to stimulate and sustain financing for start-ups and SMEs from pre-seed to pre-IPO by pouring USD 1.6 million through investment in funds and co-investment in start-ups. SVC has invested in 38 funds, which have then invested in 674 companies through 1,257 deals.

"Amidst a thriving landscape of innovation, venture capital activity has surged in Saudi Arabia and across the region," said Armineh Baghoomian, managing director and head of Europe, Middle East, and Africa at PFG. "However, debt remains harder for venture and growth stage companies to access. We are pleased to expand capital availability through the introduction of custom debt financing and look forward to continuing to support the dynamic entrepreneurial ecosystem."

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