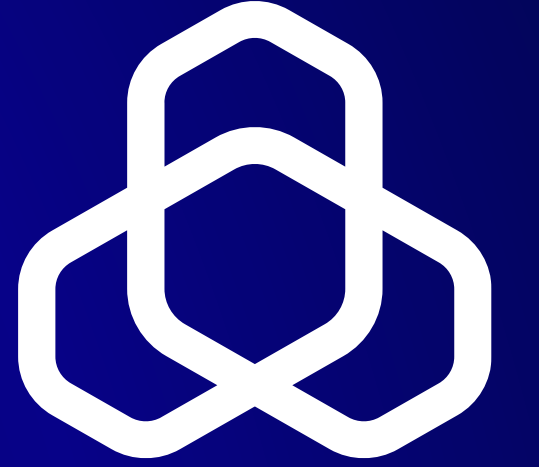


الراجحي المالية
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Saudi Market Update

Story of Resilience

October 2026



Risk/reward turns very attractive

- **The recent correction has created more attractive entry points into Saudi equities.** TASI's performance has diverged from the strength in oil prices, suggesting that geopolitics and near-term earnings expectations are weighing more heavily on valuations. In our view, this creates opportunities to invest in companies with resilient fundamentals and strong medium-term prospects.
- **Lower valuations strengthen the investment case.** The market's de-rating has reduced the premium (vs MSCI EM) investors pay for Saudi equities, while the Kingdom's long-term growth drivers remain intact. We acknowledge that the recent developments carry a tinge of uncertainty, however, the risk premium is now 24% (MSCI KSA compared to pre-conflict), 1000 bps higher than that for MSCI GCC-ex KSA. We believe current valuations increasingly compensate investors.
- **Saudi Arabia's economic and operational resilience remains an important source of confidence.** Aramco's diversified export infrastructure and operational flexibility support its ability to adapt to changing conditions.
- **The oil outlook could provide additional support.** Even as production and trade flows normalize, rebuilding depleted inventories alongside meeting ongoing consumption could support oil demand and prices over an extended period. As per Aramco's CEO over 3 bn barrels of oil lost since the conflict started. We believe this potential source of support deserves greater weight in assessing the outlook for Saudi earnings and fiscal revenues.
- **We see an increasingly favorable risk/reward thesis.** The combination of lower valuations and resilient domestic fundamentals offers attractive opportunities for investors.
- Our preferred stock ideas and sector views are presented in the following sector outlook, beginning **from slide 13**.

Macroeconomic Outlook

Solid government revenues and strong financial buffers support economic resilience



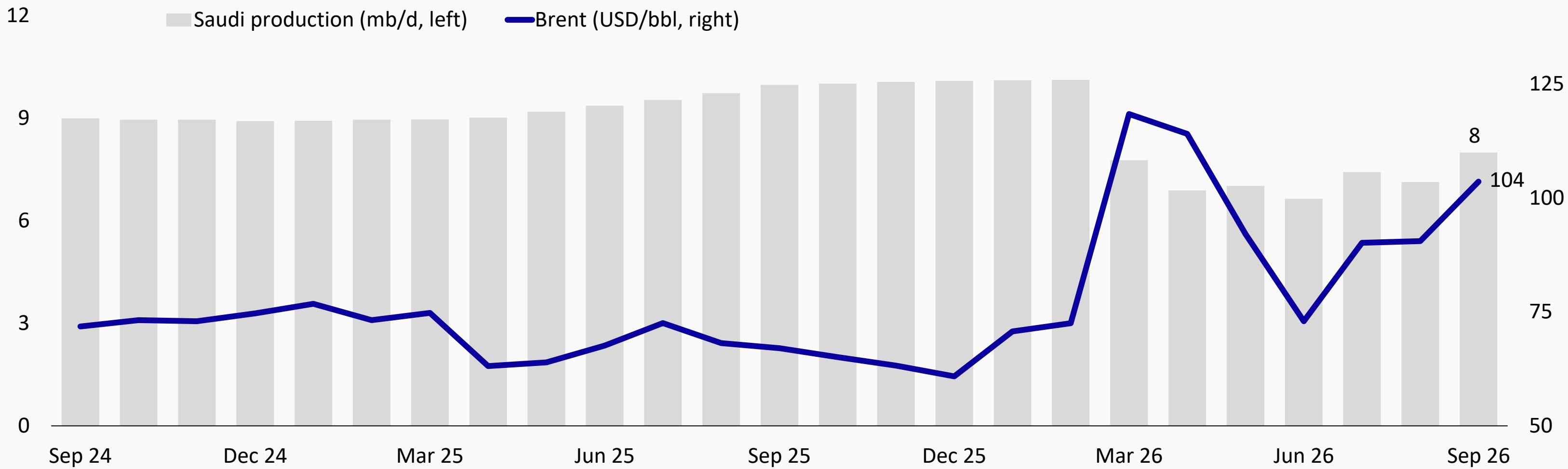
Oil resilience and fiscal strength

12.3%

Government revenue growth
Q2 2026, year on year

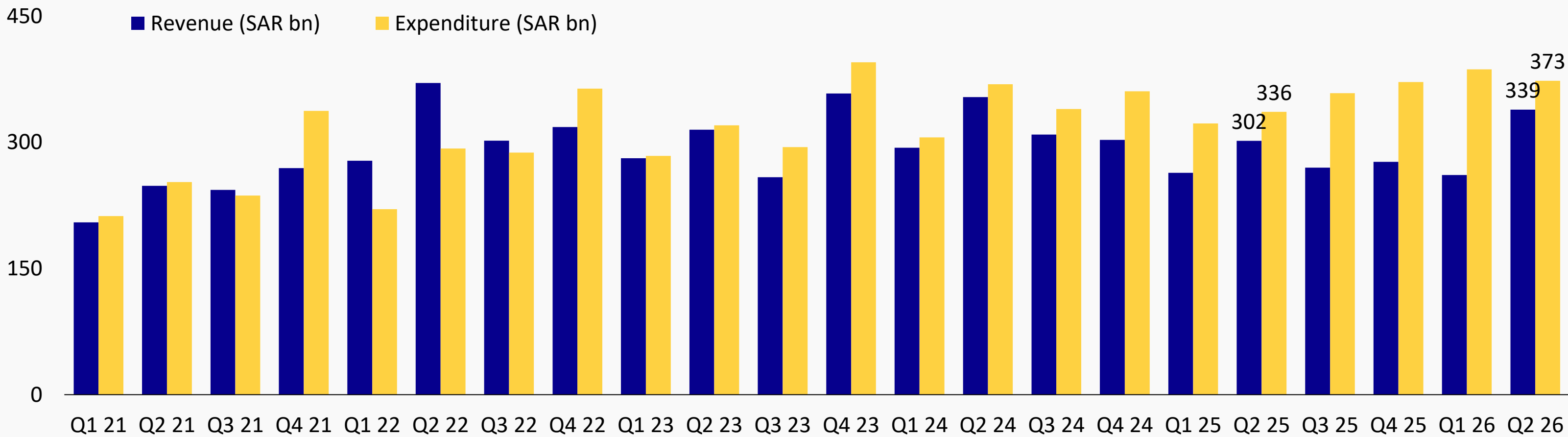
- Oil production recovered to about **8.0 mb/d** in September. Firmer oil prices helped cushion the impact of lower volumes.
- Government revenue reached **SAR 338.8bn** in Q2, supported **by 22.0% y/y** growth in oil revenue. Expenditure rose 11.0% to **SAR 373.1bn**.
- 2026 spending is estimated at **SAR 1,435bn, 9.3% above budget**, supporting priority projects and domestic demand amid regional uncertainty.
- Debt to GDP** is **below 34%**, indicating a large fiscal room for the government to absorb any external shocks.

Oil recovery supports the revenue outlook



Note: Monthly average daily oil production, Brent month-end prices. Sources: OPEC, Bloomberg, alrajhi capital.

Fiscal revenue and spending support domestic activity



Source: Ministry of Finance, alrajhi capital.

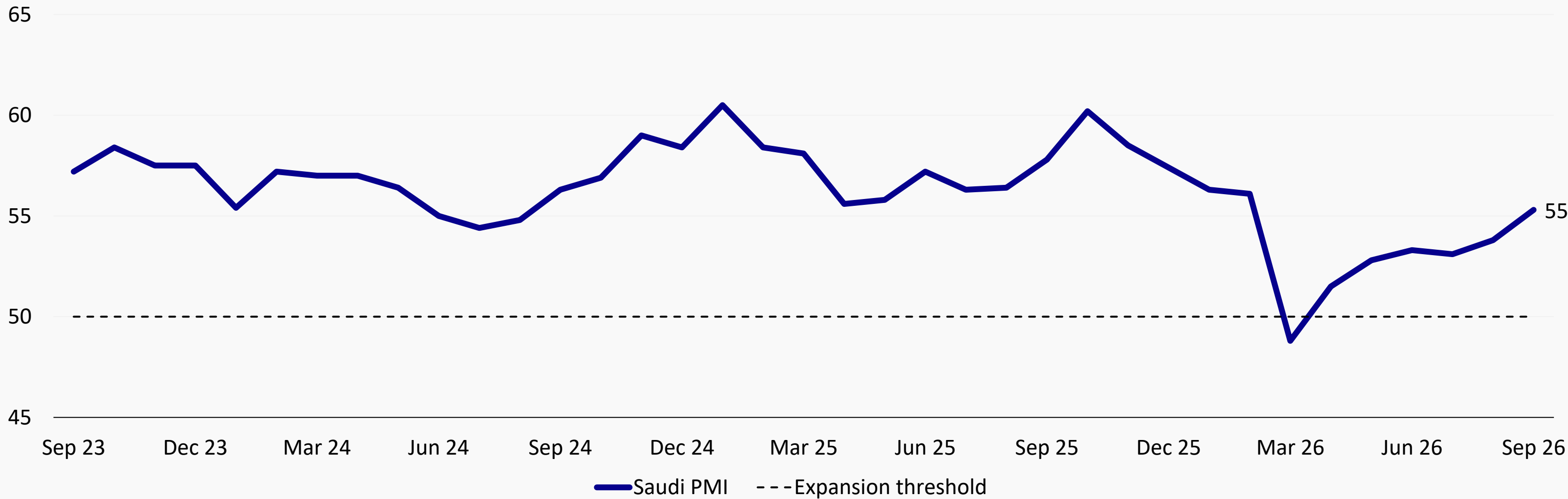
Domestic demand supports non-oil growth

55.3

September PMI
Six months of expansion

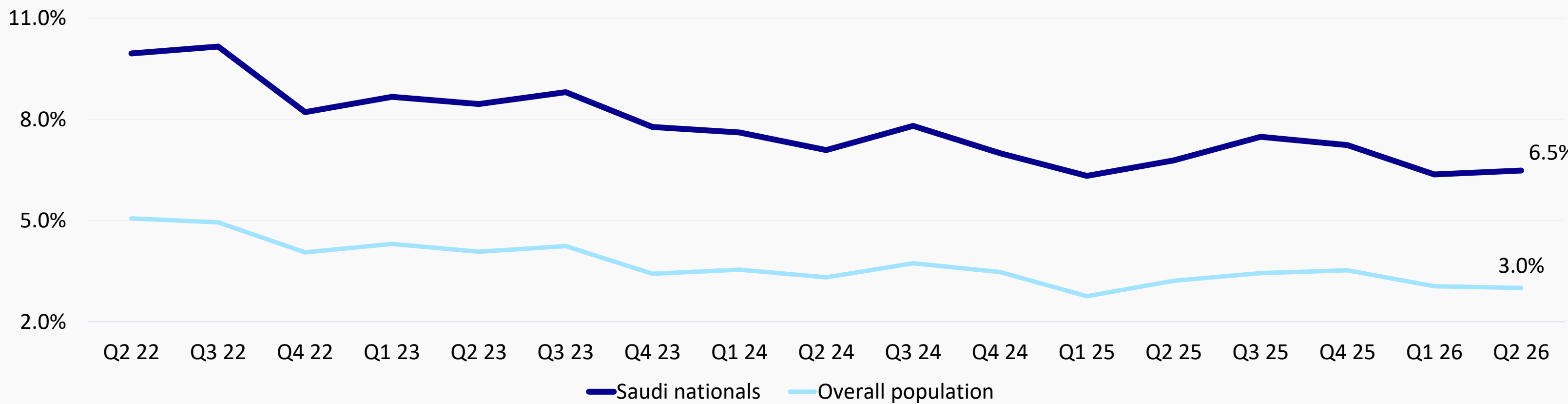
- Business conditions strengthened as **PMI rose from 53.8 in August**. Also, alrajhi capital Saudi Construction Index remained expansionary at **54.4 in September**.
- **Consumer spending rose 6.4% y/y in August**, supported by 26.0% growth in e-commerce, while inflation remained contained at 1.9% in September.
- **Saudi unemployment stood at 6.5% in Q2, below 6.8% a year earlier**, driven by lower unemployment among females.

PMI signals six consecutive months of expansion



Above 50 indicates expansion from the prior month. Sources: Riyadh Bank, S&P Global, alrajhi capital

Saudi unemployment remains below year-earlier levels



Source: GASTAT, alrajhi capital.

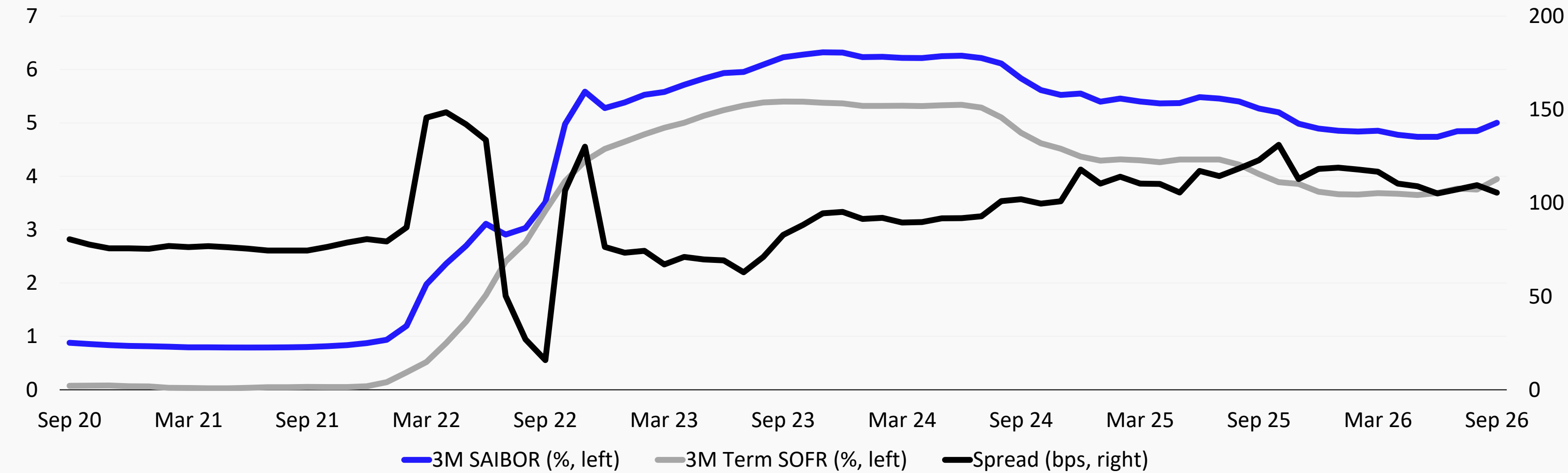
Strong reserves support financial confidence

SAR 1.75tn

SAMA reserve assets
September 2026

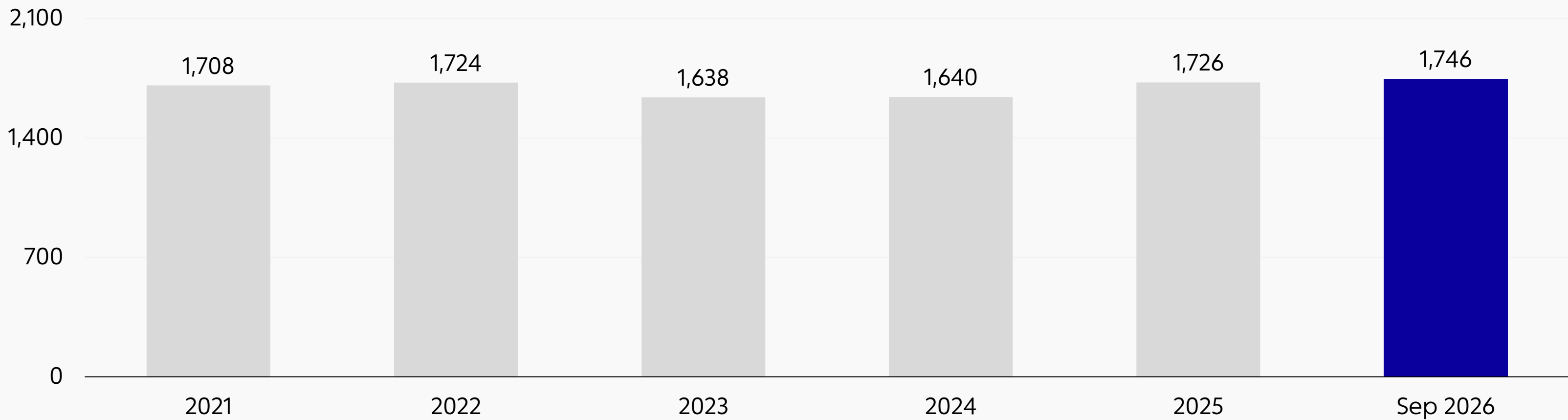
- Credit grew 7.0% y/y in August, while deposits grew 5.7% y/y.
- The unadjusted loan-to-deposit ratio reached 112.5% in August, while SAMA's adjusted measure stood at 81.7%.
- Recent deposit declines are the main source of liquidity pressure. Deposits fell 1.1% m/m in August, despite remaining 5.7% higher y/y.
- September's average 3M SAIBOR was 5.00%. Its spread to 3M Term SOFR reached 105 bps. However, in October, the average spread exceeded 140bps (as of 26.10.2026).

Deposit pressure keeps funding conditions tight



Note: Monthly averages. Sources: SAMA, Bloomberg, alrajhi capital.

SAMA reserves provide a substantial external buffer (Bn SAR)



Source: SAMA, alrajhi capital. Note: Year-end through 2025; September observation for 2026. *Preliminary data

Equity Market Outlook

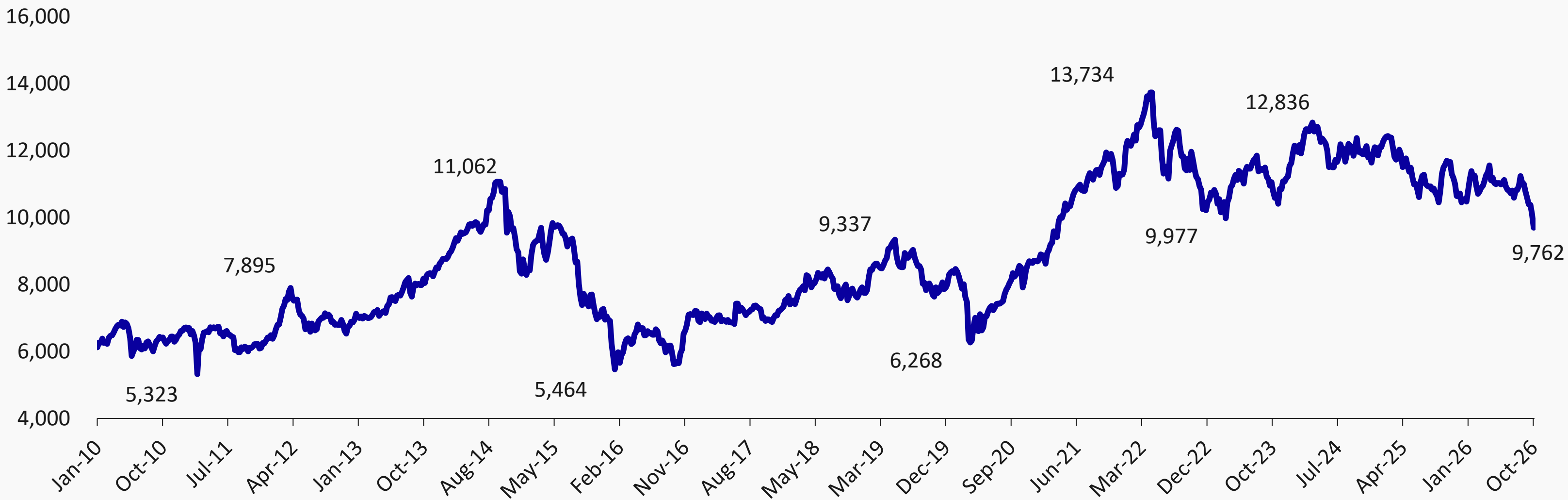
TASI valuation has turned very attractive



Our perspective

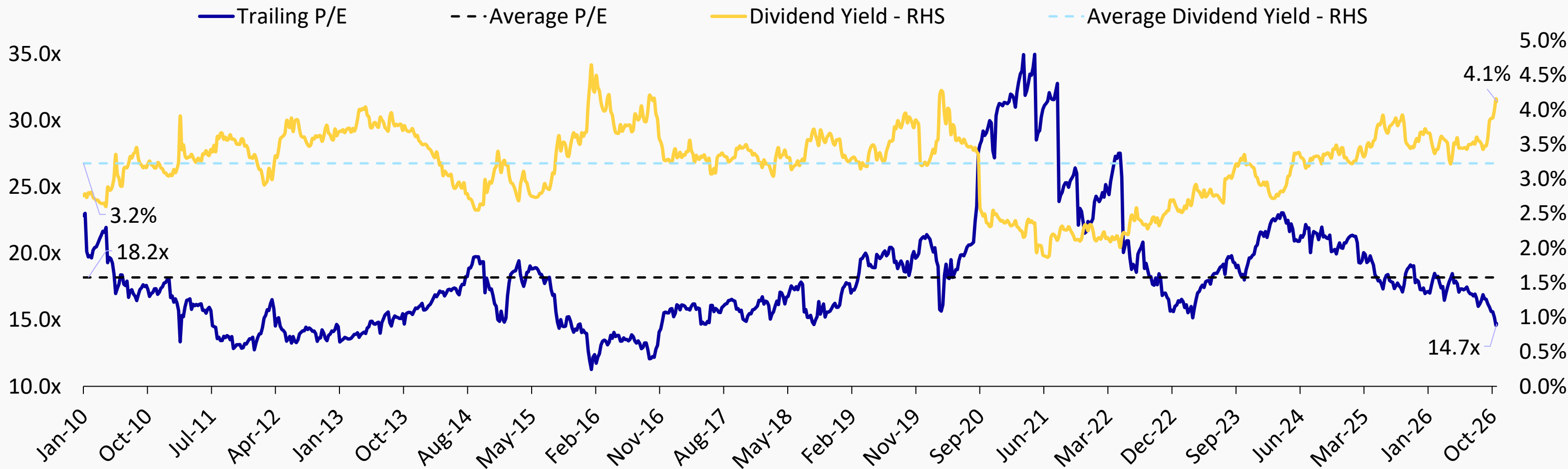
- After staying largely resilient in the initial phase of US-Iran conflict, TASI has sharply corrected recently, especially in October. As of 25th October, the index lost slightly over 1000 points in just about two weeks, and touched the levels last seen in 2021. The following day, on 26th October, the market did recover, but remains down 7% YTD and down 24% since the recent highs seen in 2024.
- For the first time in several years, TASI has diverged away from the oil prices. This indicates two things 1) Risk premium 2) Near term corporate earnings taking precedence over long term fundamentals. **This correction has created a very attractive entry points into Saudi equities.**
- TASI P/E (trailing) has now touched 2018 levels and the premium over MSCI EM has now reduced to 6% from a long-term average of 24% and the highs of ~60% in 2022.
- We acknowledge that the recent developments carry a tinge of uncertainty, however, the risk premium is now 24% (MSCI KSA compared to pre-conflict), 1000 bps higher than that for MSCI GCC-ex KSA.
- Saudi Arabia’s economic and operational resilience remains an important source of confidence. Aramco’s diversified export infrastructure and operational flexibility support its ability to adapt to changing conditions.
- The oil outlook could provide additional support. Rebuilding depleted inventories could support oil demand and prices over an extended period.
- **We see an increasingly favorable risk/reward thesis. The combination of lower valuations and resilient domestic fundamentals offers attractive opportunities for investors.**

TASI has reached levels last seen in 2021



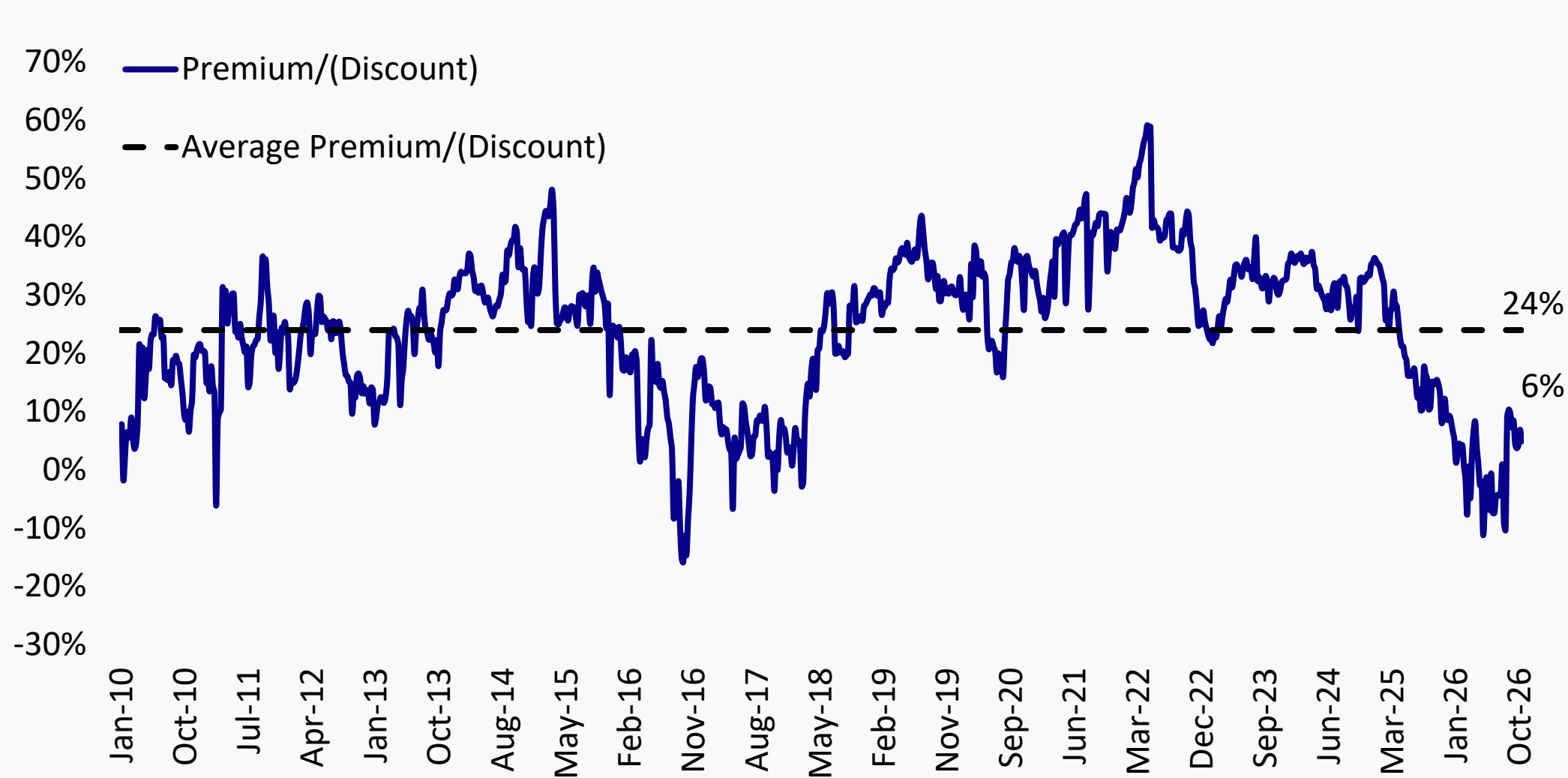
Source: Bloomberg, Al Rajhi Capital. Note: Last data point is as of 26th October 2026

TASI trailing P/E is now at 2018 levels



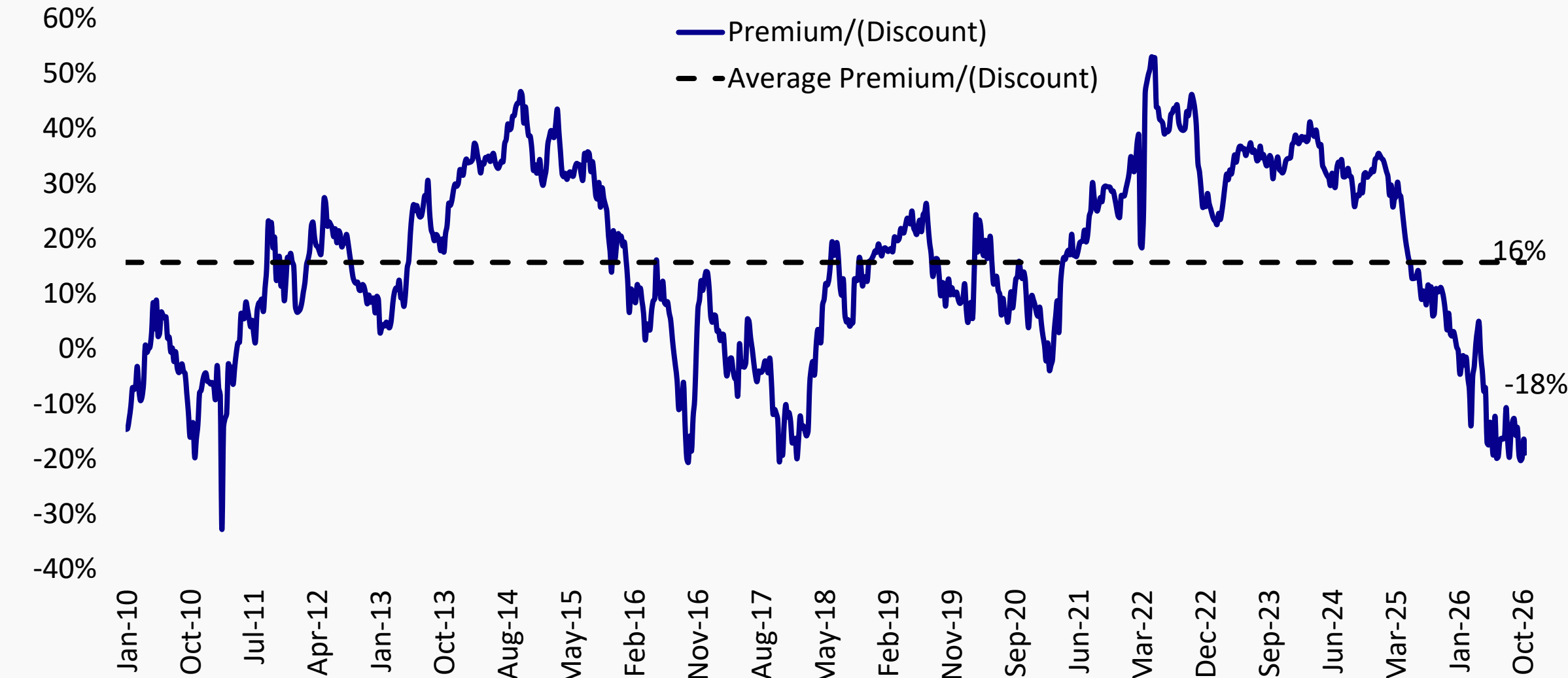
Source: Bloomberg, Al Rajhi Capital. Note: Data is as of 26th October 2026

TASI P/E premium (discount) over MSCI EM



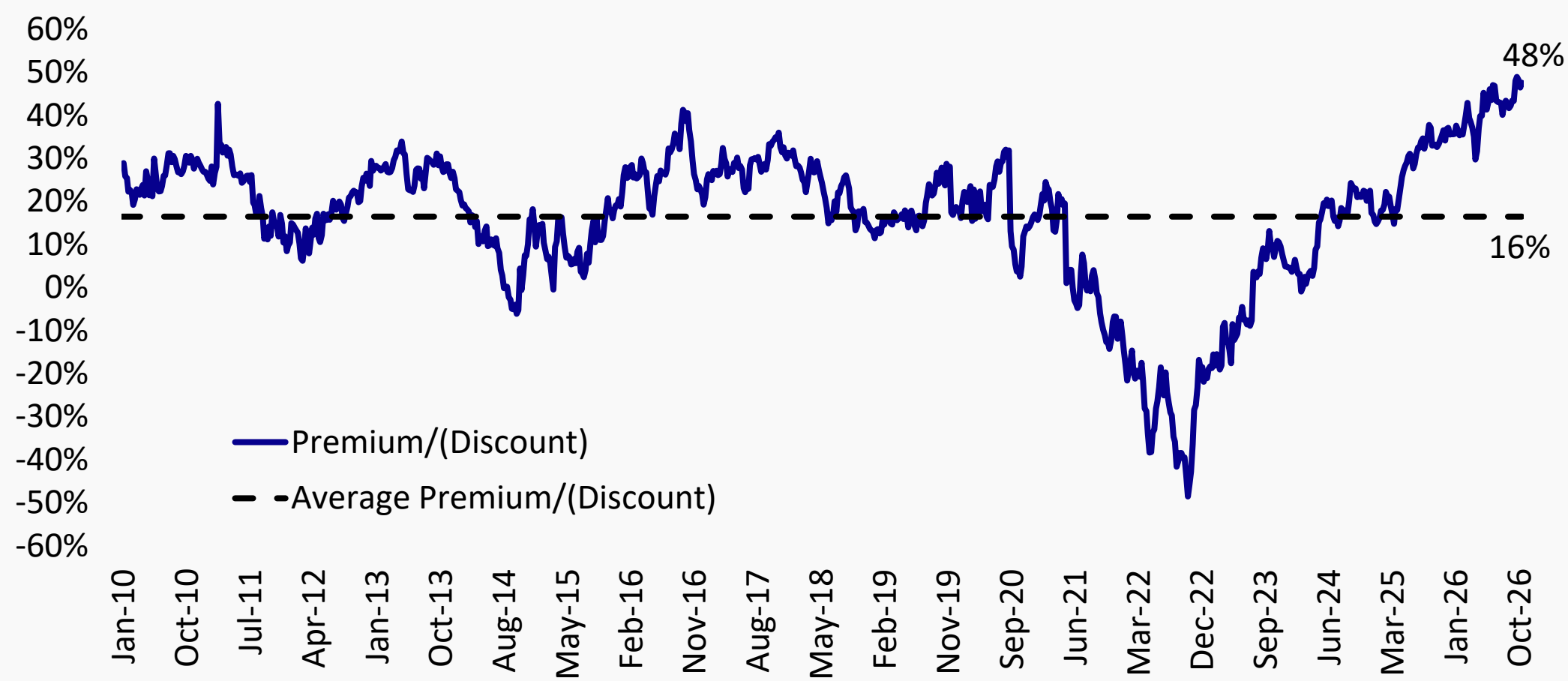
Source: Bloomberg, Al Rajhi Capital, Data as of 26th October 2026

TASI P/B premium (discount) over MSCI EM



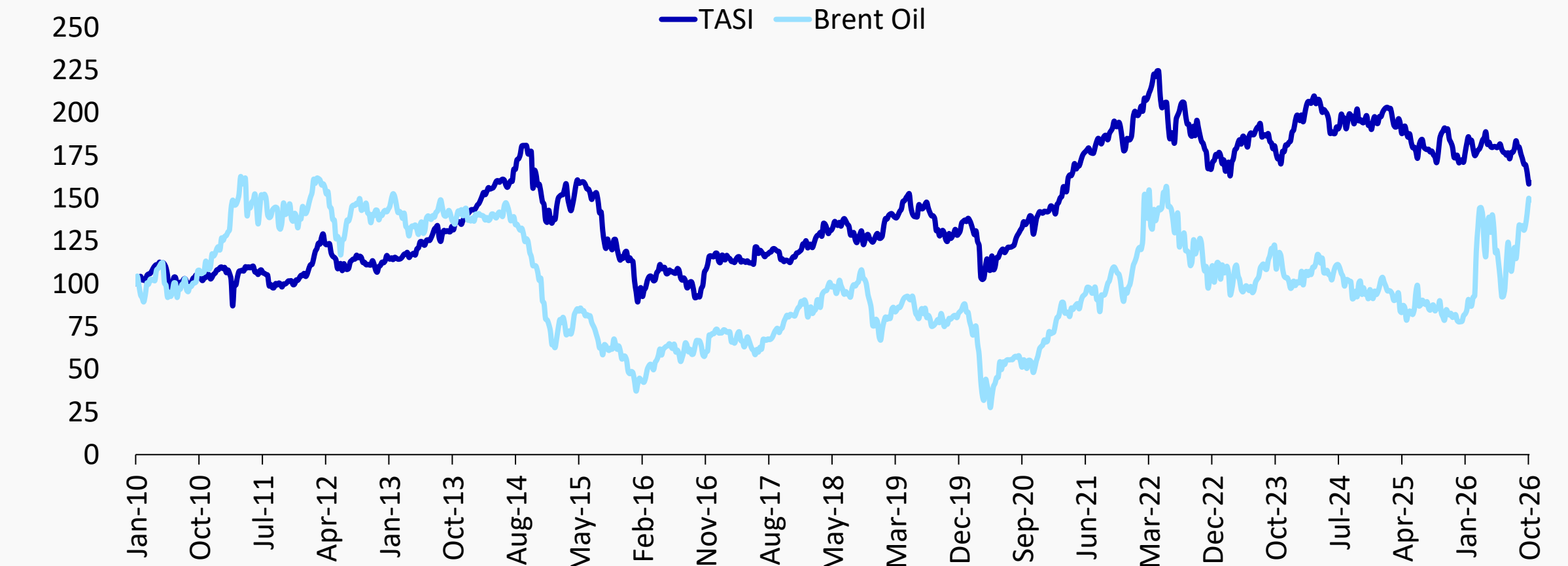
Source: Bloomberg, Al Rajhi Capital, Data as of 26th October 2026

TASI Dividend Yield premium (discount) over MSCI EM



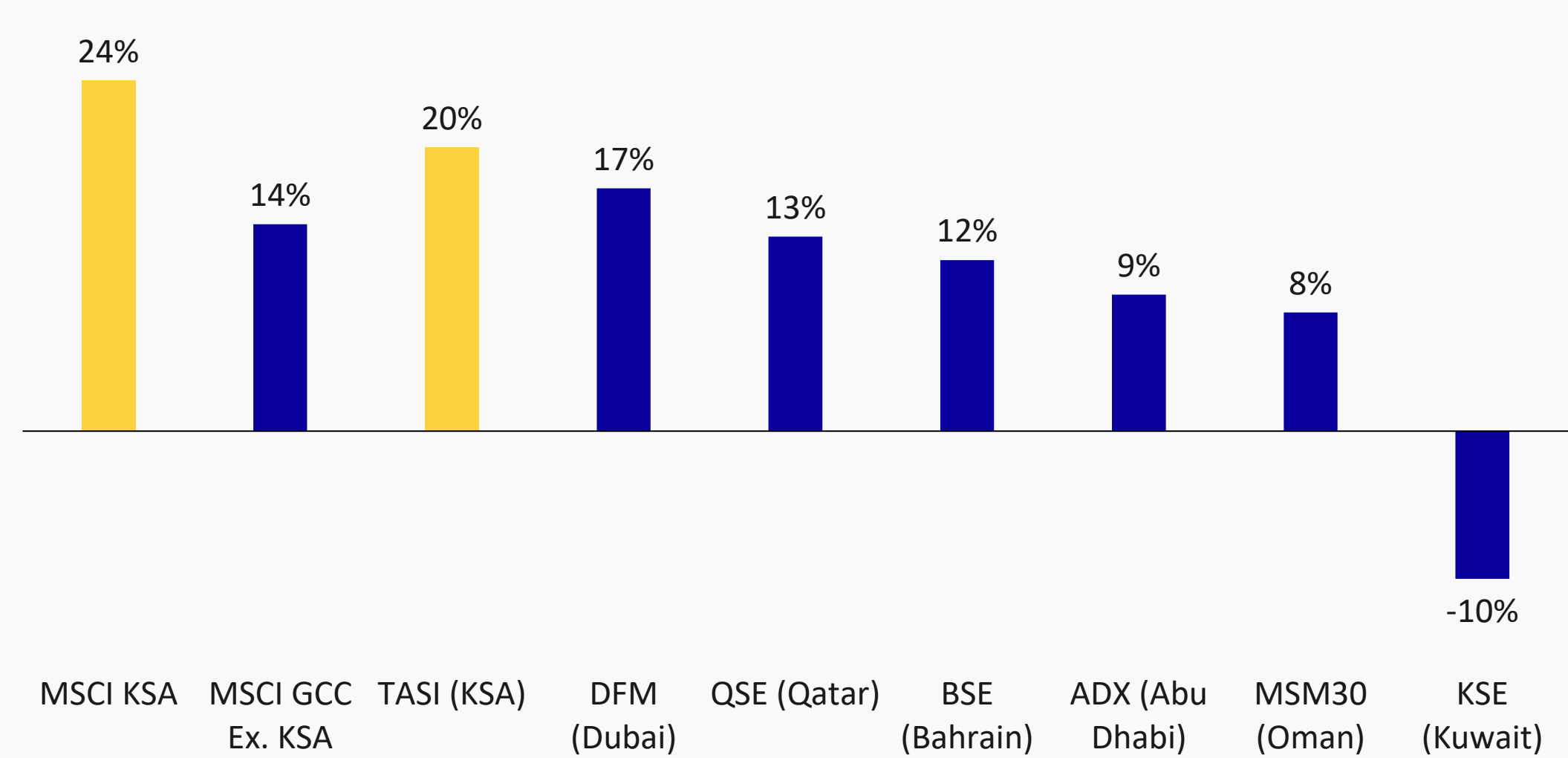
Source: Bloomberg, Al Rajhi Capital, Data as of 26th October 2026

TASI vs Oil (indexed to 100)



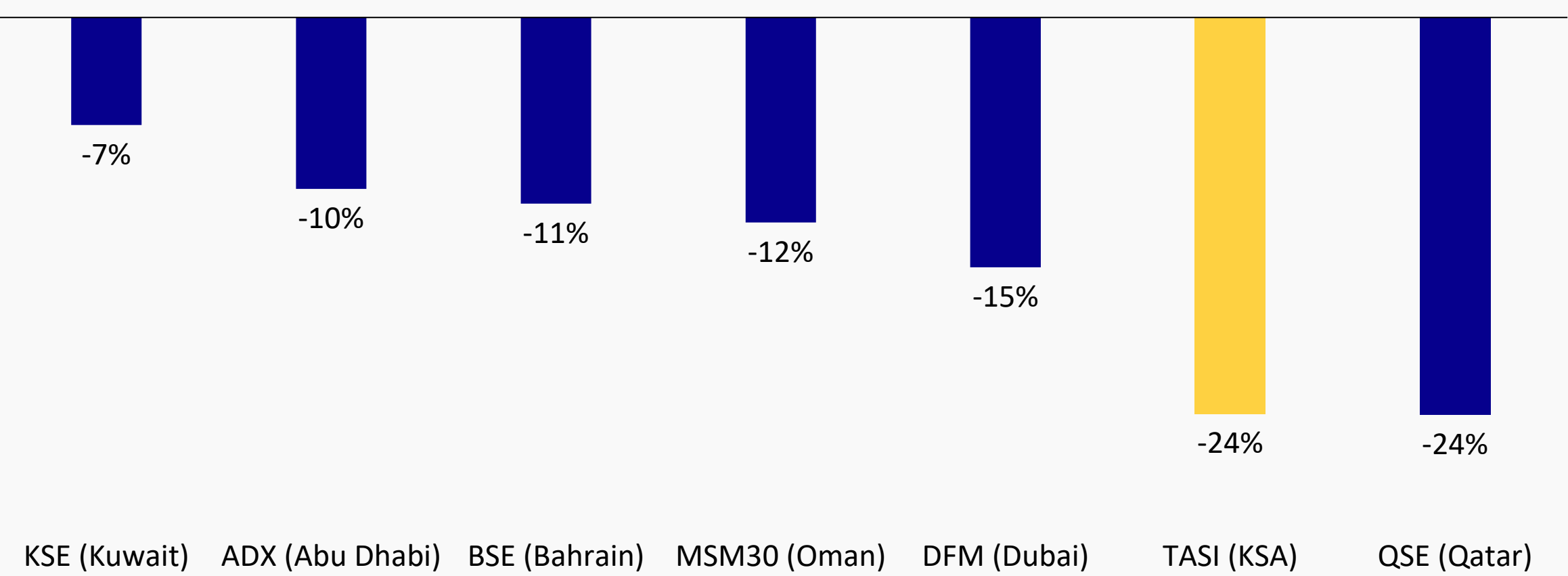
Source: Bloomberg, Al Rajhi Capital, Data as of 26th October 2026

TASI pricing in much higher risk premium vs others (current P/E vs. pre war P/E)



Source: Bloomberg, Al Rajhi Capital, Data as of 26th October 2026. Note: *Difference between current trailing P/E over pre-war trailing P/E (27 Feb 2026).

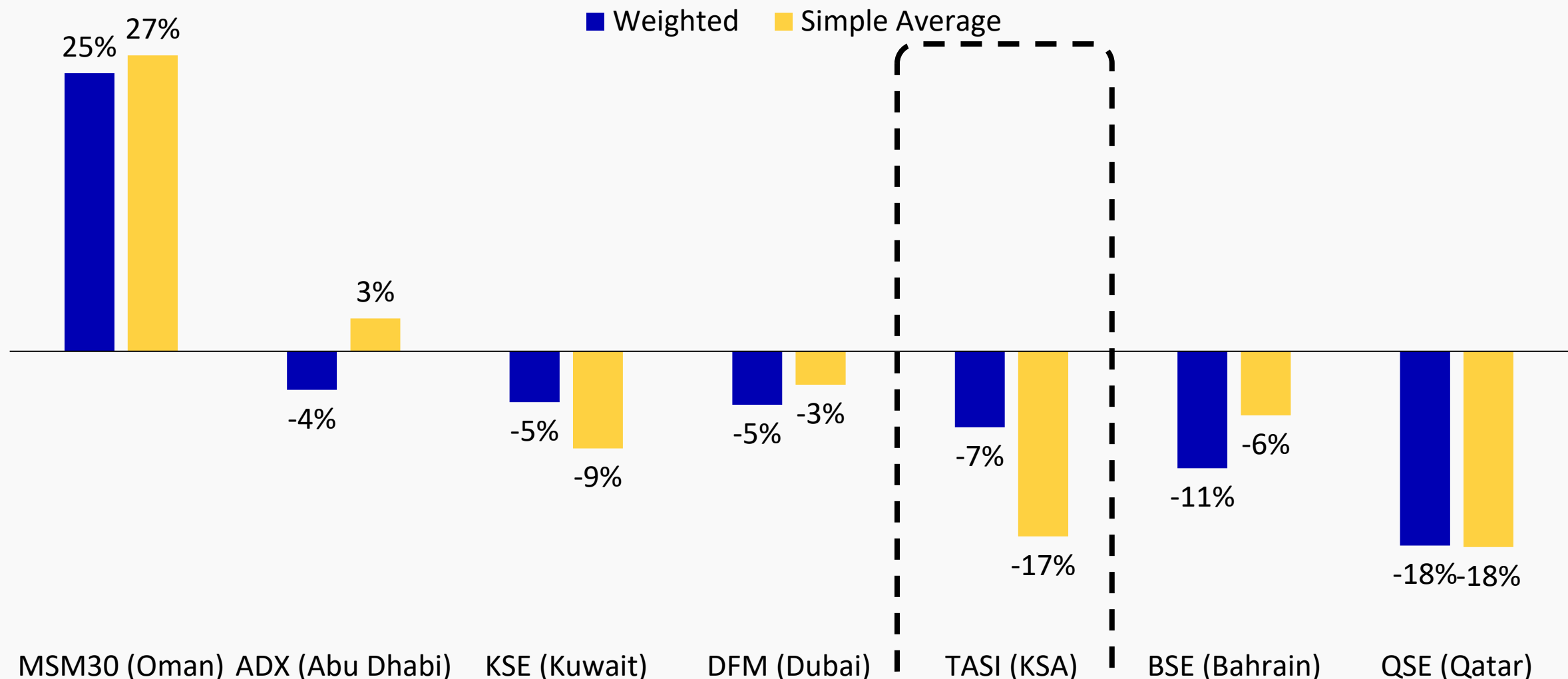
GCC indices drawdown from recent highs (from 2024 to now)



Source: Bloomberg, Al Rajhi Capital, Data as of 26th October 2026. Note: considered each indices' highs since 2024 and current levels

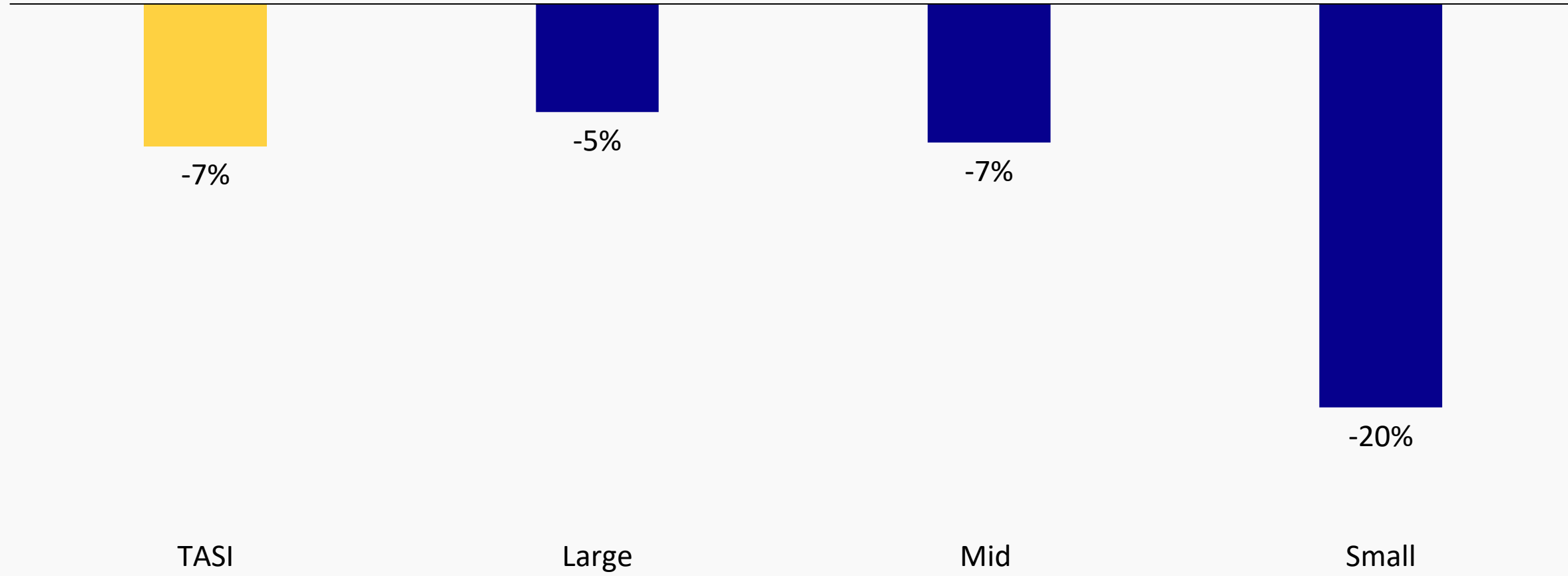
Please refer to and read the necessary Disclaimers and Disclosures on the last two pages of this report.

YTD 2026: GCC Indices performance (weighted and simple average)



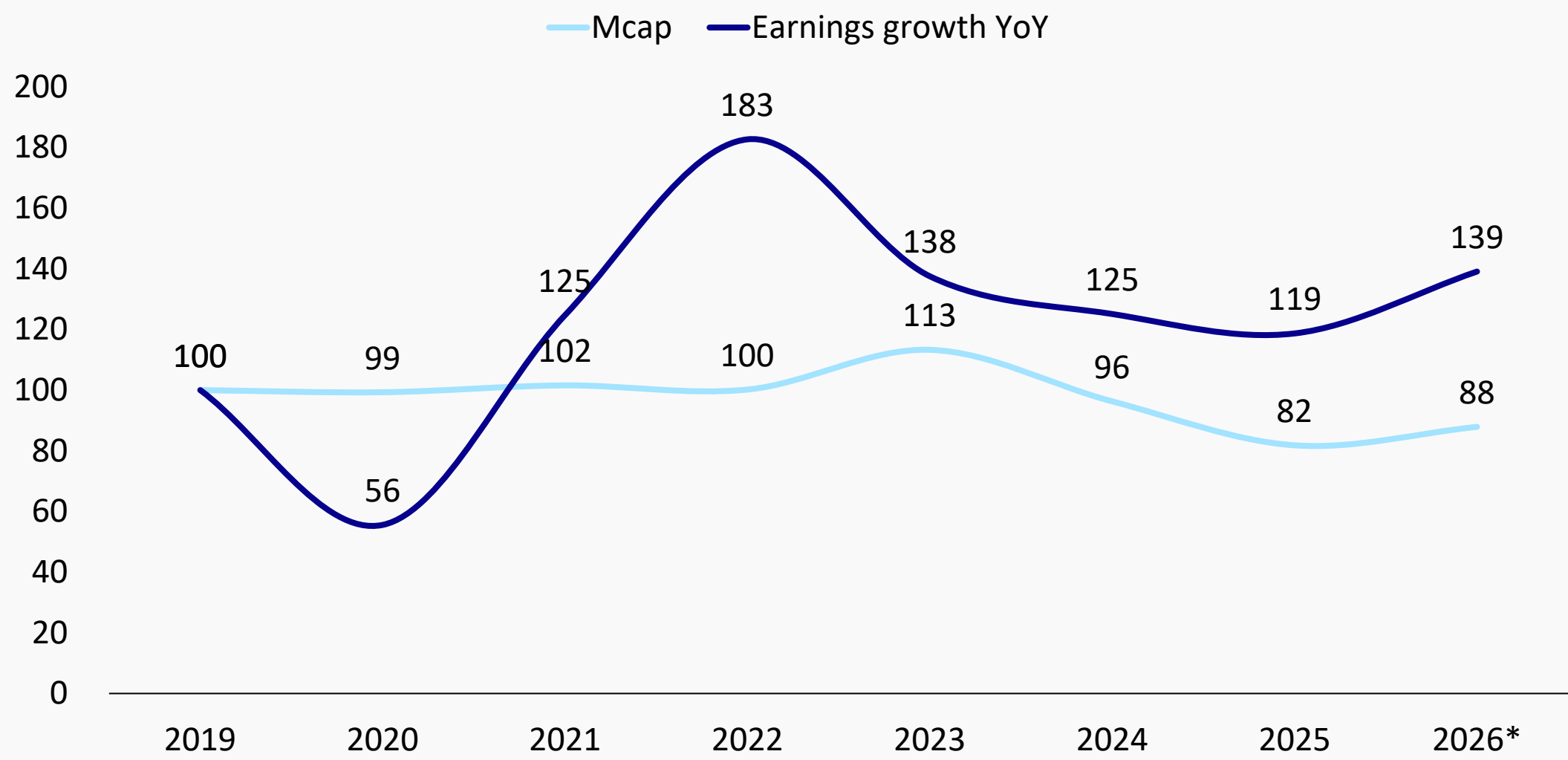
Source: Bloomberg, Al Rajhi Capital, Data as of 26th October 2026. Note: Weighted is the actual index performance, simple average is without adjusting for each constituents' weight.

YTD 2026: Small-cap index has declined ~20%



Source: Bloomberg, Al Rajhi Capital, Data as of 26th October 2026.

Aramco’s market cap has lagged earnings growth (indexed to 100)



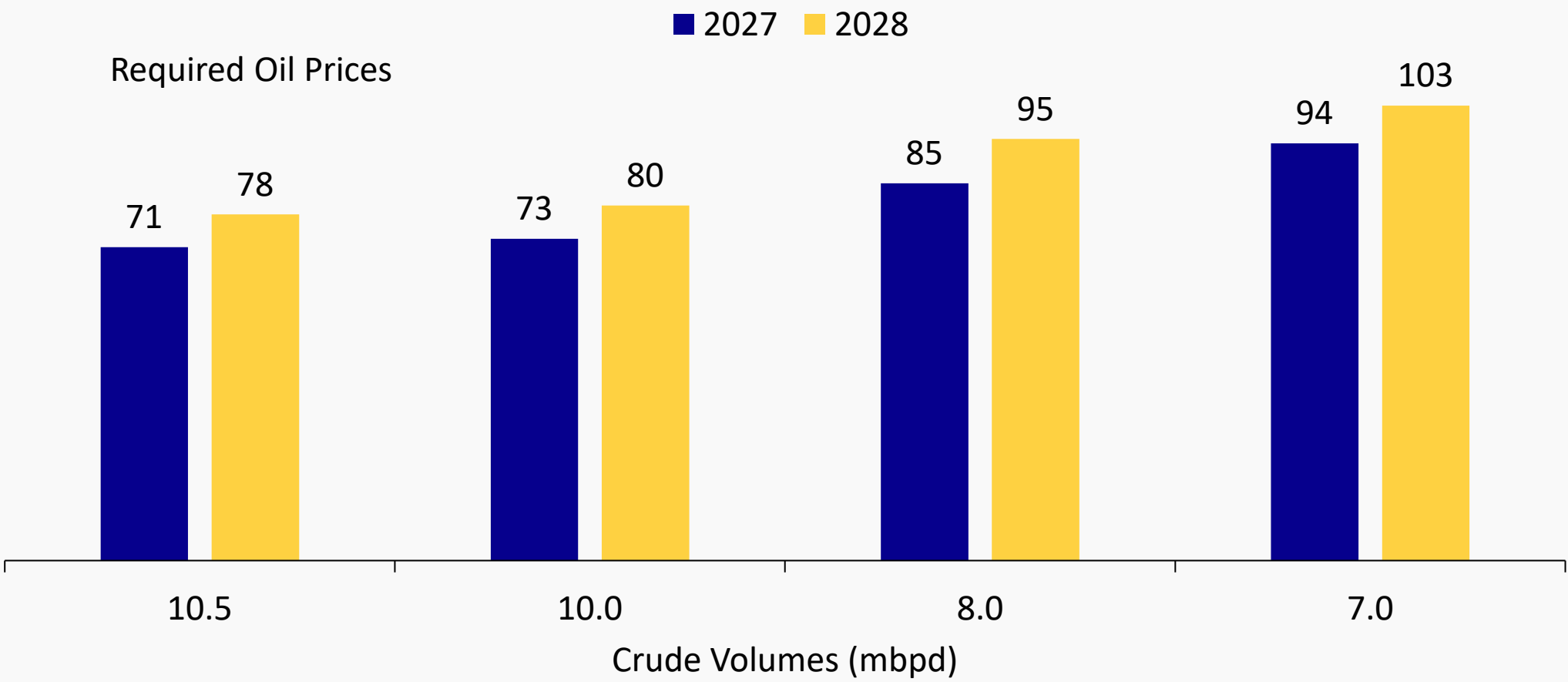
Source: Company Data, Al Rajhi Capital, Note: Earnings for 2026 is LTM number as of Q3 2026, within which Q3 2026 is our estimate

Aramco’s net earnings’ Sensitivity to Oil prices and Production

Impact from change in oil prices & production		Production (mbpd)	Oil price (\$/bbl)	Adj. Profit (SAR bn)*	Growth vs 2025
Base year (FY25)		9.5	66.0	392	
Stressful	Scenario 1	7.5	100.0	432	10%
	Scenario 2	8.0	100.0	456	16%
	Scenario 3	9.0	90.0	467	19%
Normalized	Scenario 4	10.2	70.0	449	14%
	Scenario 5	10.2	80.0	486	24%
	Scenario 6	10.2	90.0	524	33%
Bullish	Scenario 7	10.2	100.0	561	43%
	Scenario 8	10.2	120.0	591	51%
	Scenario 9	10.2	150.0	636	62%

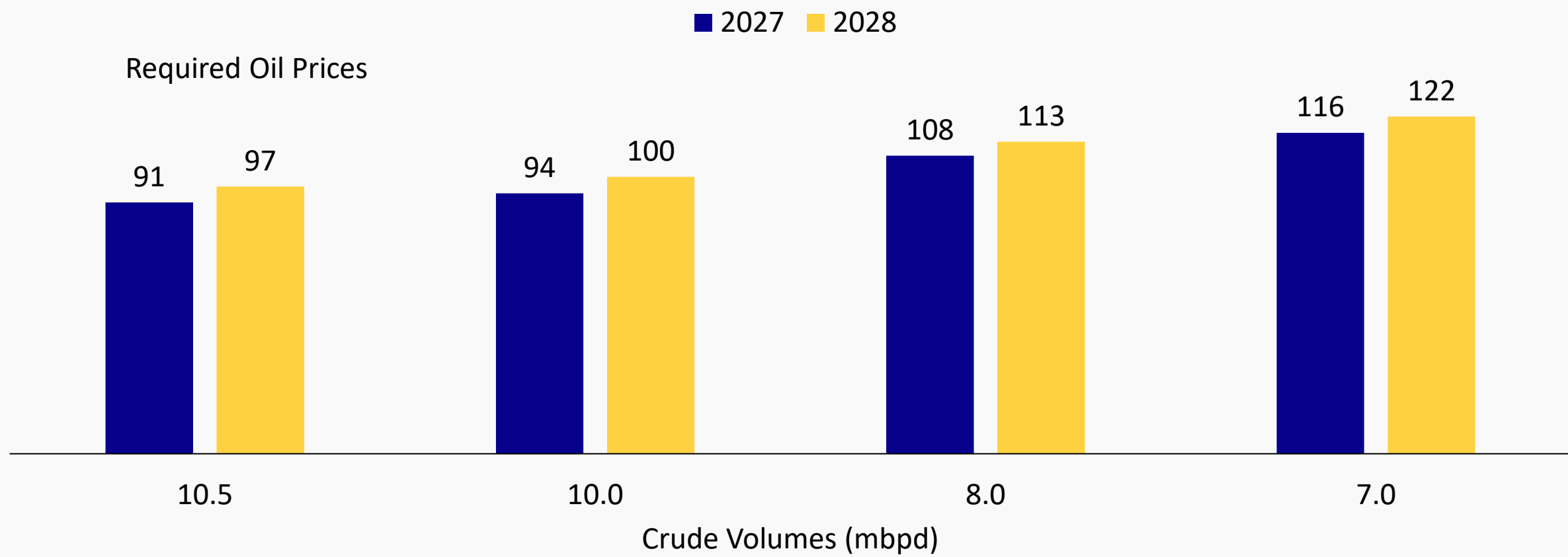
Source: Company data, Al Rajhi Capital estimates. *Adjusted profit before minority; As per our assumptions, for every \$1/bbl change in oil price, the company’s earnings shall be impacted by \$0.4-1.55bn and for every 100k bbl/d change in production, the company’s earnings shall be impacted by \$1-1.25bn.

Volume/Oil Price scenarios to meet 2027/2028 KSA budgeted revenues (\$/bbl)



Source: Budget statement, Al Rajhi Capital estimates, We have assumed 4.5% YoY growth in non-oil revenues for 2027 and 2028, with the residual revenue attributed to oil sales.

Volume/oil price scenarios to achieve KSA fiscal breakeven* (\$/bbl)



Source: Budget statement, Al Rajhi Capital estimates, We have assumed 4.5% YoY growth in non-oil revenues for 2027 and 2028, with the residual revenue attributed to oil sales. *Budgeted/estimated expenditure minus non-oil revenues' estimate.

Net Flows medium term trends (SAR bn) : 2020-2026 YTD

	2020	2021	2022	2023	2024	2025	2026 YTD
Saudi Individuals	↓ (31.8)	↓ (22.3)	↓ (5.4)	↓ (7.1)	↑ 11.1	↑ 3.1	↓ (21.0)
Saudi – Corp	↑ 280.1	↑ 13.6	↓ (27.2)	↓ (12.2)	↓ (5.2)	↓ (15.8)	↑ 11.3
Saudi - MFs	↓ (0.7)	↓ (2.8)	↑ 0.9	↓ (6.1)	↑ 2.1	↓ (14.0)	↓ (0.1)
Saudi - GREs	↓ (262.7)	↓ (9.7)	↑ 3.1	↑ 12.0	↓ (30.7)	↑ 6.6	↑ 4.9
GCC	↓ (4.8)	↓ (2.6)	↓ (2.4)	↑ 1.2	↑ 2.4	↑ 0.9	↑ 2.5
Foreigners - QFIs	↑ 22.4	↑ 26.8	↑ 43.3	↑ 14.7	↑ 21.1	↑ 23.4	↑ 4.2
Foreigners - Others	↓ (3.6)	↓ (1.2)	↑ 0.2	↓ (0.5)	↓ (0.0)	↓ (2.7)	↓ (0.0)

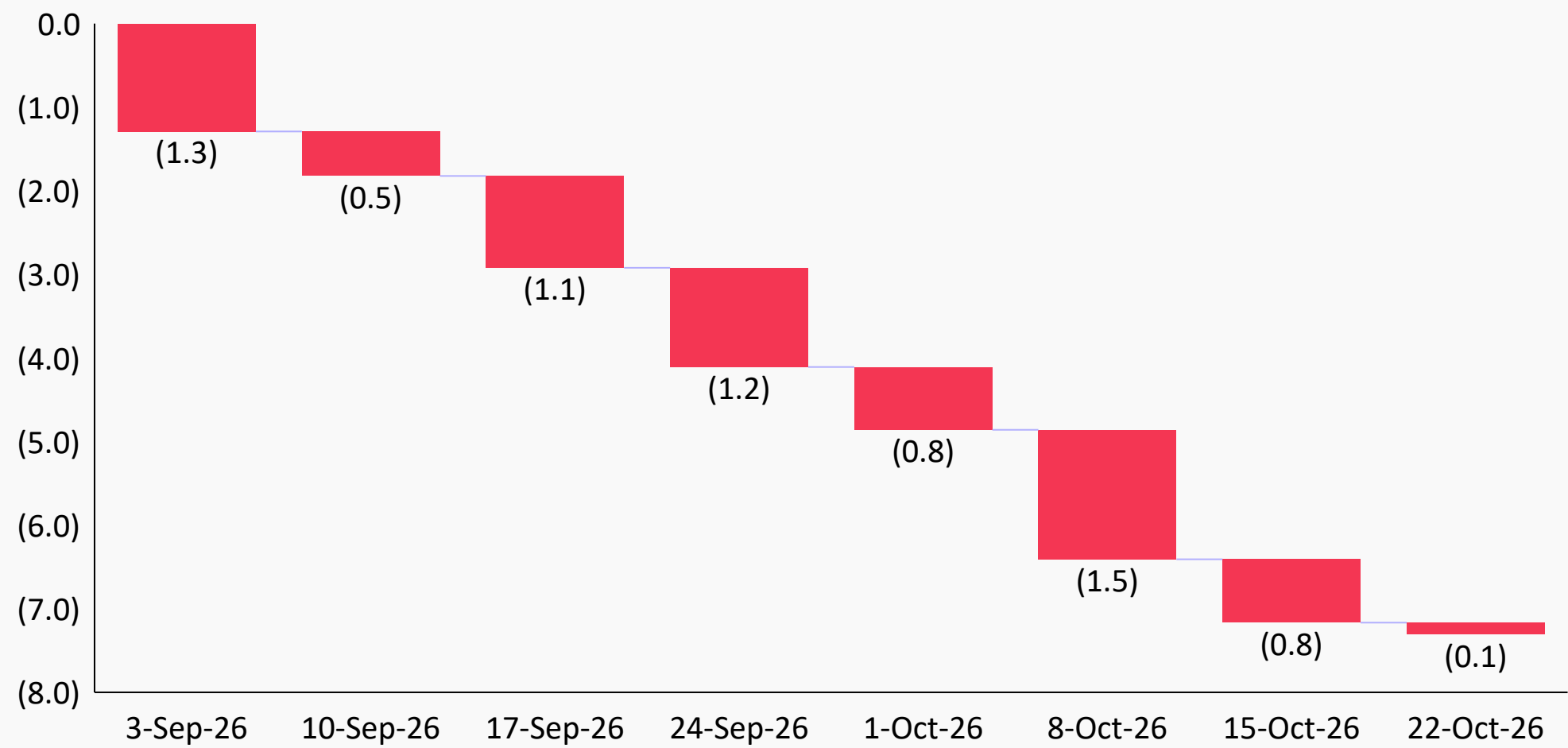
Source: Tadawul, Al Rajhi Capital. Note: foreigners include QFIs as well as other foreign investors, Data as of 22nd October 2026. MF means mutual funds

Net flows Monthly Trend (SAR bn): YTD 2026

	Jan	Feb	March	April	May	June	July	Aug.	Sept.	Oct.
Saudi Individuals	↓ (3.0)	↓ (3.2)	↓ (7.1)	↓ (5.1)	↓ (1.7)	↓ (2.1)	↓ (1.1)	↓ (2.7)	↑ 3.5	↑ 1.5
Saudi – Corp	↓ (0.7)	↑ 0.2	↑ 2.9	↑ 1.0	↑ 1.6	↓ (0.3)	↑ 1.3	↑ 2.9	↑ 1.2	↑ 1.3
Saudi - MFs	↓ (1.7)	↓ (0.1)	↑ 0.6	↓ (0.2)	↑ 0.0	↑ 0.0	↑ 0.3	↑ 0.5	↓ (0.1)	↑ 0.4
Saudi – GREs	↓ (0.6)	↓ (0.1)	↑ 4.9	↑ 1.1	↓ (0.0)	↑ 0.1	↓ (0.2)	↑ 0.1	↓ (0.1)	↓ (0.1)
GCC	↑ 0.8	↑ 0.2	↑ 0.4	↑ 0.2	↑ 0.6	↑ 0.4	↑ 0.2	↑ 0.3	↓ (0.1)	↓ (0.5)
Foreign. – QFIs	↑ 4.8	↑ 3.7	↓ (0.6)	↑ 3.4	↓ (0.4)	↑ 1.9	↓ (0.7)	↓ (1.0)	↓ (4.3)	↓ (2.4)
Foreign. - Others	↑ 0.2	↑ 0.1	↑ 0.1	↓ (0.0)	↑ 0.0	↓ (0.2)	↑ 0.1	↓ (0.1)	↑ 0.0	↓ (0.1)

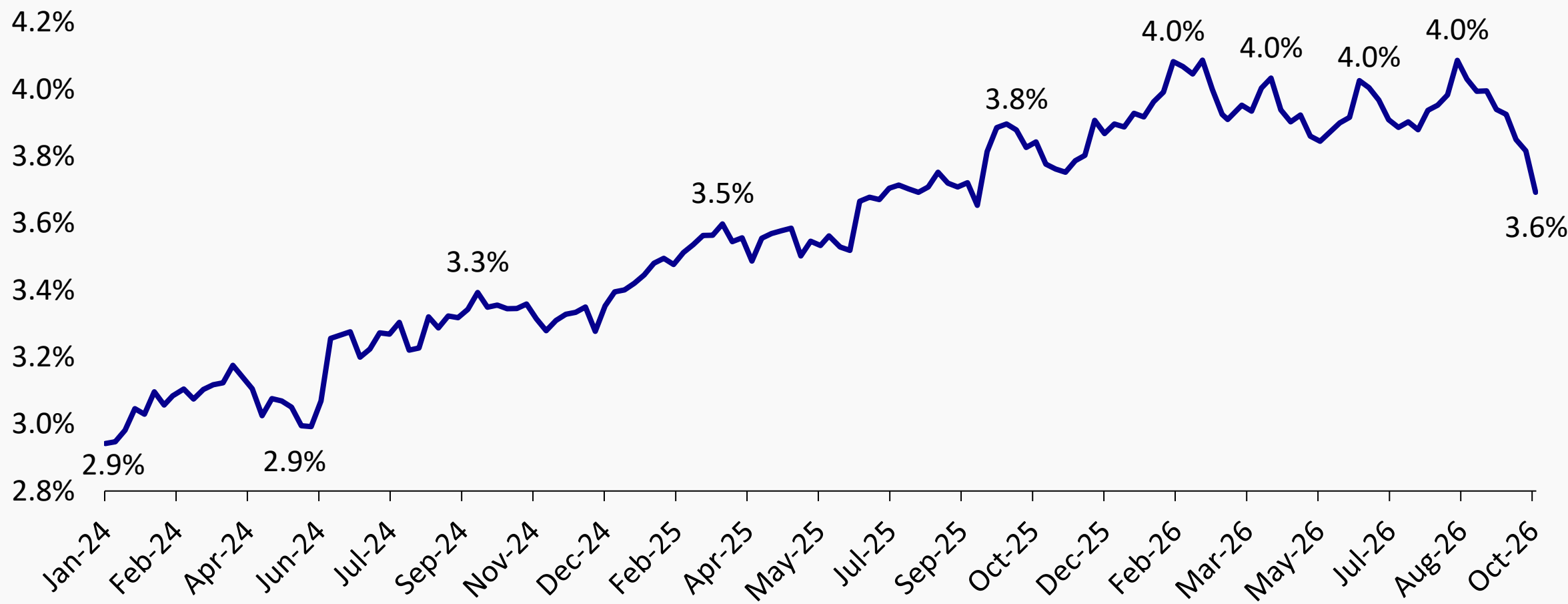
Source: Tadawul, Al Rajhi Capital. Note: foreigners include QFIs as well as other foreign investors, Data as of 22nd October 2026. MF means mutual funds

QFIs flow recent trend (since Sept. 2026) – selling intensity is reducing



Source: Tadawul, Al Rajhi Capital. *Note: Data as of 22nd October 2026

QFIs ownership trend: Peaked in August 2026



Source: Tadawul, Al Rajhi Capital. *Note: Data as of 22nd October 2026

Key Sectors Outlook



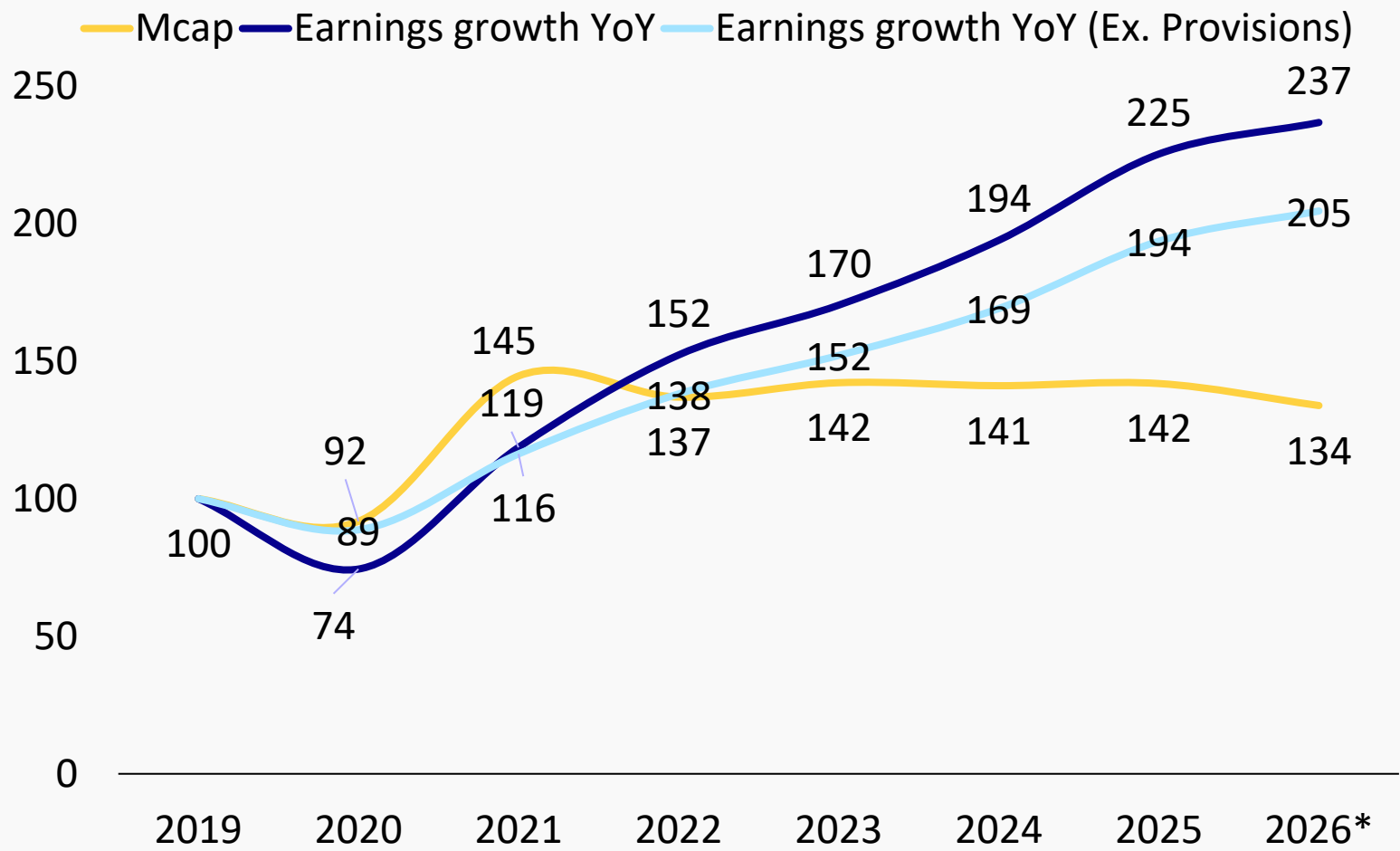
Banking

- Despite the tough operating environment, the profits in banking sector have **more than doubled between 2019-now** (LTM Sept. 26).
- Even adjusted for provisions, the growth has doubled. Moreover, the quality of the growth is also solid with expansion in ROEs, NPLs under control and capital ratios being resilient.
- Despite this, the market cap of the banks have lagged the profit growth by almost 50%. This has resulted in the valuations turning attractive **with trailing dividend yield at multi-year highs of 5%**. Further, on price to book, the sector is just above 2019 levels.

Insurance

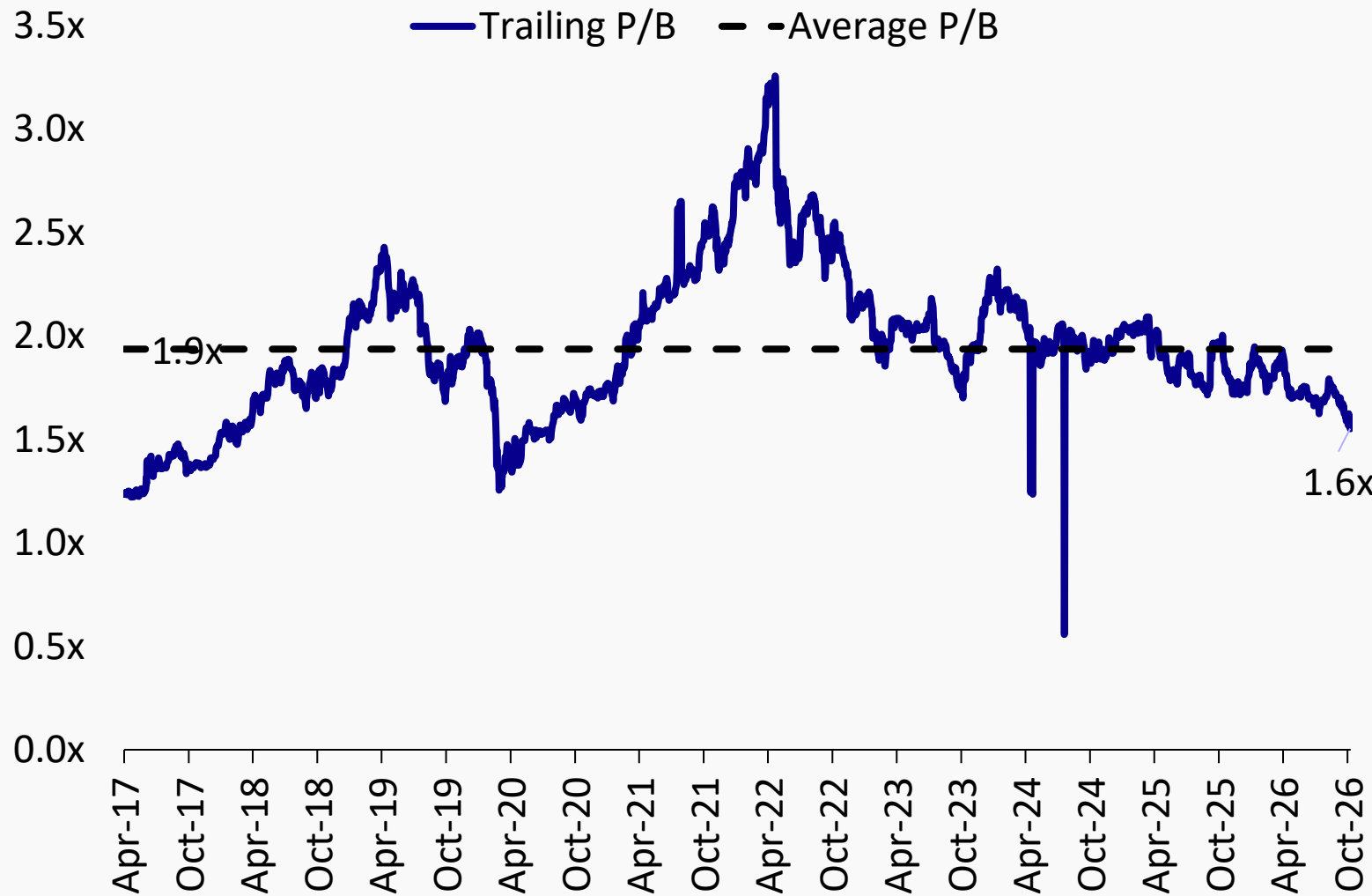
- The current trailing P/B** (index level) **of 2.1x** has now fallen below the 7 years historical average of 2.9x and is now over 35% down compared to the average levels of 2023 and 2024, which are considered to be relatively solid years for the sector.
- In our view**, the valuations might not go back to the levels seen in 2023 and 2024 as we anticipate overall sector GWP growth to slow down from high teens in those years to high single digit. However, we believe that it should be higher than the average valuations, given that profitability should improve over the next few years supported by price discipline.
- Key Ideas:** Tawuniya, GIG

Market cap. has lagged earnings growth (Rebased to 100)



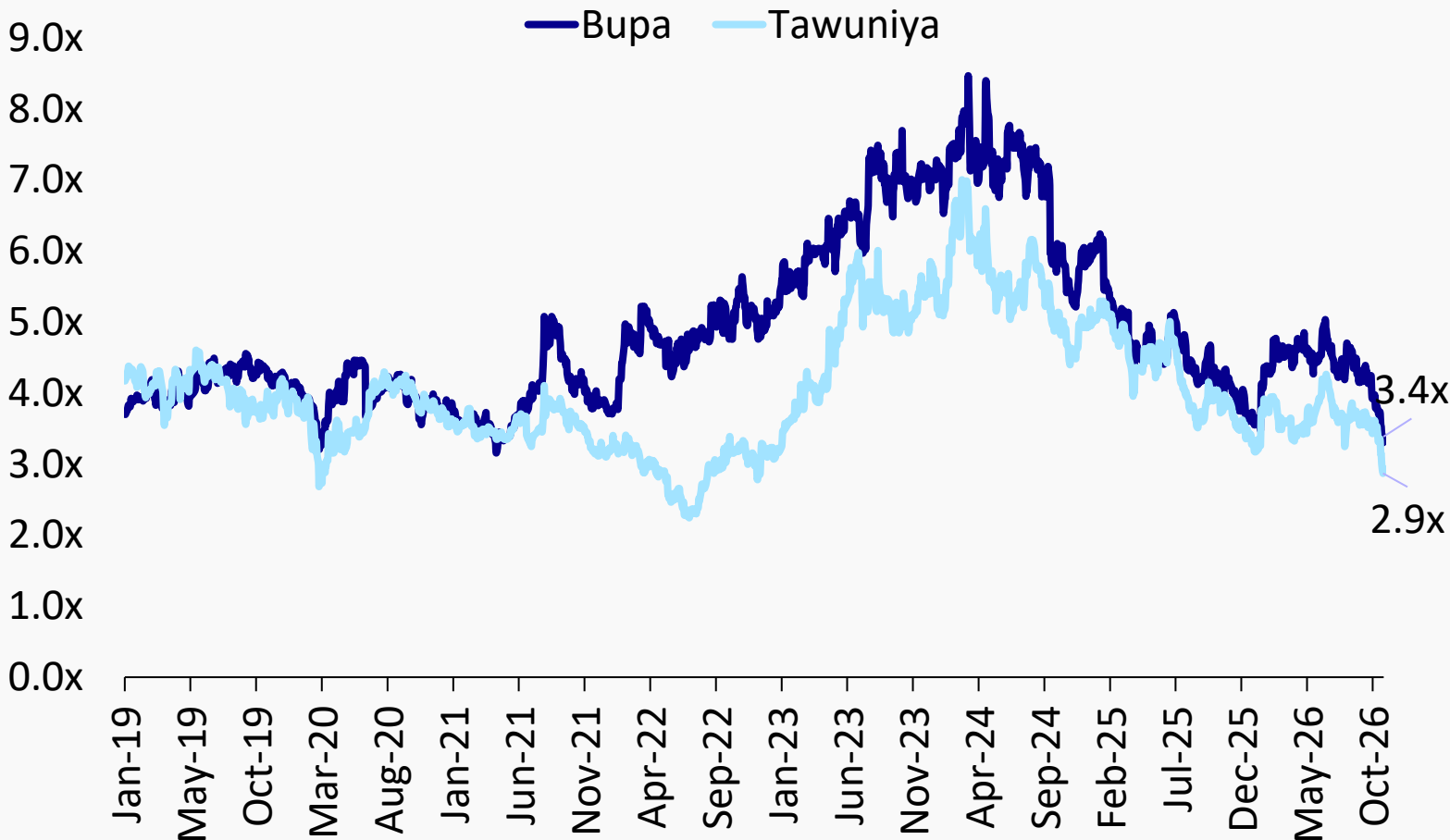
Source: Company Data, Bloomberg, Al Rajhi Capital, Note: Earnings are considered only for the listed banks at respective period. Earnings for 2019-2021 includes SAMBA's numbers. Earnings for 2026 is as of LTM .

Banks P/B is trading below long-term average



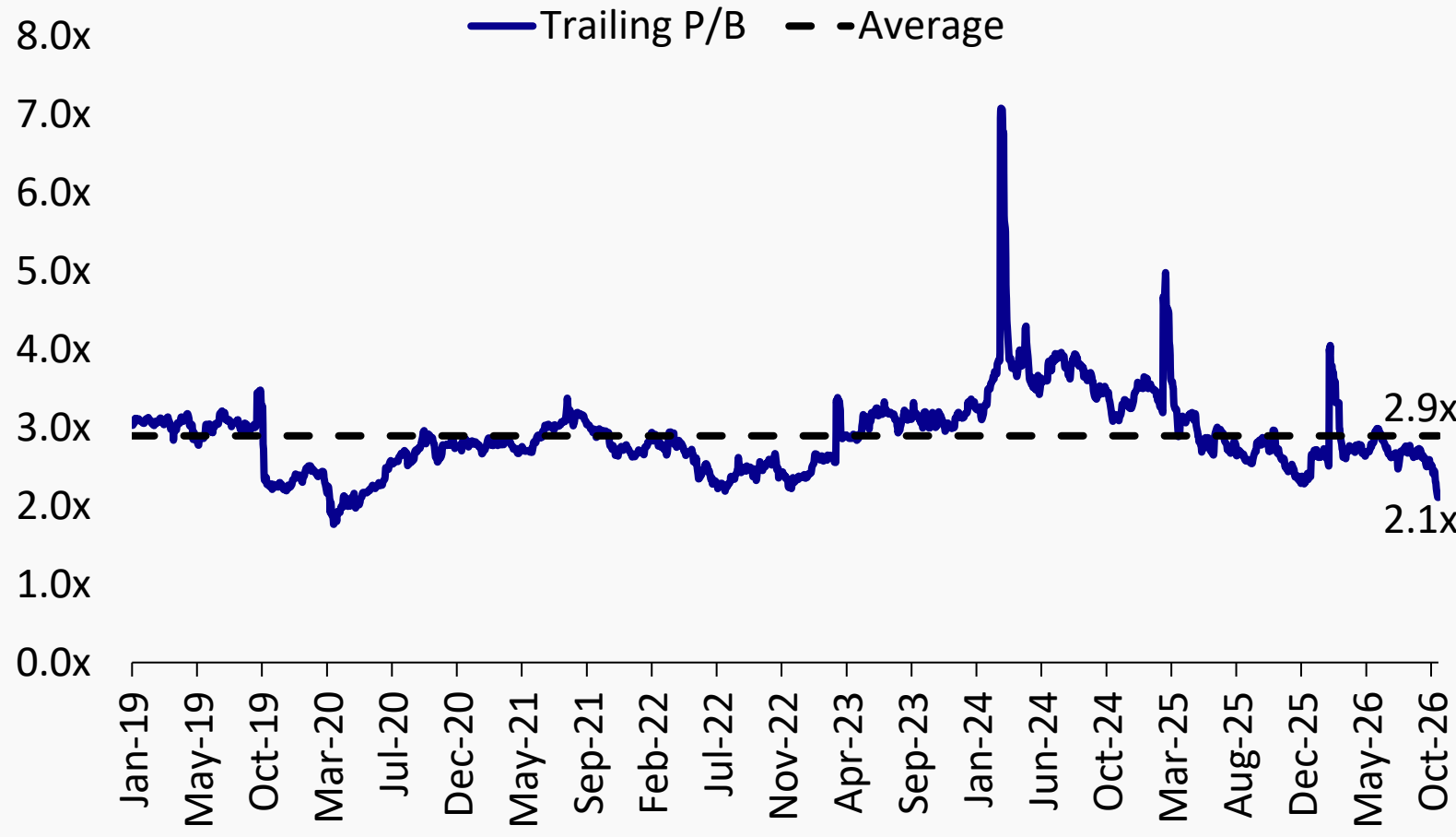
Source: Bloomberg, Al Rajhi Capital. Data is as of 26th October 2026

Bupa & Tawuniya P/B over the years



Source: Bloomberg, Al Rajhi Capital. Data is as of 26th October 2026

Insurance index is trading below historical average



Source: Bloomberg, Al Rajhi Capital

Petrochemicals

- The petrochemical companies in our coverage located on the East Coast have corrected substantially since start of the disruptions.
- **Most of the chemical product prices are up** vs pre-disruptions levels. Key chemicals such as ethylene, propylene and MEG are up in the range of 50-65% vs pre-disruptions levels, while urea, PE and PP are up in the range of 20-35%.
- Q3 results indicate that companies located on Eastern region have explored alternative routes to ship their products, which is reassuring, and positions them to capture the elevated product prices
- **Key Ideas:** SAFCO

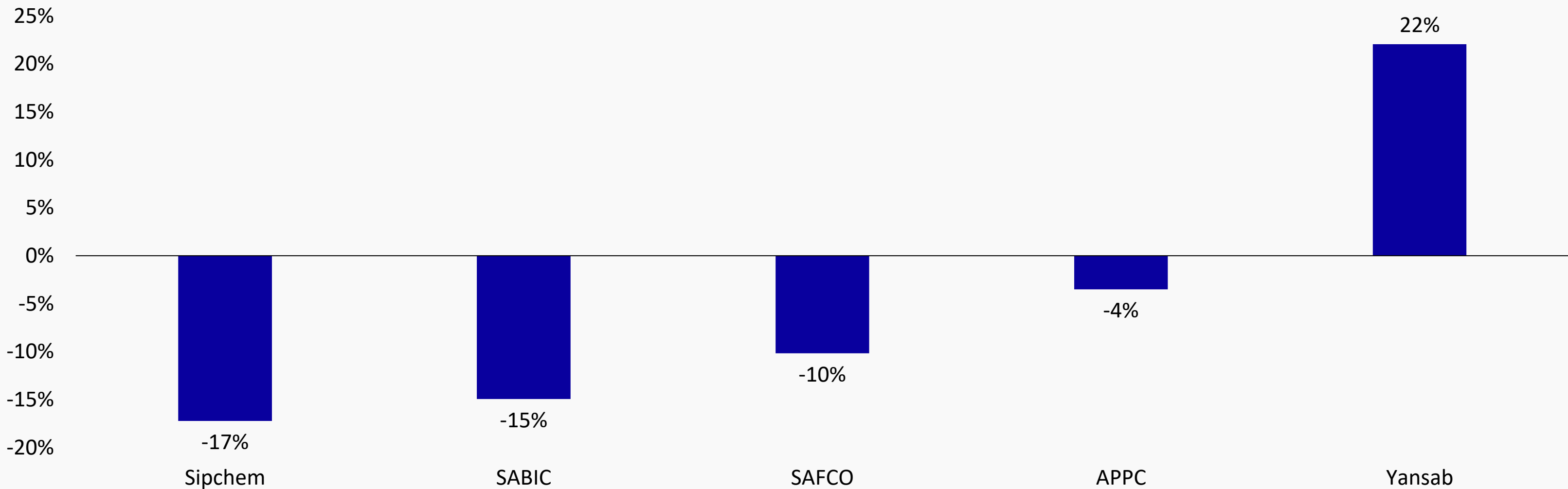
Energy/mining

As explained in earlier slide, Aramco has a solid contingency plan, in place to ensure minimal disruption. Despite this, the stock price increase has been moderate versus global peers, which is unjustified, in our view.

On the other hand, mining is a structural growth story. The recent correction is a solid buying opportunity.

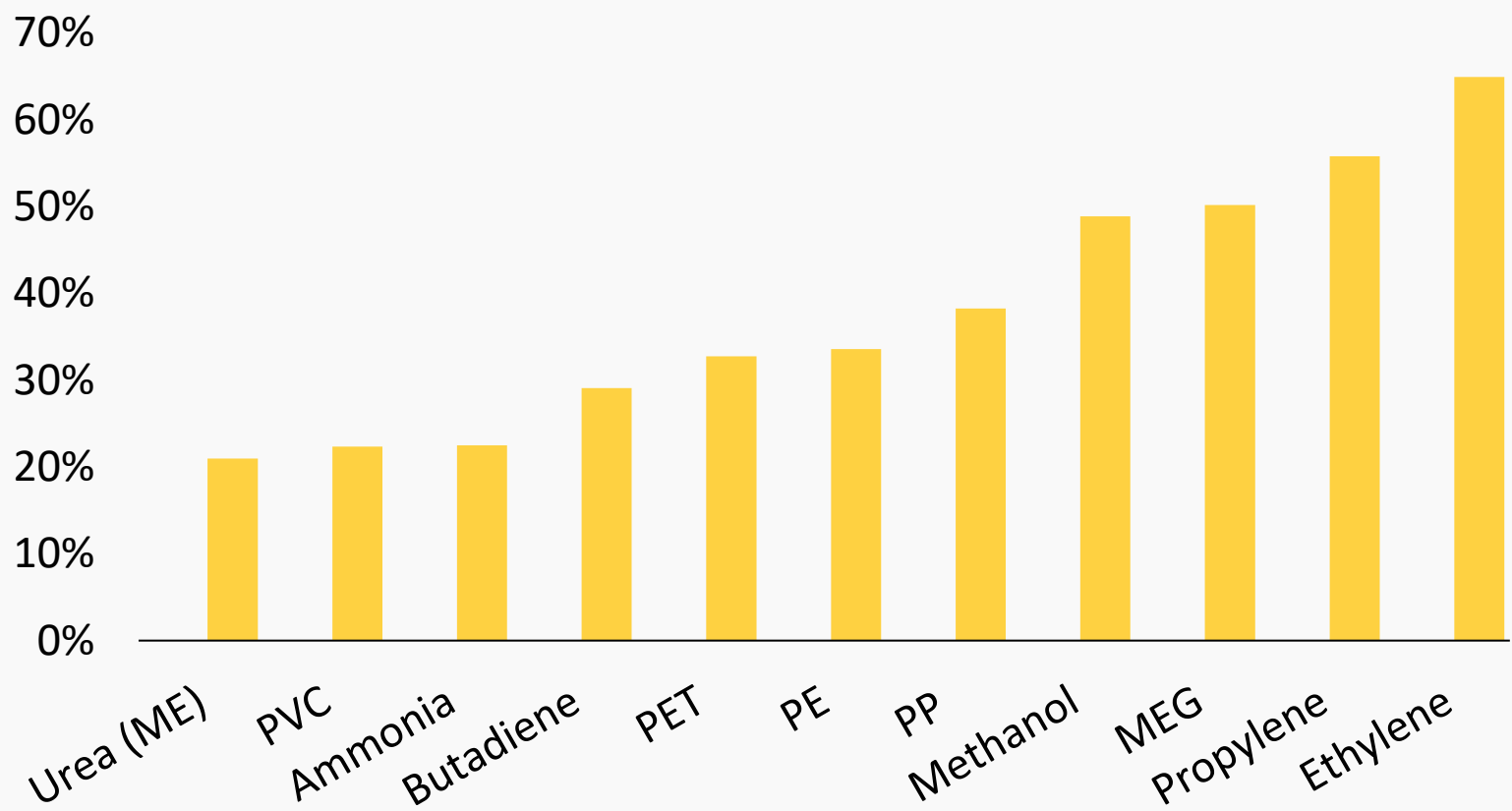
Key Ideas: ARAMCO and AMAK

Petrochem share price change (vs end of Feb 26 levels)*



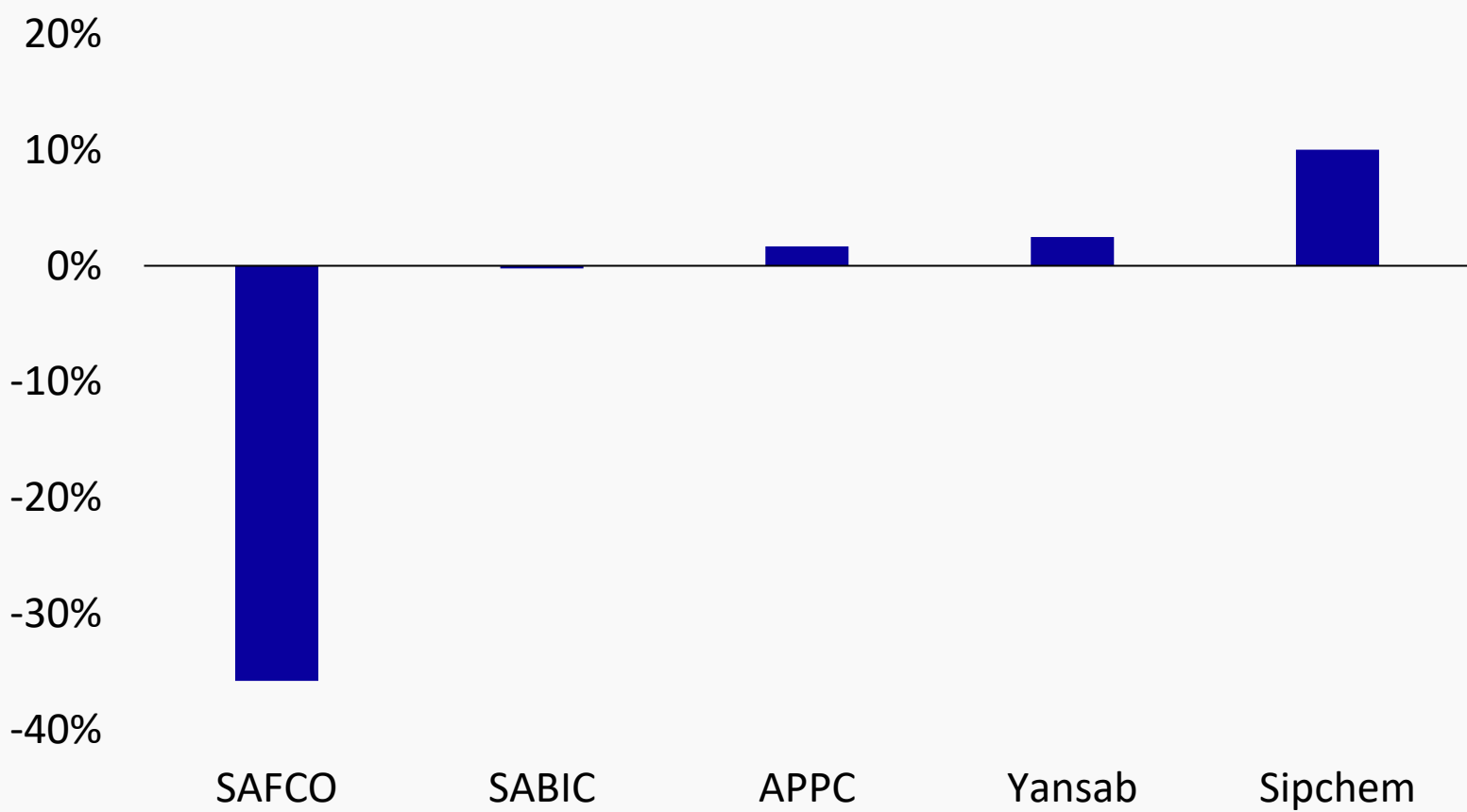
Source: *Share price as of 26th Oct 2026 vs 26th February 2026 levels; Bloomberg, Al Rajhi Capital

Product prices change since start of geopolitical disruptions (%)*



Source: *post-disruption prices are average of March to October 2026 periods vs February 2026 levels; Bloomberg, alrajhi capital

12m fwd EV/EBITDA: (Discount)/premium vs long-term historical average range*



Source: *(Discount)/premium calculated based on 26th Oct multiple vs long-term historical trading average; Bloomberg, Al Rajhi Capital

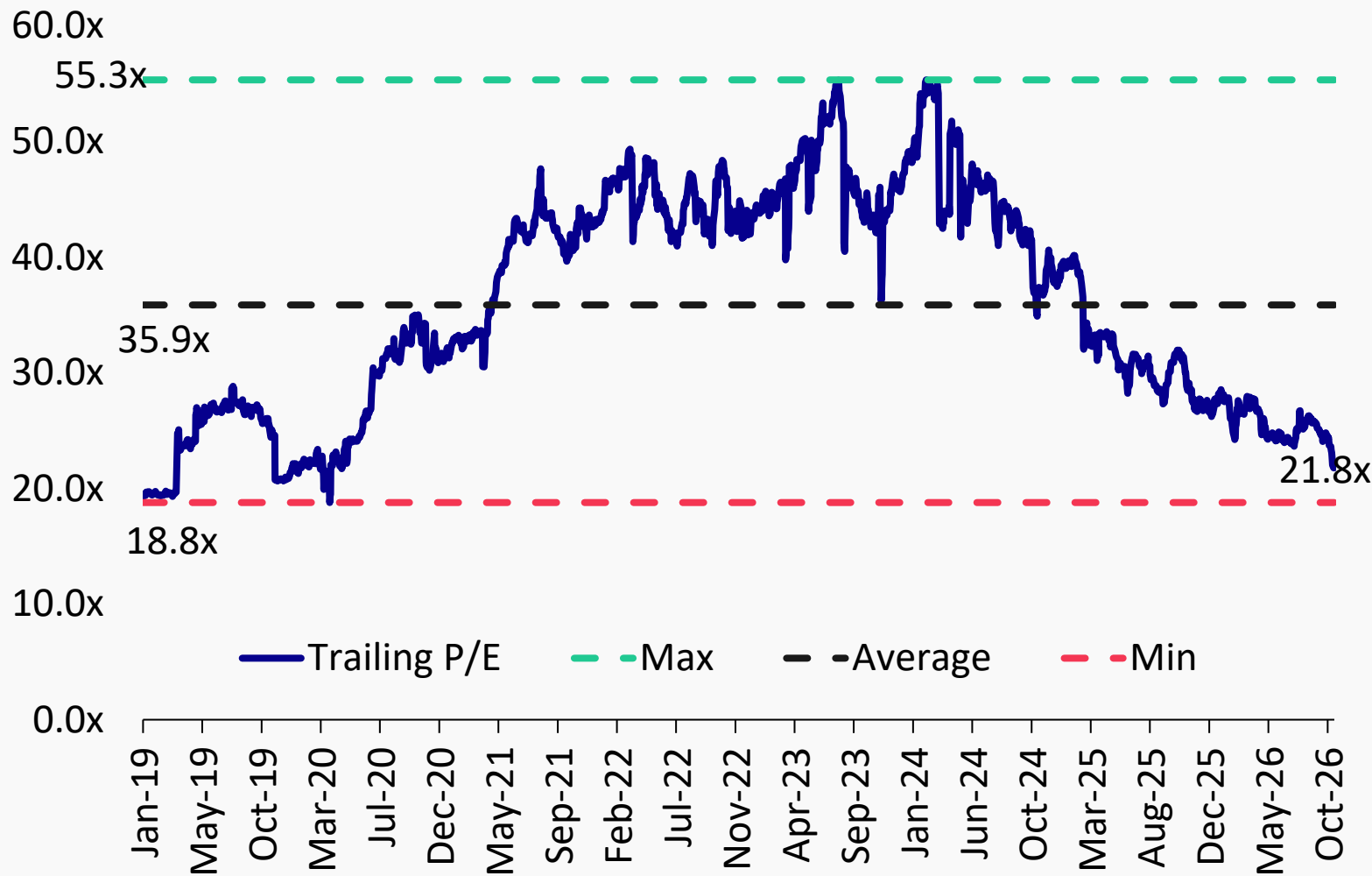
Hospitals

- **Despite its defensive profile**, hospital sector has been one of the hardest hits in the recent correction. We are cognizant of the fact that the sector is in the expansion phase, thus costs could stay elevated and high interest rate scenario is also not favorable.
- However, the intensity of the correction and the breadth is not reasonable, in our view. Most of the hospital names have completely evaporated the gains seen during the post Covid phase, despite notable improvement in earnings during 2021-2025.
- **Within the sector**, we prefer the companies that are largely done with their capex cycle, Al Habib and Dallah, however, post the sell-off we see value across the board.
- **Key ideas:** Al Habib, Dallah and Hammadi.

Pharma

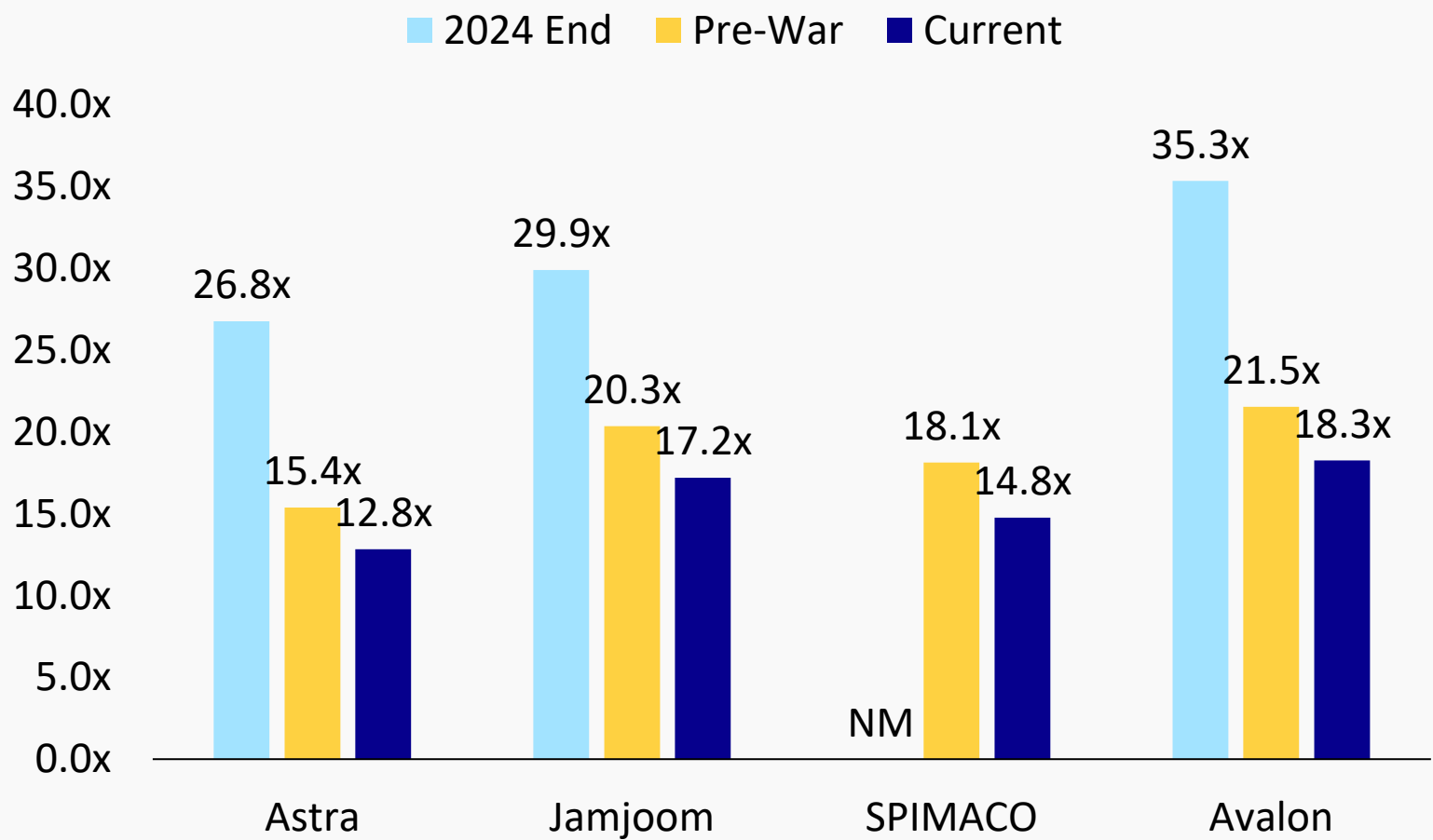
- Following a solid 1H 2026 (adjusted operating profit up 13% YoY), so far **3Q results have been mixed for the two bellwether companies, Jamjoom Pharma and Astra Industries.**
- As mentioned in our latest report dated 26th August , we anticipate 2H to be relatively muted versus 1H due to lack of similar demand from public channels.
- Moreover, tight liquidity pressure is a hindrance for "sell-in". Nevertheless, the correction in valuations is way too steep and we see opportunity across the board.
- **Key ideas:** Avalon, Astra Industries, Jamjoom Pharma

Healthcare P/E is trading below average



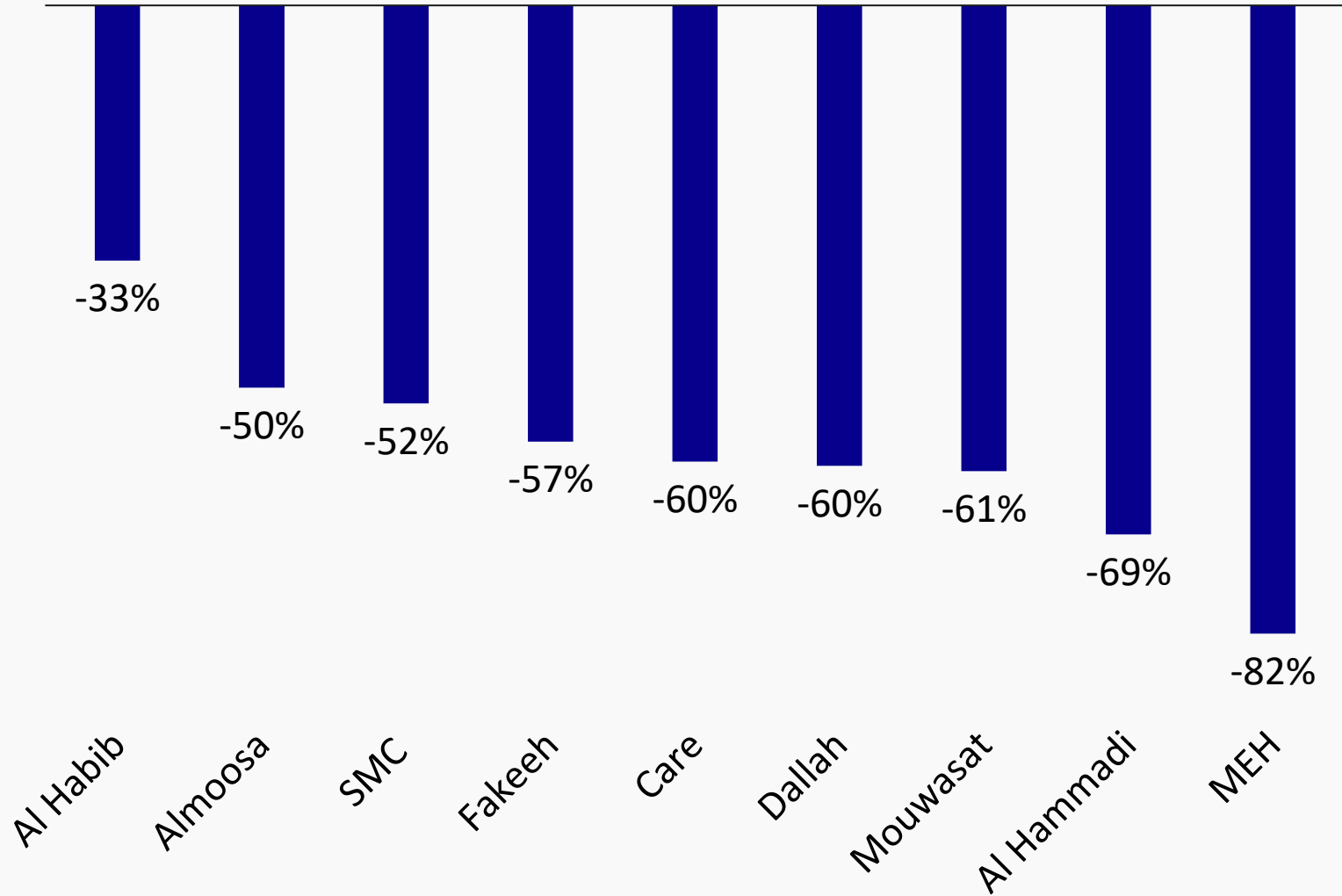
Source: Tadawul, Al Rajhi Capital. Data is as of 26th October 2026

Pharma PE have become attractive



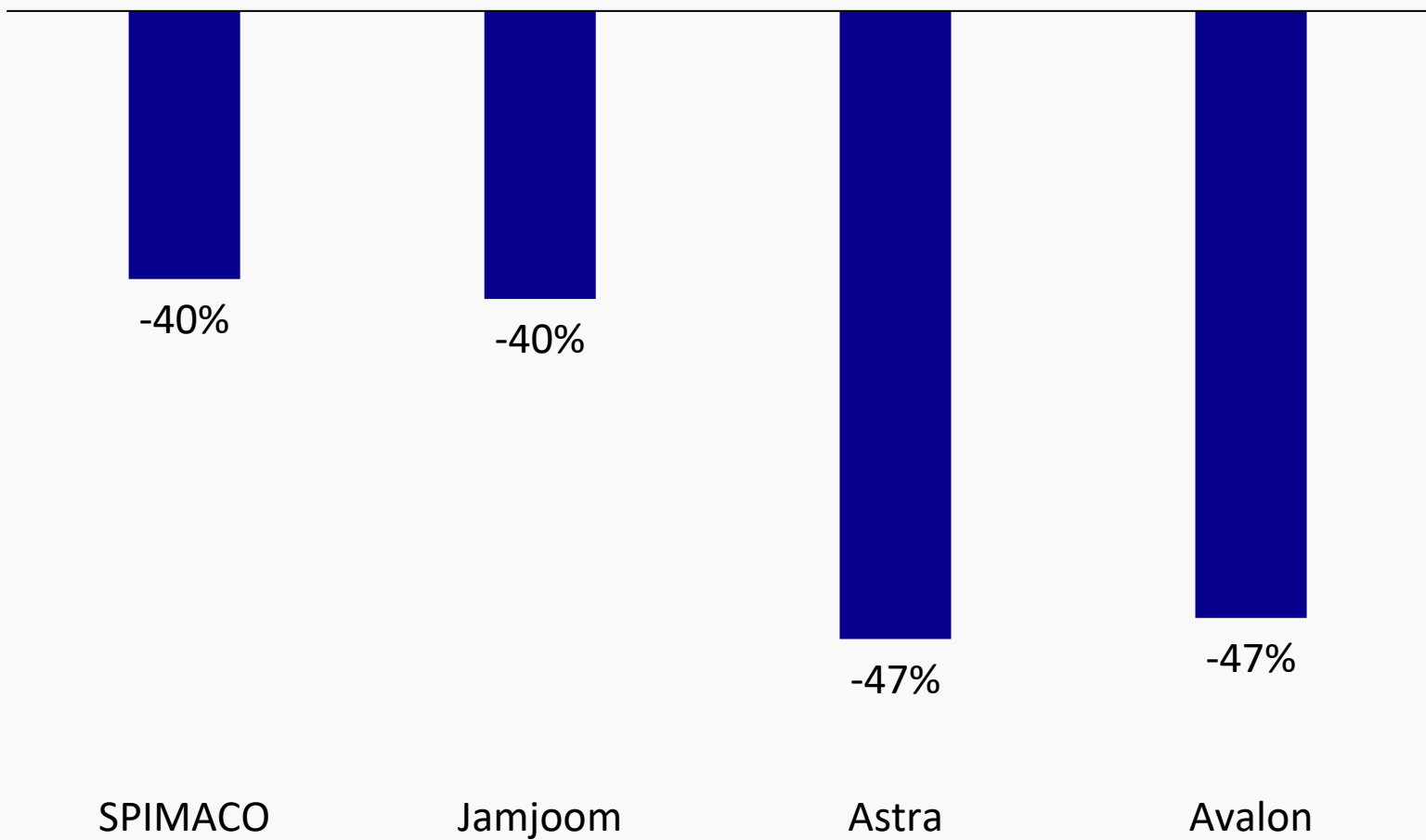
Source: Bloomberg, Al Rajhi Capital. Data is as of 26th October 2026

Hospitals drawdown from highs (last 5yr)



Source: Tadawul, Al Rajhi Capital. Data is as of 26th October 2026

Pharma stocks drawdown of ~40-47% from highs (last 5yr)



Source: Bloomberg, Al Rajhi Capital. Data is as of 26th October 2026

Rental Car

- Due to company-specific factors and lower rental utilization, rental players have come under pressure.
- We prefer Budget, which trades at ~8x forward P/E on normalized earnings, with improving geopolitical conditions likely to support utilization and earnings recovery over the medium term.
- **Key Ideas:** Budget

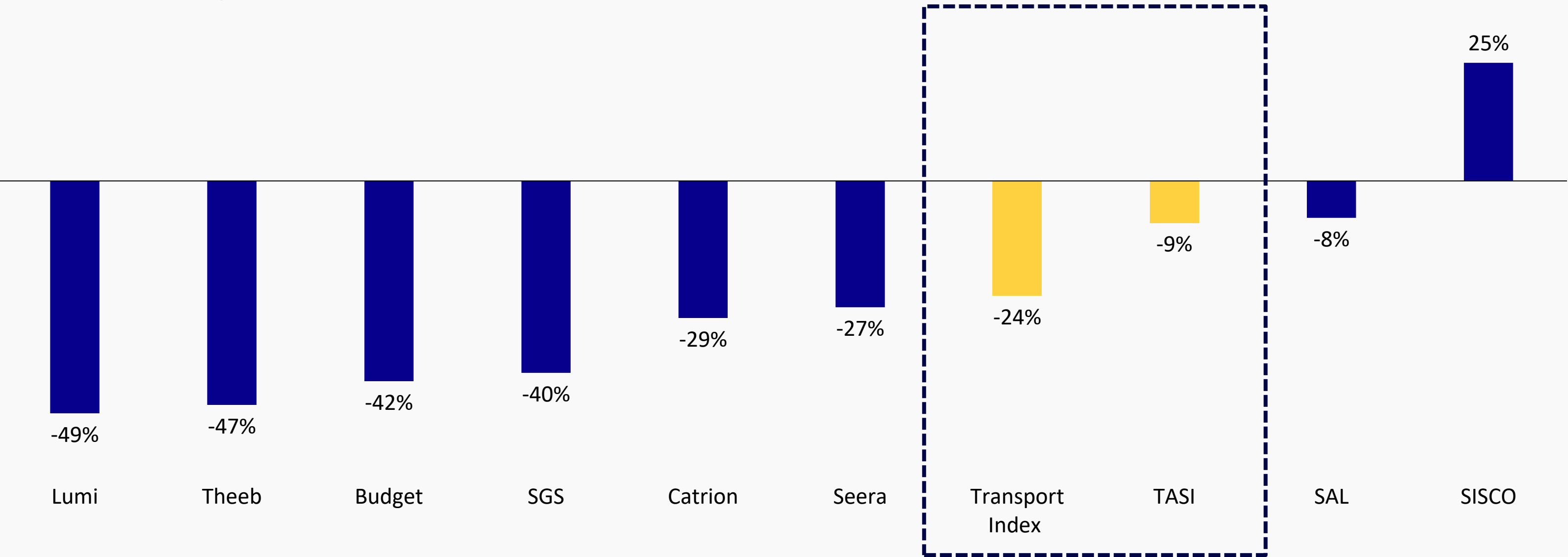
Air Service Providers

- Share prices have been pressured by airport disruptions and weaker near-term earnings visibility.
- While high operating leverage could weigh on earnings, we see attractive medium-term entry points in Catrion and SAL as airport activity normalizes.
- **Key Ideas:** Catrion

Port Operator

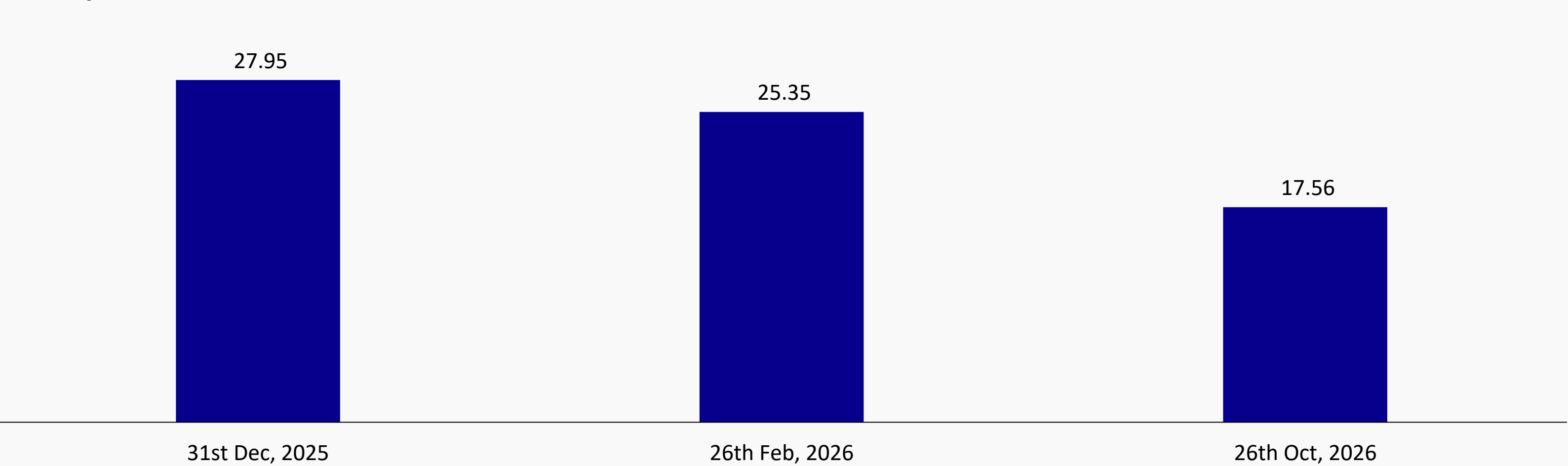
- SISCO is a key beneficiary of the Strait of Hormuz disruption, with gateway volumes shifting from Dammam to Jeddah.
- Despite stronger earnings, the stock has been weighed down most recently by the broader market sell-off.
- We see attractive upside at current levels, even assuming the current windfall in gateway normalizes over the medium-term.
- **Key Ideas:** SISCO

Stock Price change since 26th Feb 2026



Source: Bloomberg, alrajhi capital. CMP as close of 26 Oct 2026

Transportation Index P/E



Source: Bloomberg, alrajhi capital. CMP as close of 26 Oct 2026

Consumer

We opine that companies in the consumer sector have largely been impacted by company/sector specific factors that have been exacerbated by broad market sell-off. We believe that in the wake of these company specific factors (a few mentioned below) and elevated intensity of competition, a quick rebound in consumer sector would be relatively difficult.

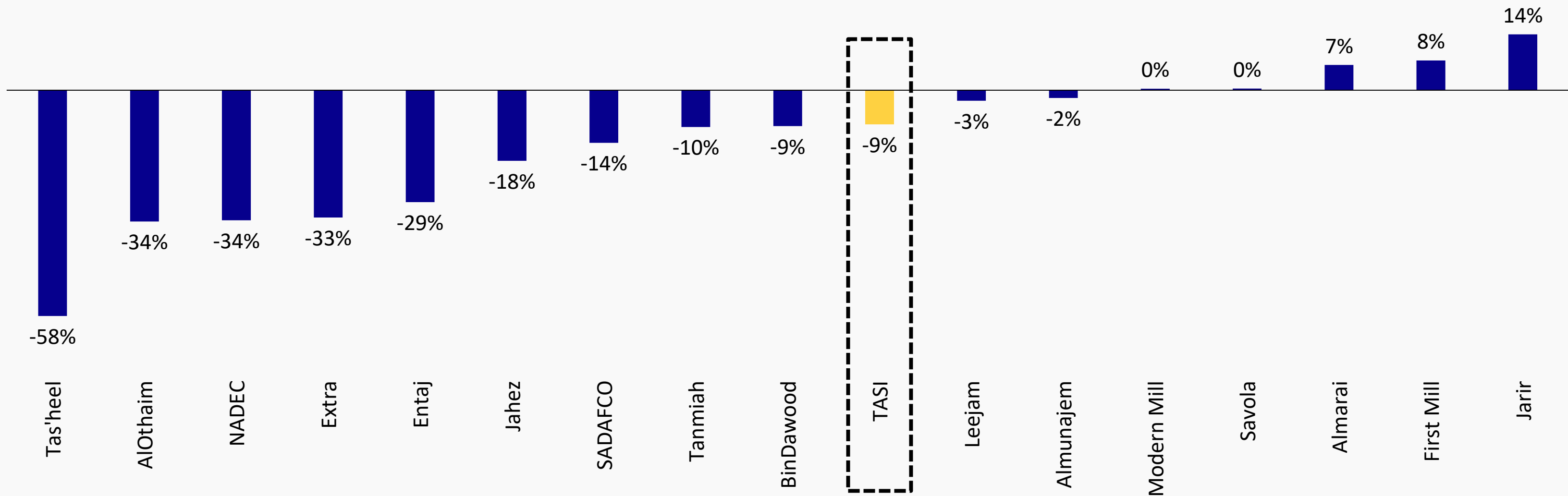
- Tas’heel & Extra – Elevated provisioning at Tas’heel, coupled with intensifying competition from BNPL players.
- AIOthaim – ERP-related execution challenges, rising competitive intensity and a relatively weak digital proposition.
- Entaj & Tanmiah – Softer poultry prices weighing on revenue growth and margins.
- Jahez – Sustained competitive pressure continues to drive losses.
- SADAFCO – Elevated raw-material costs and increasing competitive pressure weighing on margins.
- BinDawood & Leejam – Higher competitive intensity remains the key medium-term overhang.

Telecommunication

On the flipside, we believe that majority of the sell-off in telecommunication companies is the result of geopolitical uncertainty and elevated risk premiums.

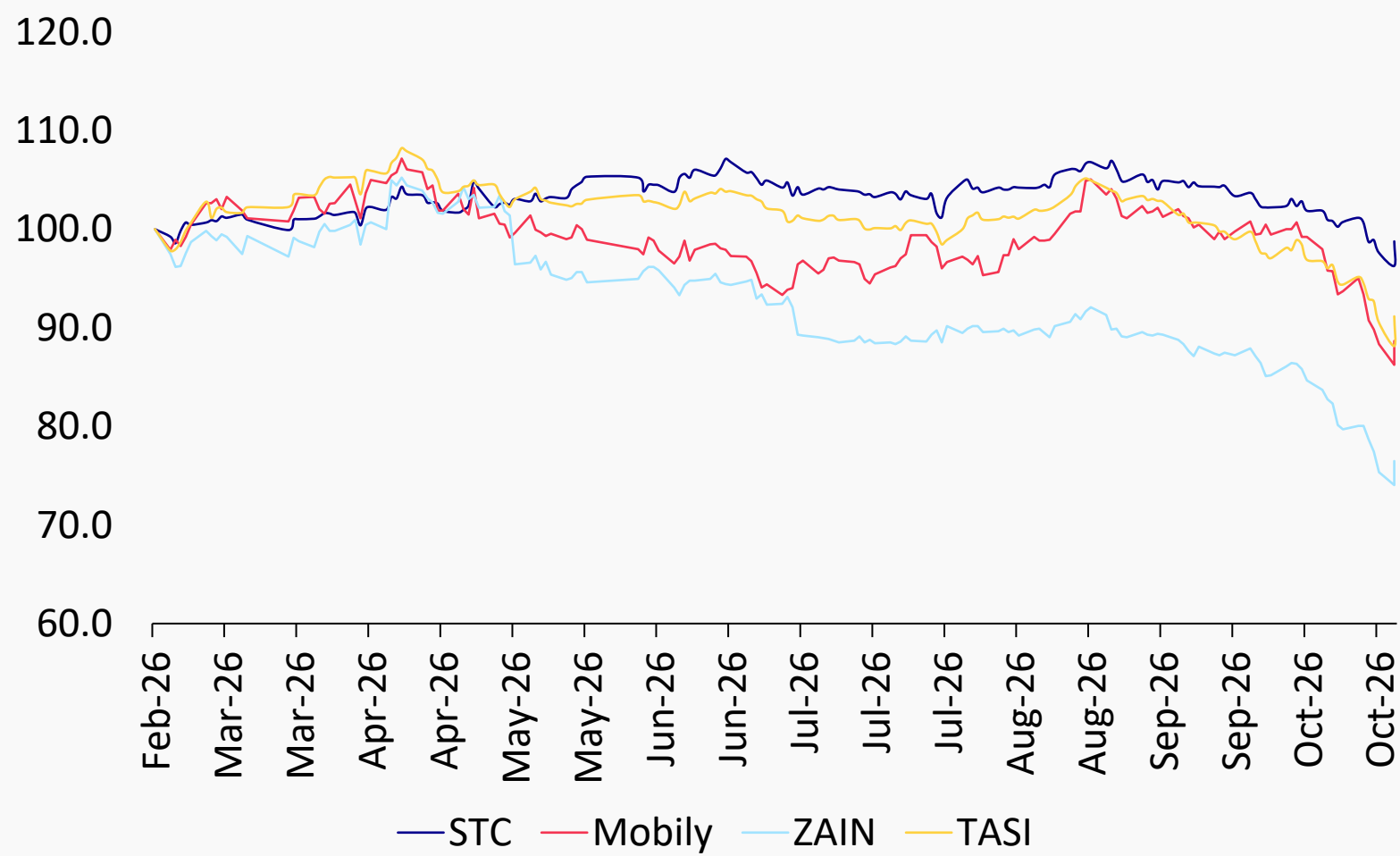
- Hence we view the recent share-price correction as an attractive entry point, with our medium-term earnings outlook being relatively resilient
- **Key Ideas:** Mobily

Consumer stock Price change since 26th Feb 2026



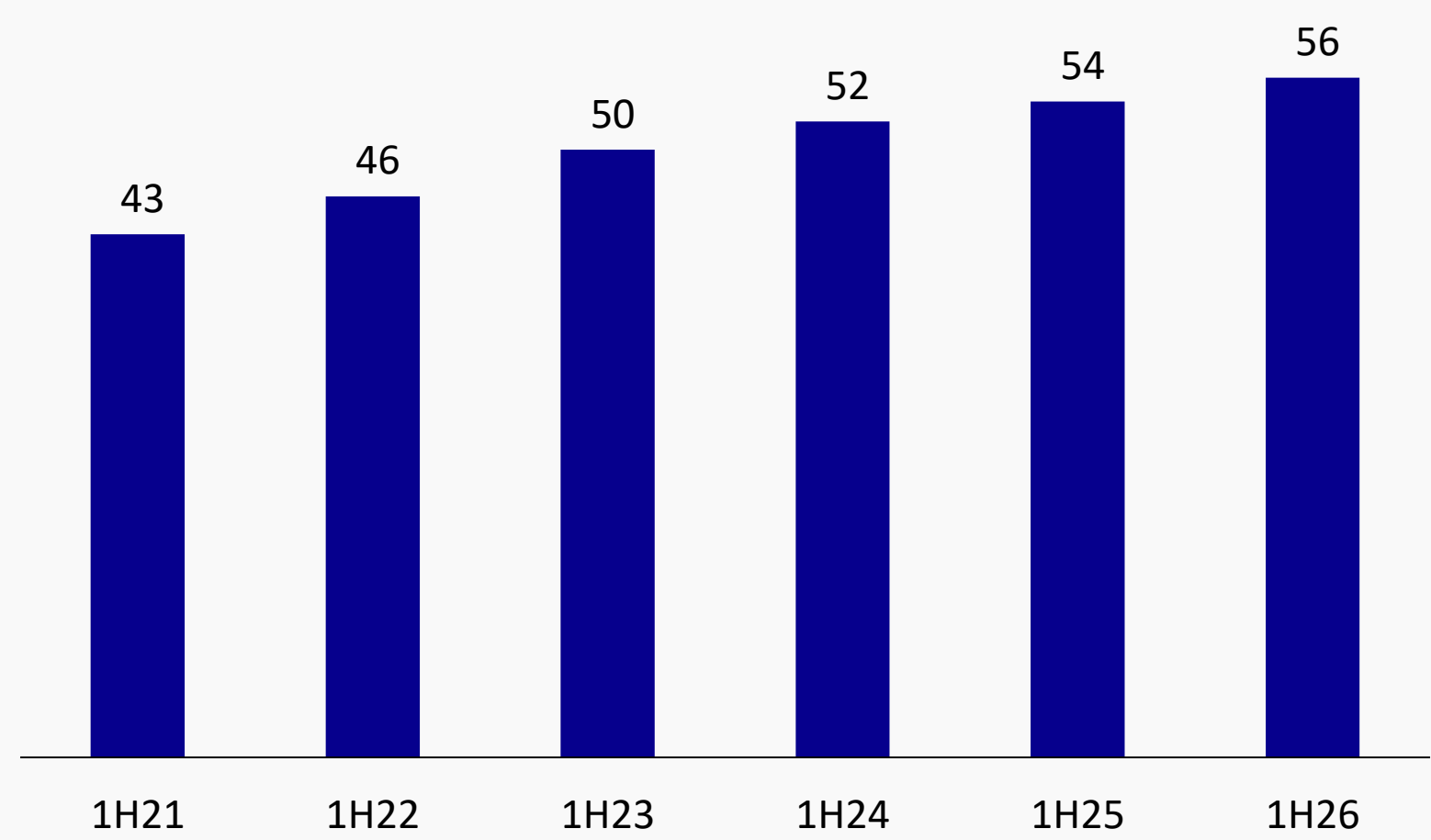
Source: Bloomberg, alrajhi capital. CMP as close of 26 Oct 2026

Telco stock price movement since 26th Feb 2026



Source: Bloomberg, alrajhi capital. CMP as close of 26 Oct 2026

Telecom Revenues (SAR bn)



Source: alrajhi capital.

Real Estate

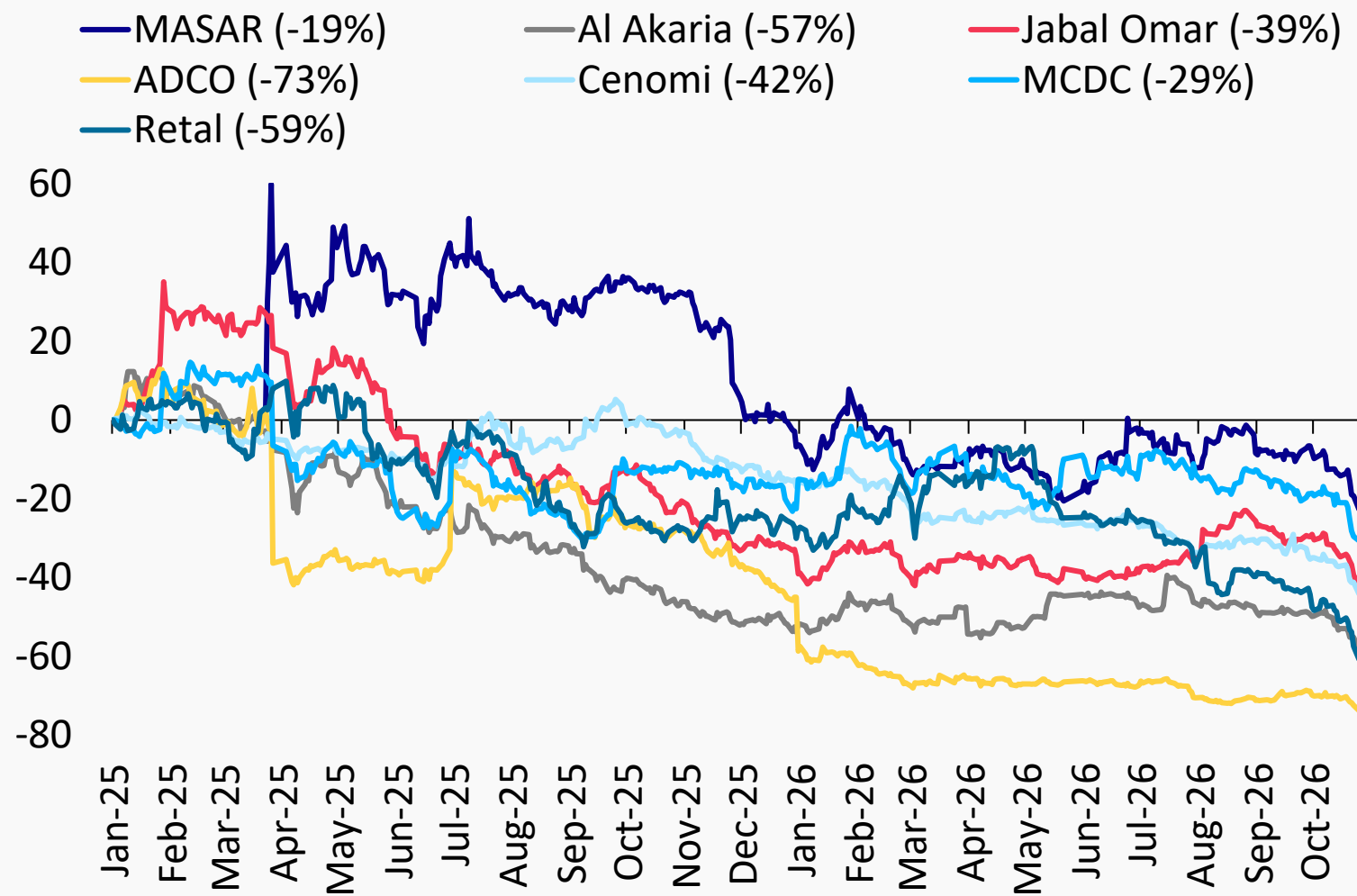
- Real estate:** The sector has underperformed TASI by nearly 20% since 1Q25, as regulatory developments (white land tax, rental freeze, subsidized land allocations) and elevated rates keep Riyadh buyers on the sidelines. Corrections reflect company-specific issues: Retal faces weaker sales and margin pressure; ADCO faces land tax and valuation risks; Akaria is hit by a Binyah slowdown, the rental freeze and uncertainty over Al Widyah land; Cenomi is constrained by high leverage.
 - Positioning:** We favor Makkah-based developers on a 12-month expected operating performance, though MCDC and Jabal Omar may see seasonal weakness in 2H26. Masar's case rests on encouraging land sales. In Riyadh, ADCO offers value opportunity with strong balance sheet, followed by Akaria; both trade well below BV, backed by land banks. Retal's re-rating depends on contracted sales and margin recovery, with 3Q-4Q26 results key.

- Key Ideas:** Masar, MCDC, Jabal Omar, ADCO

Building & construction, and Cement

- Building & construction:** Riyadh Cables trades at ~11x 2027E earnings with a yield above 4.5%, but logistics disruptions and slower SEC capex are key risks. Bawan has de-rated on weaker Petronash backlog inflows and a soft Electrical segment; 2H26 should be sequentially weaker. Recovery in both segments should make the case for re-rating.
- Cement:** We prefer Yamama Cement for its market leadership and cost advantage. At ~10x 2027E earnings it looks attractive despite price competition and volume concerns, and a decision on its former factory land could unlock further value.
- Key Ideas:** Riyadh Cables, Yamama Cement.

De-rating since Jan'25 (share price performance)



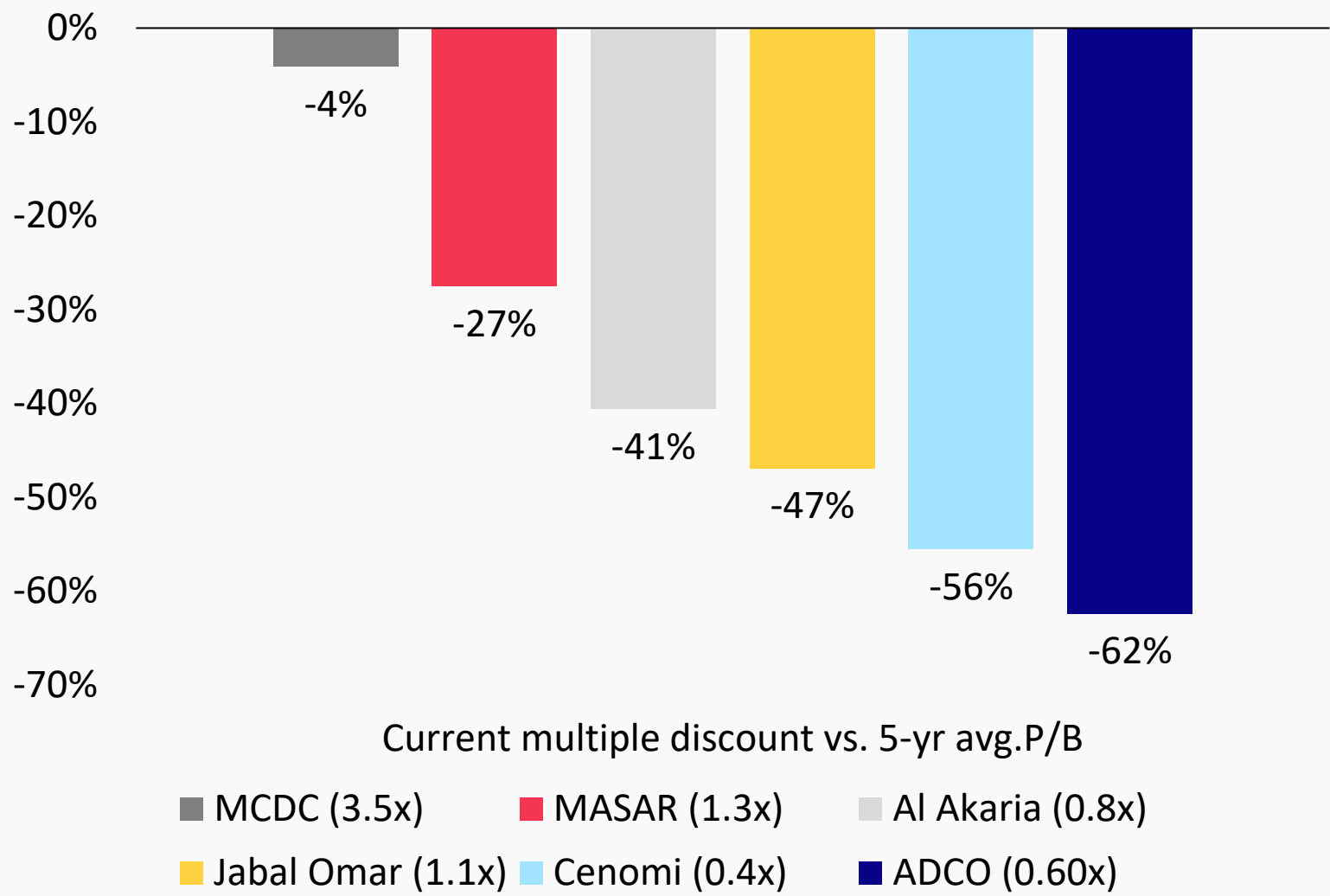
Source: Bloomberg, alrajhi capital; Note: Rebased to 0 starting Jan-2025

Stock price correction since Jan'25

		Volume Growth	
		2025	9M26
Najran	-44%	-0.9%	2.6%
Southern	-51%	-3.5%	-9.8%
Riyadh	-42%	6.4%	-0.3%
Yanbu	-44%	-2.9%	-3.1%
Qassim	-20%	13.7%	-9.0%
Saudi	-42%	14.8%	2.5%
Arabian	-27%	12.8%	-11.1%
Yamama	-46%	40.0%	2.9%

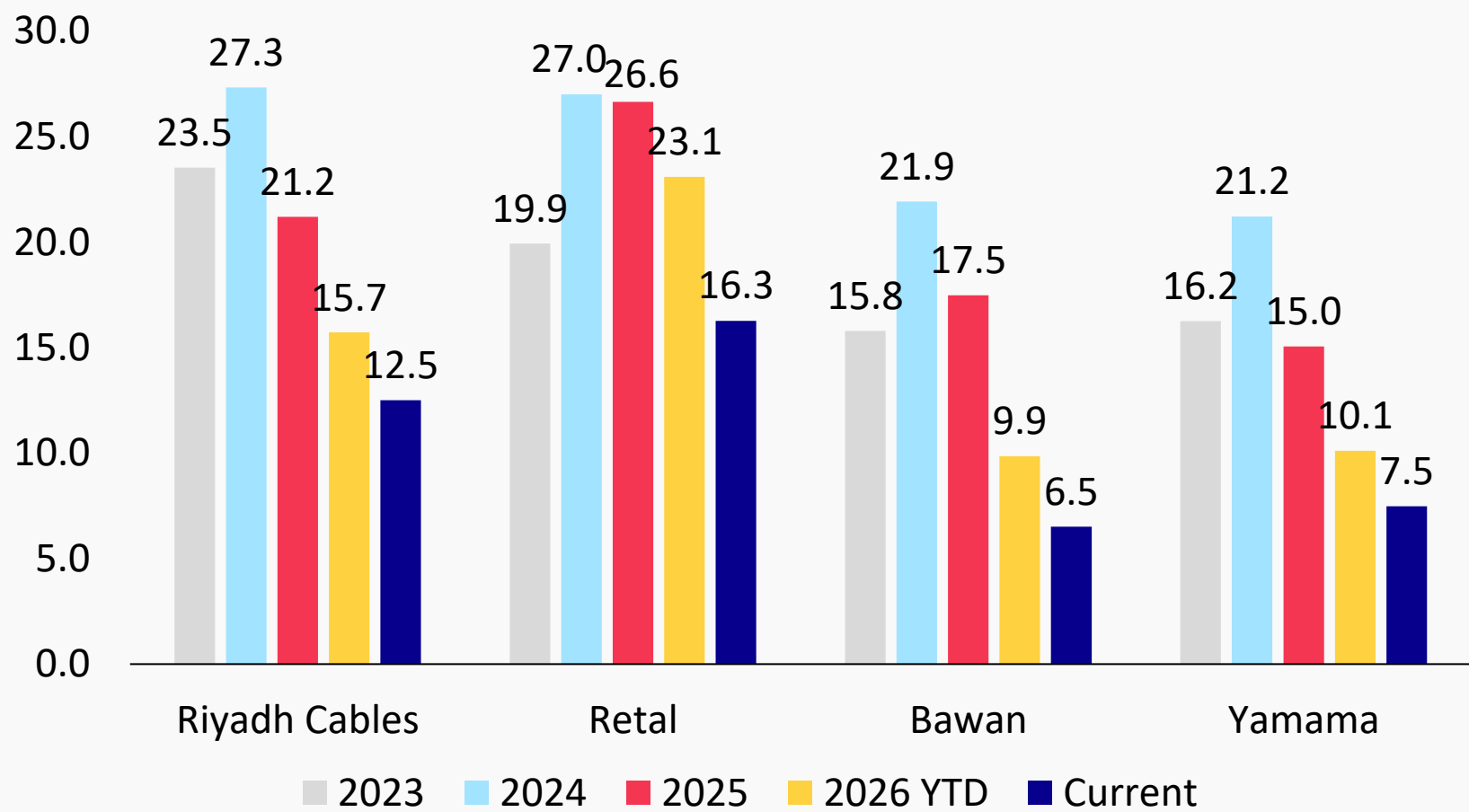
Source: Bloomberg, alrajhi capital, Yamama Cement; Note: Volumes are for grey cement

Discount to historical P/B



Source: Bloomberg, alrajhi capital; Note: Current multiples are mentioned the legend

P/E multiples have sharply de-rated



Source: Bloomberg, alrajhi capital; Note: 2023-2026 YTD represent avg. P/E during the period

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