



المركز الوطني لإدارة الدين
NATIONAL DEBT MANAGEMENT CENTER

Annual Borrowing Plan Report

Fiscal year **2023**



Introduction

The National Debt Management Center (“NDMC”) has prepared this report as a general statement of the 2023 annual borrowing plan. This report contains NDMC’s forecasts related to certain data included in the report and its future plans. Such forecasts and data may materially change, subject to domestic and international market conditions. Neither the Ministry of Finance nor the NDMC, accepts any liability for, or obligation to publish any revisions to, the forecasts or the data in this report to reflect changes in market conditions after the publication date. The report and data included in this report do not constitute investment advice, and they shall not be considered as a solicitation or offer to sell or purchase any securities, deal in any product, or enter into any transaction.

Table of Contents

1

NDMC's Objectives

2

**Sovereign Debt
Developments & Debt
Markets Initiatives**

3

Risk Management

4

2023 Funding Plan

1

NDMC's Objectives



The NDMC's aims to:

Debt Strategy

Contribute to setting and developing the Kingdom of Saudi Arabia public debt policy, and securing the Kingdom's financing needs in the short, medium, and long term.

Sustainability of Funding

Maintain the Kingdom's ability to access different debt markets to issue sovereign debt instruments at a fair price within informed foundations and frameworks of risk management.

Credit Rating

Follow up on the Kingdom's credit-rating affairs in cooperation with the relevant governmental bodies.

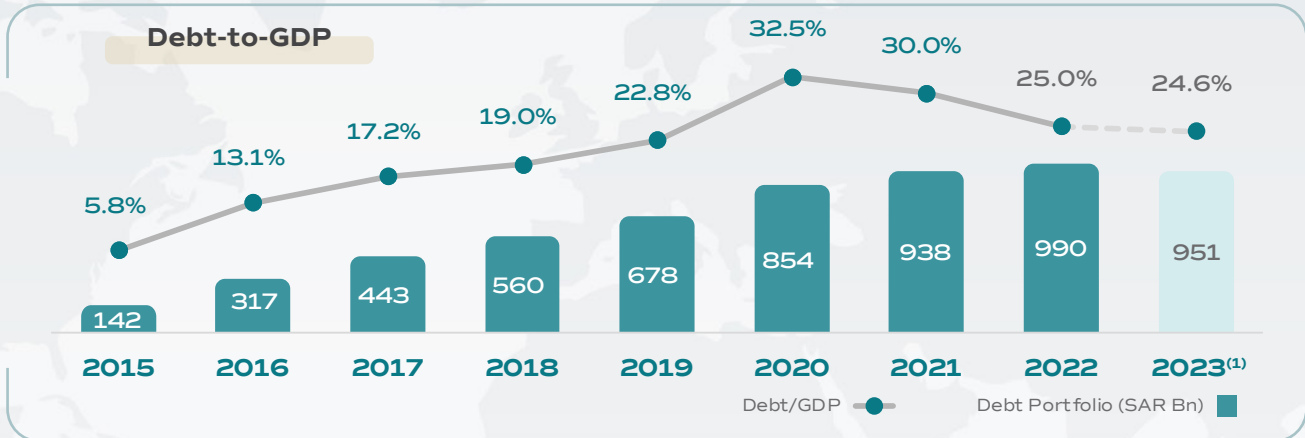
Empowerment and Support

Provide advisory services and propose execution plans for governmental bodies, companies in which the government owns more than (50%) of their capital, and public institutions, in the area of NDMC's competence. These services include collecting, processing, and follow-up on direct and indirect public debt data, negotiation of restructuring, repricing, or re-contracting of debt, and services related to hedging policies, investor relations management in public debt instruments, credit rating affairs, or other related services.

Sovereign Debt Developments and Debt Market Initiatives

Sovereign Debt Portfolio

The Sovereign debt portfolio increased during 2022⁽¹⁾ by approximately SAR 52 bn to reach SAR 990 bn, representing 25.0% of GDP, compared to 30.0% in 2021⁽²⁾. The increase was mainly driven by prefunding activities that have been executed to manage refinancing risk amid a higher interest rate environment. Despite the increase in the debt portfolio in 2022, the debt-to-GDP ratio has decreased due to the fact that debt levels are increasing at a lower pace than the expected increase in GDP⁽²⁾.

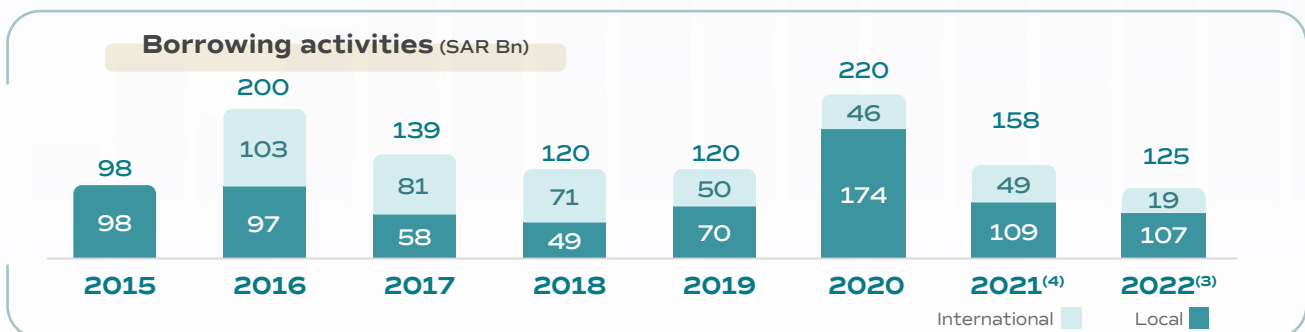


Borrowing Activities

In 2022, the NDMC succeeded in borrowing approximately SAR 125 bn⁽³⁾, of which SAR 107 bn was funded domestically and SAR 19 bn internationally. Total debt principal repayment was approximately SAR 42 bn in 2022. The focus on the domestic funding comes as a reflection of the ongoing developments in the domestic debt capital market to become a sustainable source of funding, as compared to the international market which witnessed high volatility during the year 2022.

Moreover, the NDMC has executed Sukuk and bond liability management transactions both domestically and internationally, where it redeemed domestic and international securities maturing in 2023, 2024, 2025, and 2026 with a total value of SAR 31 bn by issuing domestic Sukuk and USD bond for the redeemed amount.

During 2022 the NDMC has pre-funded approximately SAR 48 bn to secure and reduce a portion of 2023 financing needs by proactively managing interest rate and refinancing risk. Additionally, the Kingdom will ensure its continuous presence in debt markets and manage debt repayments for the coming years. Furthermore, NDMC arranged for financing agreements amounting to SAR 25 bn to execute various infrastructure projects as part of the Government Alternative Funding “GAF” channel. Approximately SAR 4 bn has been drawdown in 2022 from GAF.

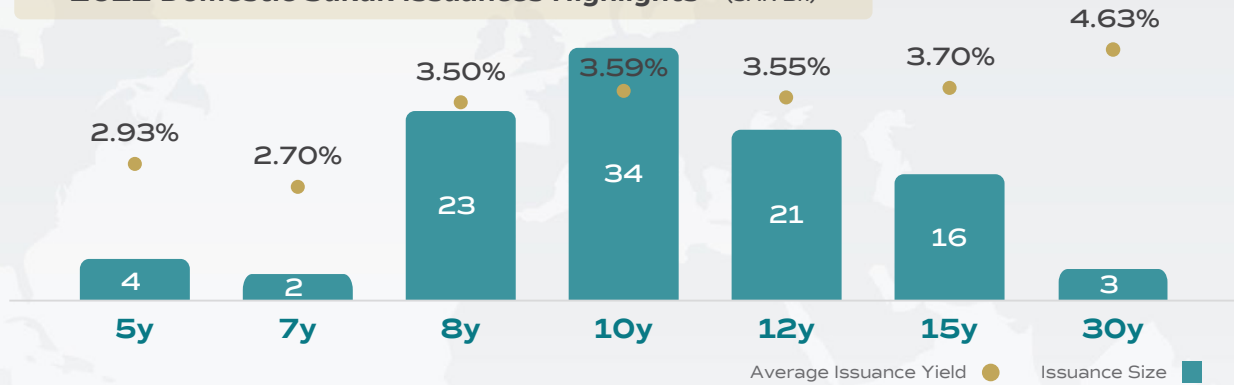


(1) As per the official budget statement for the fiscal year of 2023.
 (2) Actual GDPs (2015-2021) are as per General Authority for Statistics.
 (3) Includes 2022 liability management transactions.
 (4) Includes 2021 liability management transaction.

Borrowing Activities Domestic Funding

Total domestic funding raised in 2022 stands at approximately SAR 107 bn, representing 85% of the total debt funding in 2022⁽¹⁾, domestic Sukuk issuance was around SAR 103 bn, and approximately SAR 4 bn was raised through GAF to fund capital expenditure and infrastructure projects.

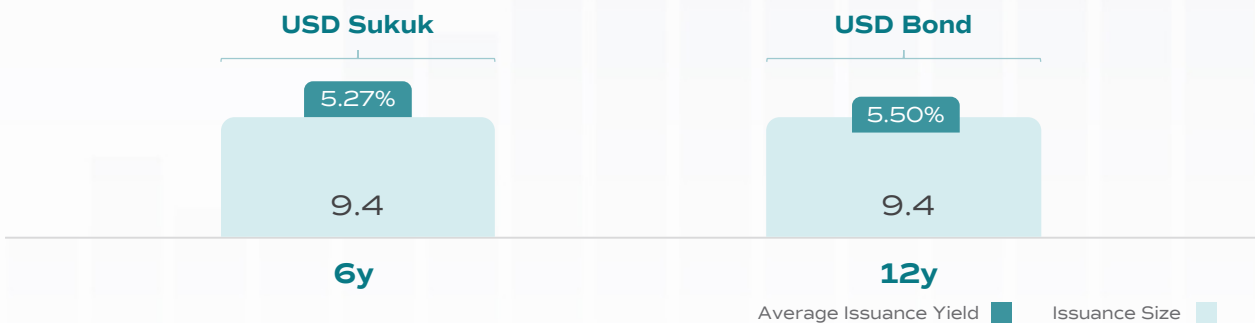
2022 Domestic Sukuk Issuances Highlights⁽¹⁾ (SAR Bn)



Borrowing Activities International Funding

The Kingdom was able to complete its international issuance during 2022 under its Sukuk and Global Medium-Term Note Issuance “GMTN” programmes, by issuing USD-denominated Sukuk and bond. The total amount of all bids received exceeded USD 27 bn, an over-subscription of 5 times the total issuance size of USD 5 bn (approximately SAR 19 bn). International funding represents approximately 15% of total debt funding in 2022⁽¹⁾, divided into two tranches: USD 2.5 bn (equivalent to SAR 9.4 bn) 6-year Sukuk maturing in 2028, and USD 2.5 bn (equivalent to SAR 9.4 bn) 10-year bond maturing in 2032.

2022 International Funding Highlights⁽¹⁾ (SAR Bn)

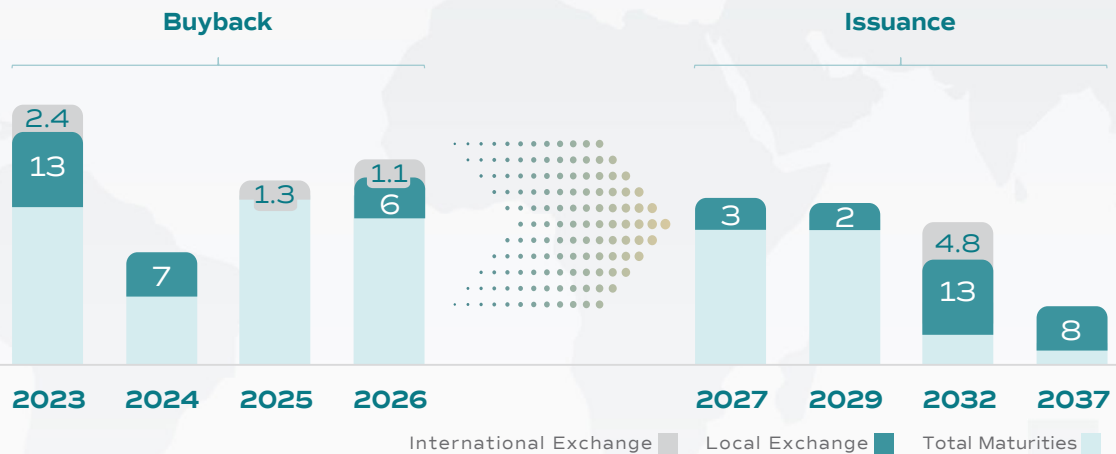


(1) Includes 2022 liability management transactions.

Sukuk and Bond Liability Management Transactions

In line with the NDMC objective of managing and assessing the refinancing risk of the Kingdom's debt portfolio, the NDMC successfully conducted its first partial redemption of the Kingdom's outstanding U.S. dollar-denominated bond maturing in 2023, 2025, and 2026 with a total value of USD 1.3 bn (approximately SAR 4.8 bn) and issued USD bond against it. In addition, the NDMC executed a domestic Sukuk and bond liability management transaction with a total value exceeding SAR 26 bn where it redeemed domestic securities maturing in 2023, 2024, and 2026 and issued Sukuk in exchange for the redeemed. The liability management transactions helped in maintaining the average time to maturity "ATM" and simultaneously reduced refinancing risk for future maturities.

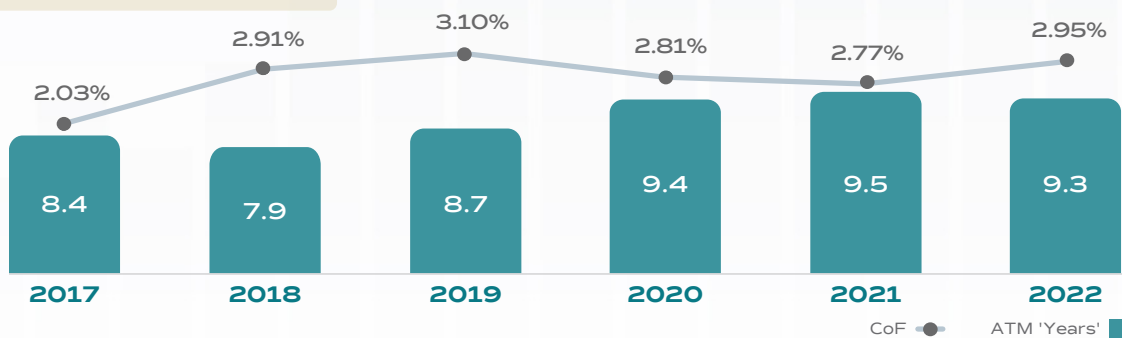
2022 Domestic & International Liability Management Transactions (SAR Bn)



Sovereign Debt Portfolio Cost of Funding and Average Time to Maturity

The cost of funding "CoF" of the Kingdom's debt portfolio reached approximately 2.95%⁽¹⁾ as of the end of 2022, due to the rise in interest rates. Furthermore, the debt portfolio's ATM reached to approximately 9.3 years as of 2022 year-end.

CoF⁽¹⁾ & ATM



(1) Cost of Funding on a cash basis.

Debt Markets Initiatives

As part of NDMC’s commitment to developing the domestic debt market infrastructure, and enhancing the Kingdom’s position in debt markets by expanding the investor base in both the domestic and international markets and in coordination with relevant stakeholders, below is a summary of the main achievements of the NDMC in 2022:

Domestic Market

The signing of agreements with five international financial institutions (BNP Paribas, Citigroup, Goldman Sachs, J.P. Morgan, and Standard Chartered Bank) to join the Primary Dealers “PDs” program to enhance the accessibility of the domestic debt market through diversifying the investors base to ensure sustainable access to the secondary market and to support its development.

The launch of the link between “Euroclear” and “Edaa” enabling international investors access to the domestic Sukuk and bond markets.

The signing of a memorandum of understanding with “SNB Capital” to develop and launch the retail savings Sukuk to motivate individuals to design better saving plans for the future, and to seek strategic partnerships with the private sector.

The NDMC was awarded the “Best Debt Capital Markets Deal of the Year 2021” and the “Middle East Sovereign Funding Team of the Year 2020” awards at the Saudi Capital Markets Conference.

International Market

Successful Completion of the first International liability management transaction for the Kingdom, where the NDMC redeemed international securities maturing in 2023, 2025, and 2026 and issued new USD bond.

NDMC was awarded the “Sovereign Treasury & Funding Team of the Year” award at the annual Bonds, Loans & Sukuk Middle East conference.

3

Risk Management



Managing sovereign debt risk is an integral element of NDMC’s debt strategy. The NDMC balances debt-raising decisions against five risk factors: liquidity, refinancing, interest rates, foreign exchange, and credit rating.

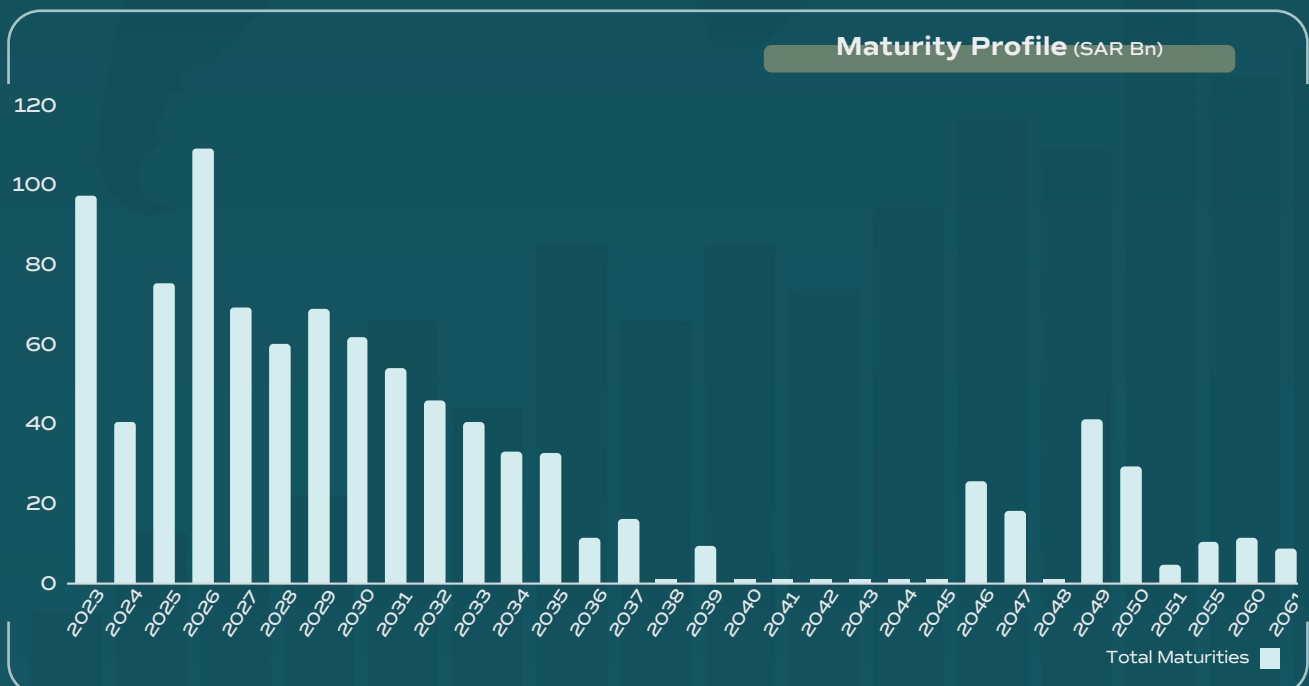
Liquidity

The NDMC, in cooperation with relevant stakeholders, ensures that the domestic debt market is deep enough to absorb contemplated new issuance volumes to preserve strong liquidity levels in the domestic market.

Refinancing

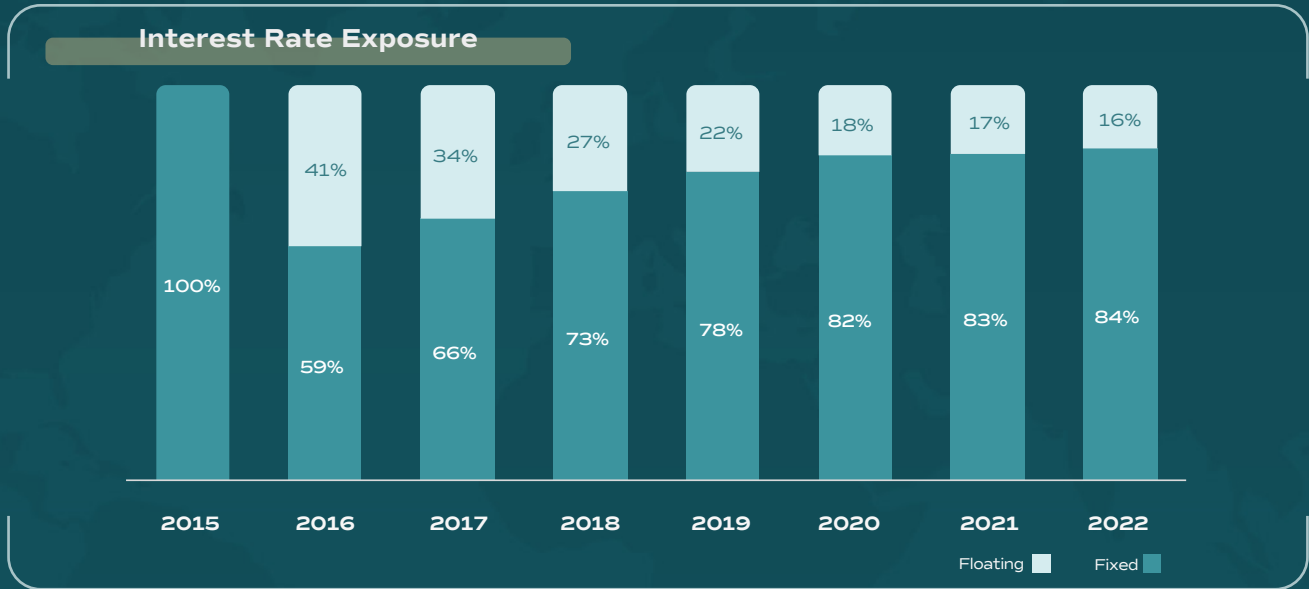
In 2023, SAR 108 bn was due to mature domestically and internationally, however, the NDMC successfully executed Sukuk and bond liability management transactions in 2022 where approximately SAR 15 bn of 2023 domestic and international maturities were successfully refinanced through issuing new Sukuk and bond. As a result, 2023 maturities were reduced to approximately SAR 93 bn.

During 2022 the NDMC has pre-funded approximately SAR 48 bn to secure and reduce a portion of 2023 financing needs by proactively managing interest rate and refinancing risk. Moreover, the NDMC will carefully calibrate new securities to preserve the average target maturity of the Kingdom’s debt portfolio.



Interest Rate Exposure

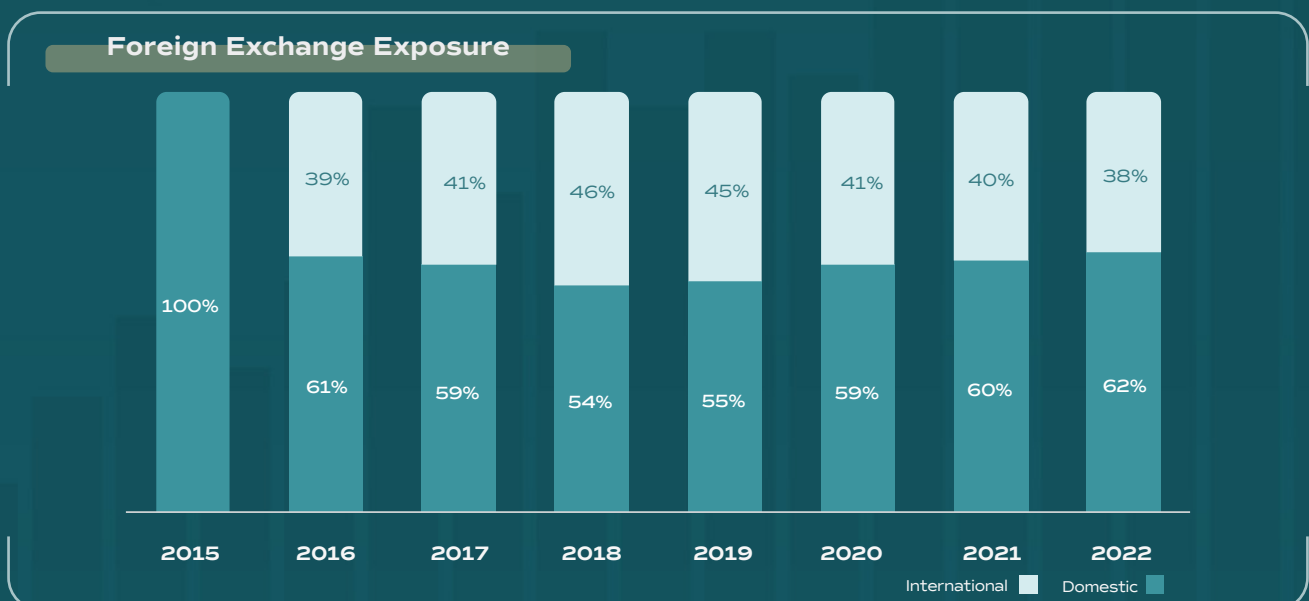
The NDMC will emphasize fixed over floating rate borrowing activities to maintain the Kingdom's outstanding debt portfolio exposure to interest rate risk. By end of 2022, 84% of the total debt portfolio has a fixed interest rate while 16% has a floating interest rate.



Foreign Exchange Exposure (FX)

The current and projected debt portfolio of international debt carries limited foreign exchange risk given the FX reserve, assets, and stable currency peg regime.

EUR denominated outstanding debt stands at nearly 2% of the overall debt portfolio in 2022. Based on market conditions, the Kingdom may explore non-USD international issuances.



Credit Rating

The NDMC will continue to coordinate the sovereign credit rating affairs of the Kingdom in cooperation with the relevant government stakeholders.

Main Highlights of the Kingdom's Credit Rating Updates:

Fitch affirmed the Kingdom's credit rating at "A" and revised the outlook from stable to positive in April 2022.

Moody's affirmed the Kingdom's credit rating at "A1". In addition, the agency published a detailed annual credit report for the Kingdom in July 2022.

Standard & Poor's affirmed the Kingdom's credit rating at "A-" and revised the outlook from stable to positive in March 2022.

The Kingdom's Credit Rating:

Rating Agency	Rating	Outlook
Fitch	A	Positive
Moody's	A1	Stable
Standard & Poor's	A-	Positive

4

2023 Funding Plan



As per the 2023 official budget statement, sovereign debt is estimated to reach approximately SAR 951 bn by the end of the year 2023, where financing needs stand at approximately SAR 45 bn, after securing approximately SAR 48 bn of the 2023 total financing needs in 2022 through pre-funding activities.

Despite the expectation of achieving a budget surplus during the fiscal year 2023, the Kingdom aims to continue its funding activities in the domestic and international markets with the objective of repaying debt principal that will mature during the fiscal year 2023 and the medium-term; utilizing opportunities based on market conditions to enter into pre-funding and liability management transactions, financing strategic projects; and executing GAF transactions that will promote economic growth such as capital expenditure and infrastructure financing.

2023 Debt Raising Guidelines:

Securing the Kingdom's financing needs in the short, medium, and long term is one of the NDMC's main objectives, along with ensuring the Kingdom's sustainable access to various debt markets to issue sovereign debt instruments at a fair price within prudent levels of risk.

Throughout 2023, the Kingdom may consider additional funding activities through available funding channels, either domestically or internationally, including debt capital markets and GAF to fund opportunities that will promote economic growth. In addition, the NDMC will continue to proactively monitor the market and will seize market opportunities to enhance the Kingdom's debt portfolio characteristics, taking into consideration interest rates movements.

2023 debt portfolio split between domestic and international debt will be largely unchanged from 2022.

The projected form of funding will be a mix of bonds, Sukuk (both in domestic and international markets), as well as all forms of GAF.

Investor Relation Strategy in 2023

The NDMC will continue engaging with domestic and international investors, both in non-deal roadshows domestically and internationally as well as reverse investor roadshows in the Kingdom. The NDMC will share events and updates on ESG and sustainability matters within the Kingdom. Diversifying the investor base is a key target for the NDMC in 2023.

2023 Calendar of Domestic Sukuk Issuances⁽¹⁾

JANUARY

Sun	Mon	Tue	Wed	Thr	Fri	Sat
	1	2	3	4	5	6 7
	8	9	10	11	12	13 14
	15	16	17	18	19	20 21
	22	23	24	25	26	27 28
	29	30	31	1	2	3 4
	5	6	7	8	9	10 11

FEBRUARY

Sun	Mon	Tue	Wed	Thr	Fri	Sat
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	1	2	3	4
5	6	7	8	9	10	11

MARCH

Sun	Mon	Tue	Wed	Thr	Fri	Sat
26	27	28	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	1
2	3	4	5	6	7	8

APRIL

Sun	Mon	Tue	Wed	Thr	Fri	Sat
26	27	28	29	30	31	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	1	2	3	4	5	6

MAY

Sun	Mon	Tue	Wed	Thr	Fri	Sat
30	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	4
5	6	7	8	9	10	11

JUNE

Sun	Mon	Tue	Wed	Thr	Fri	Sat
28	29	30	31	1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	1
2	3	4	5	6	7	8

JULY

Sun	Mon	Tue	Wed	Thr	Fri	Sat
25	26	27	28	29	30	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31	1	2	3	4	5

AUGUST

Sun	Mon	Tue	Wed	Thr	Fri	Sat
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31	1	2
3	4	5	6	7	8	9

SEPTEMBER

Sun	Mon	Tue	Wed	Thr	Fri	Sat
27	28	29	30	31	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
1	2	3	4	5	6	7

OCTOBER

Sun	Mon	Tue	Wed	Thr	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	4
5	6	7	8	9	10	11

NOVEMBER

Sun	Mon	Tue	Wed	Thr	Fri	Sat
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	1	2
3	4	5	6	7	8	9

DECEMBER

Sun	Mon	Tue	Wed	Thr	Fri	Sat
26	27	28	29	30	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31	1	2	3	4	5	6

Weekends

Offer Day

Settlement Day

Eid Holiday's^(*)

National Day

Founding Day

(1) Calendar is subject to change due to official holidays.

(*) Tentative Holiday



المركز الوطني لإدارة الدين
NATIONAL DEBT MANAGEMENT CENTER

**Annual Borrowing
Plan Report**
Fiscal year **2023**