

المركز الوطني
لإدارة الدين
NATIONAL DEBT
MANAGEMENT
CENTER



Annual Borrowing Plan Report 2022



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01 NDMC's Objectives

NDMC's Objectives

As per the Council of Ministers' Resolution number (139) dated 16/2/1441H (corresponding to 15 October 2019G), the National Debt Management Center (NDMC) role is to secure the Kingdom's financing needs at a fair cost and with acceptable levels of risk, in compliance with its financial policies.

The NDMC's main objectives include:

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

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

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

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

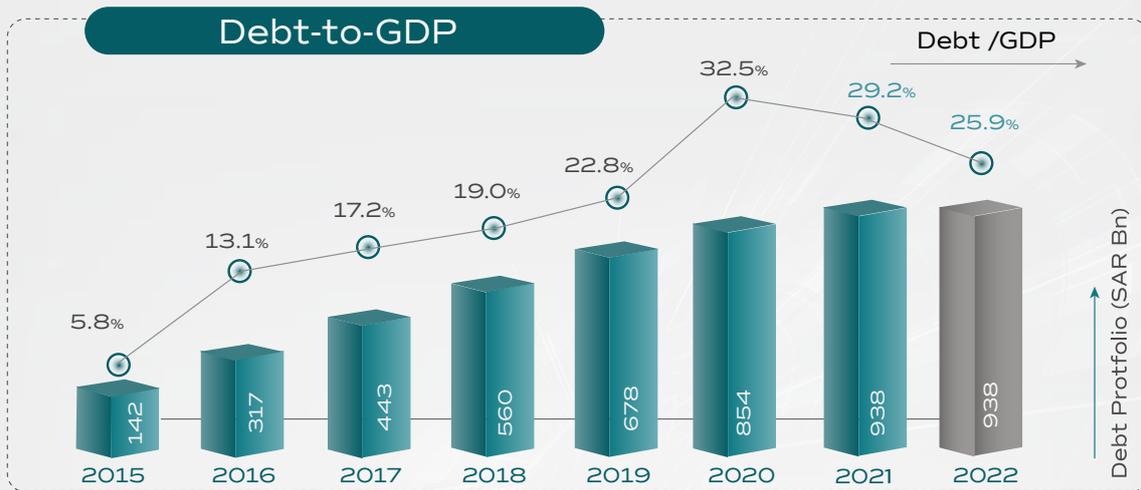


02 Sovereign Debt Developments and Debt Market Initiatives

Sovereign Debt Developments and Debt Market Initiatives

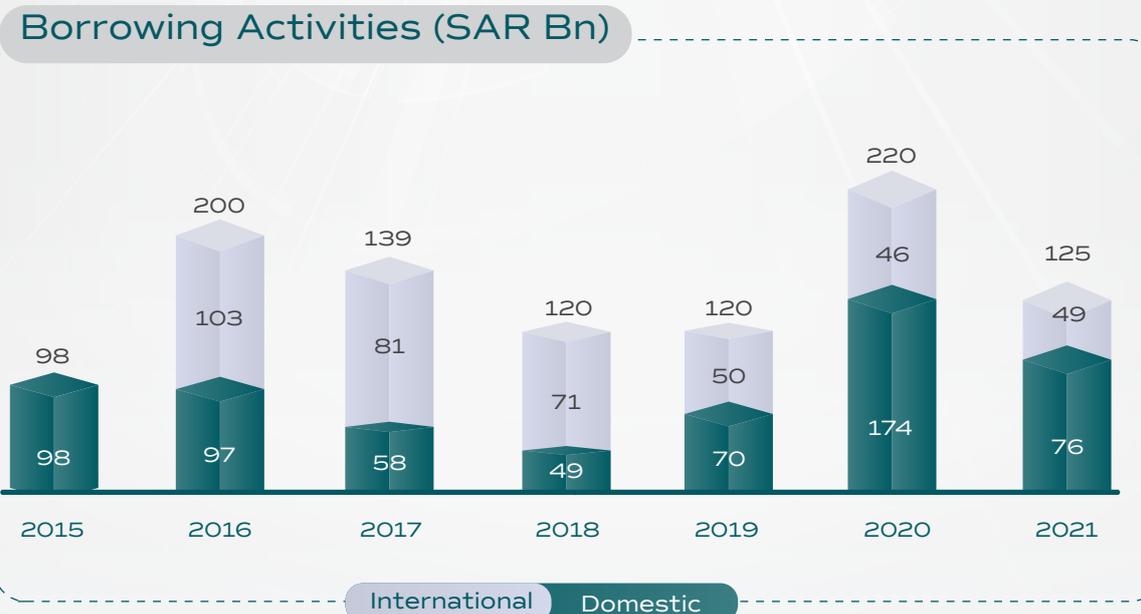
Debt Portfolio

The Sovereign debt portfolio increased during 2021 by approximately SAR 85 bn to reach SAR 938 bn, representing 29.2% of estimated GDP¹, against 32.5% in 2020. The debt-to-GDP ratio is expected to decrease further in 2022 to 25.9% due to the forecasted stabilization of debt levels and the estimated GDP growth.



Borrowing Activities

During 2021, the NDMC succeeded in borrowing approximately SAR 125 bn, of which SAR 76 bn was raised domestically and SAR 49 bn internationally. Total debt principle repayments were approximately SAR 40 bn in 2021. The Kingdom has executed a Sukuk and bond exchange transaction, where it repurchased domestic securities maturing in 2022 with a total value of SAR 33 bn by issuing Sukuk in exchange to the repurchased amount.

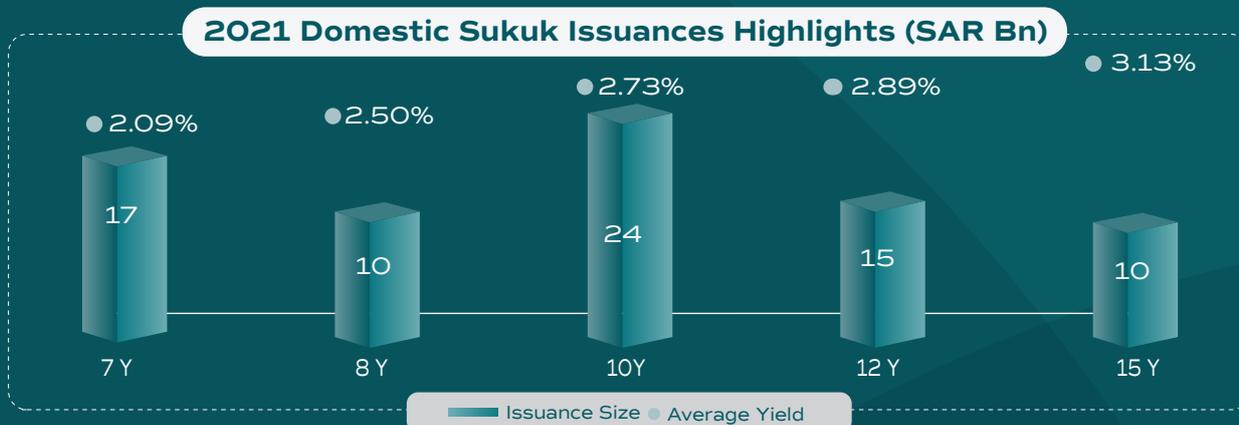


1. As per the official budget statement for the fiscal year of 2022.

Sovereign Debt Developments and Debt Market Initiatives

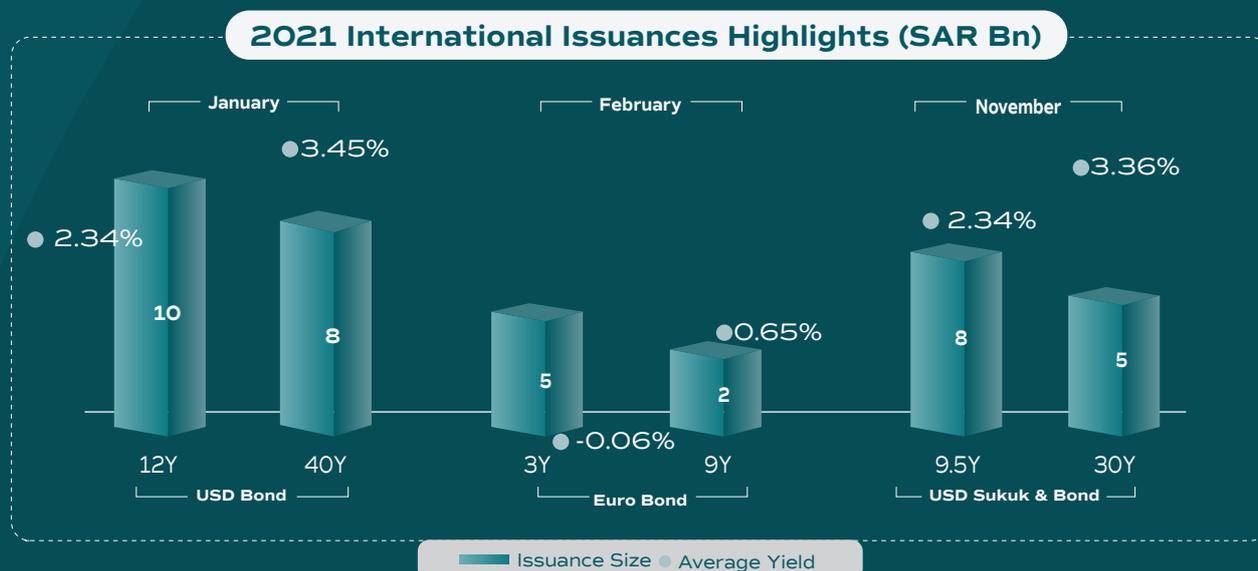
Domestic

Total domestic debt issuances in 2021 was around SAR 76 bn, representing 61% of the total debt issued during the year.



International

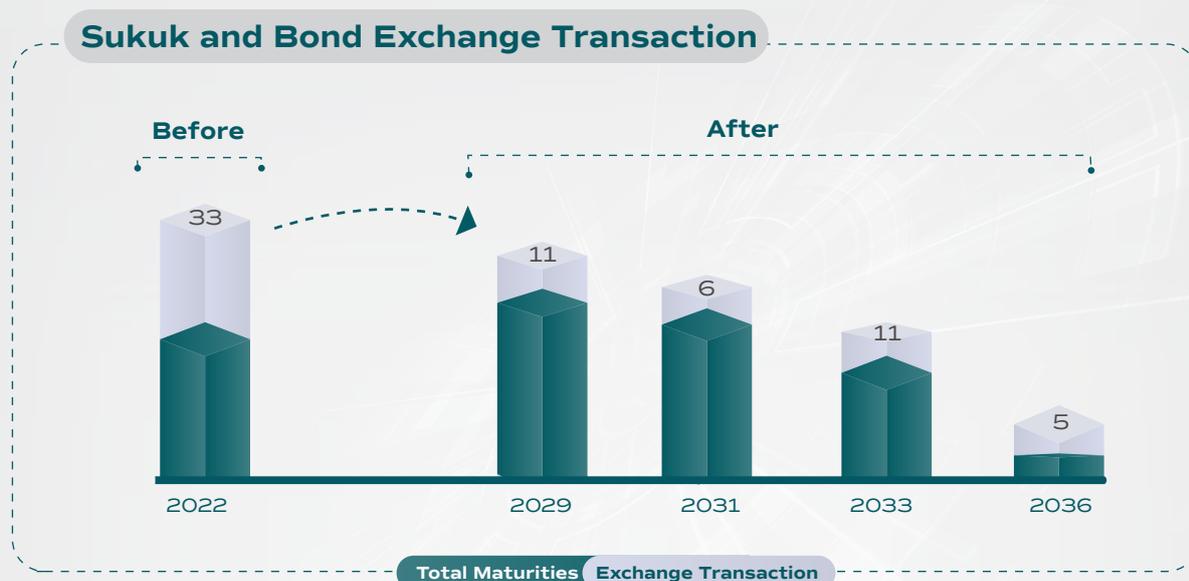
Under its Sukuk and Global Medium-Term Note Issuance (GMTN) program, the Kingdom was able to complete its first international issuance during 2021 by issuing a USD-denominated bond, the issuance had a value of USD 5 bn and was 4 times oversubscribed. The Kingdom also completed its second international note issuance denominated in Euro for a total value of EUR 1.5 bn, the issuance was oversubscribed by more than 3 times and the 3-year tranche was issued at a negative yield. Additionally, the Kingdom completed its third international Sukuk and bond issuance with a total value of USD 3.25 bn, the issuance was 3.5 times oversubscribed. Moreover, the Kingdom obtained an Export Credit Agency (ECA) financing facility. Total international debt issuance in 2021 reached SAR 49 bn representing approximately 39% of total debt issued in 2021.



Sovereign Debt Developments and Debt Market Initiatives

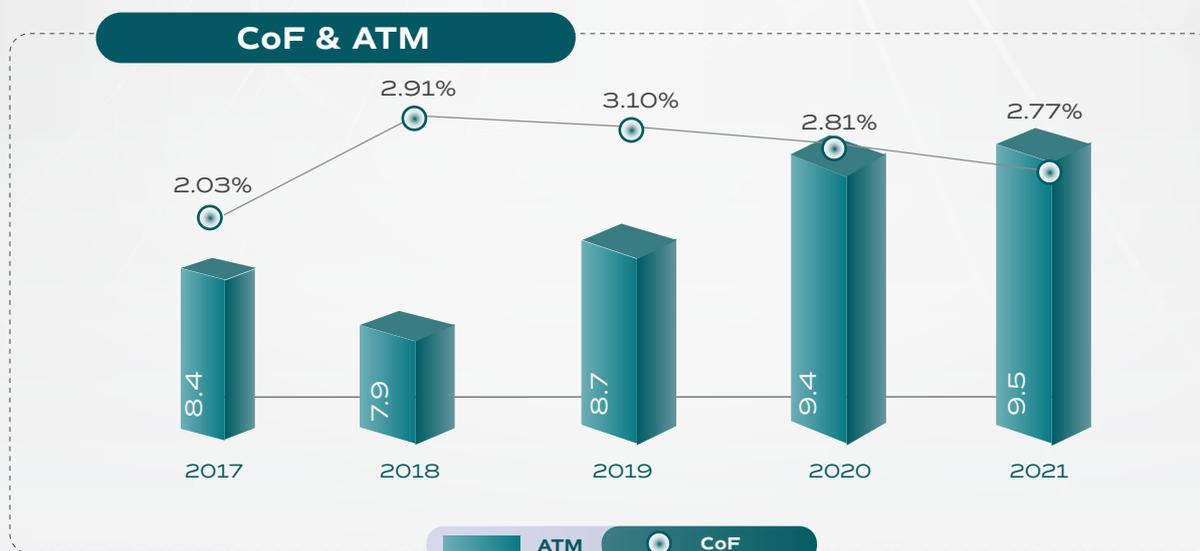
Sukuk and Bond Exchange

In line with the NDMC objective of managing and assessing the refinancing risk of the Kingdom's debt portfolio, the NDMC successfully conducted Sukuk and bond exchange transaction with a total value exceeding SAR 33 bn in 2021 where it repurchased domestic securities maturing in 2022 by issuing new Sukuk in exchange to the repurchased amount. The exchange transaction helped to increase the average time to maturity (ATM) and it simultaneously reduced refinancing risk of 2022 maturities.



Cost of Funding (CoF) and Average Time to Maturity (ATM)

The NDMC strategy has played an essential role in enhancing the quality of the debt portfolio in terms of the portfolio average time to maturity when compared to the portfolio cost of funding. The cost of funding on the portfolio, on cash basis, has decreased over the last couple of years reaching 2.77% by end of 2021.



Sovereign Debt Developments and Debt Market Initiatives

As part of the NDMC's commitment toward developing the domestic market infrastructure, in coordination with the relative stakeholders, along with enhancing the Kingdom's position in the international market, the below summarizes the NDMC's main achievements during 2021:

Domestic Market:

- The signing of AlRajhi Bank with MoF and NDMC to join the Primary Dealers (PDs) program.
- Successful conduct of a Sukuk and bond exchange transaction where the NDMC repurchased domestic securities maturing during 2022, and issued new Sukuk in exchange to the repurchased amount.
- Signing a Memorandum of Understanding (MoU) between MoF, NDMC and four international banks (BNP Paribas, Citi, Goldman Sachs and J.P. Morgan) to join the PDs program, this comes in line with NDMC's role in enhancing accessibility to the domestic debt markets by developing, expanding, and diversifying the investor base to ensure sustainable access to domestic debt markets.
- The inclusion of the Saudi Government's Sukuk denominated in Saudi Riyal to FTSE Emerging Markets Government Bond Index (EMGBI).
- Signing an agreement between Saudi Arabia's Securities Depository Center Company (Edaa) and Euroclear Bank to launch a fully Euroclearable link enabling international investors access to the domestic Sukuk and bond markets.



03 Risk Management

Risk Management

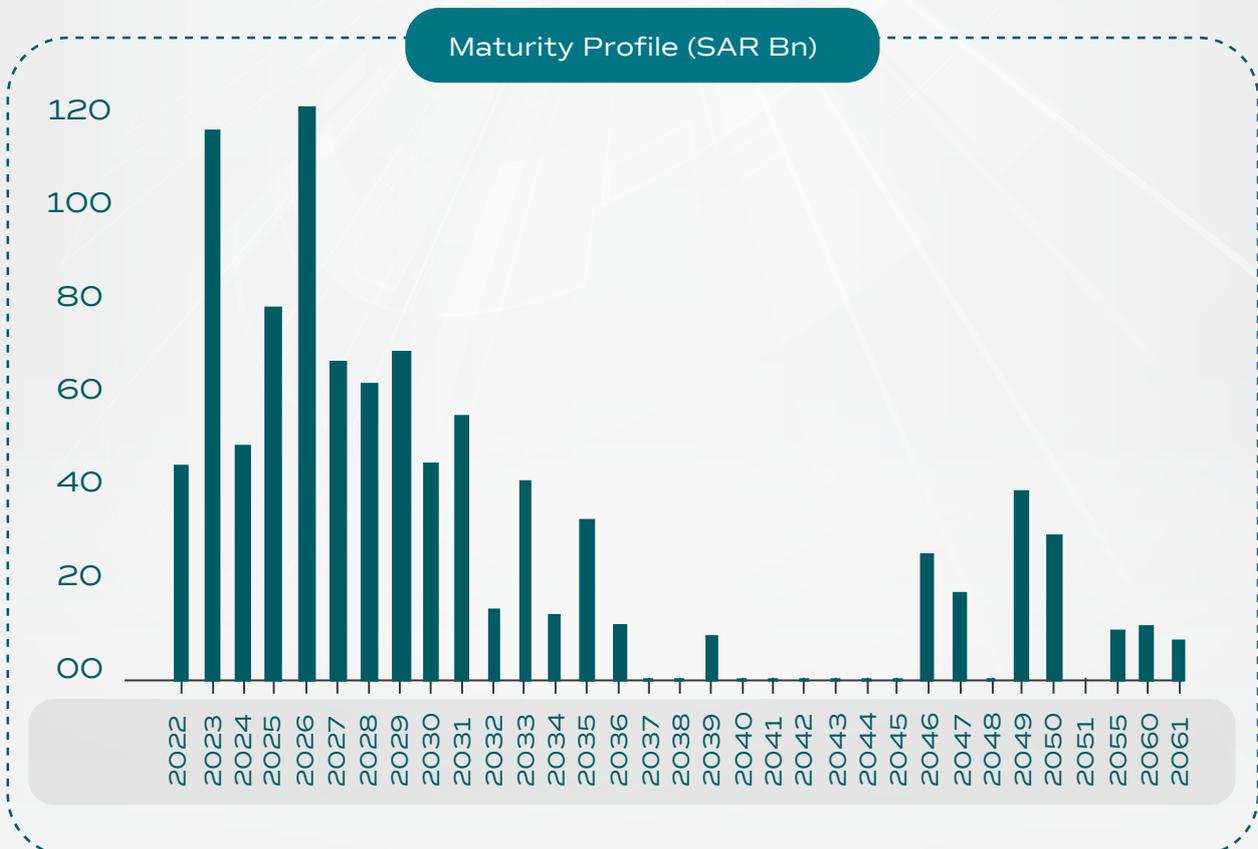
Managing sovereign debt risk is a central element of the NDMC's debt strategy. It balances debt-raising decisions against the five risk factors: liquidity, refinancing, interest rates, foreign exchange, and credit rating.

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 the strong liquidity levels of the domestic market.

Refinancing

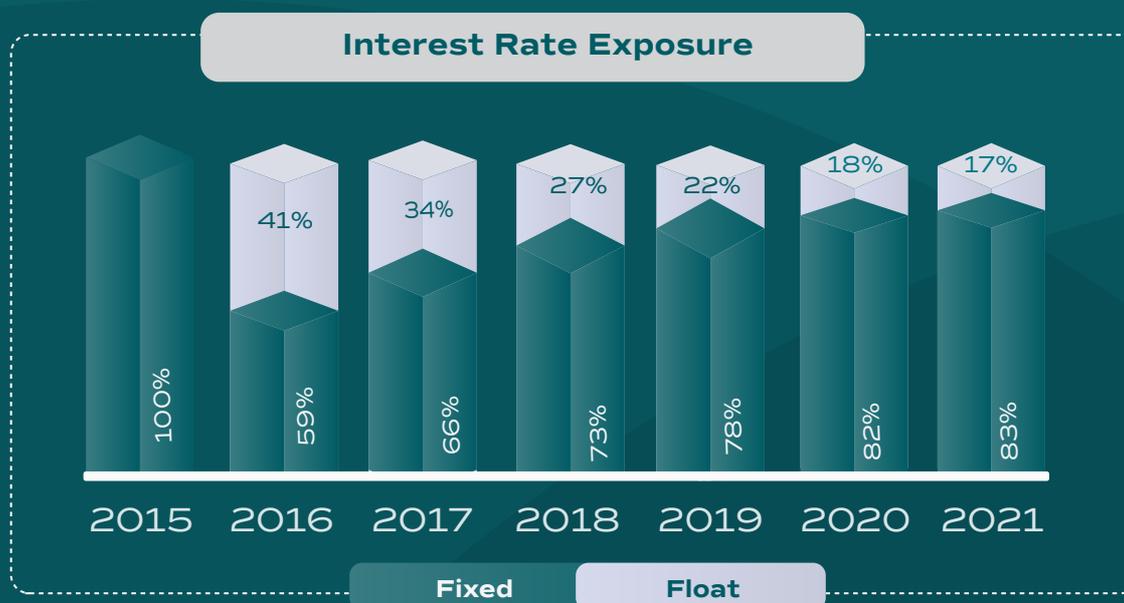
In 2022, SAR 76 bn was due to mature domestically and internationally, however, the NDMC successfully executed a Sukuk and bond exchange transaction in 2021 where approximately SAR 33 bn of 2022 domestic maturities were successfully refinanced by issuing new Sukuk. As a result, 2022 maturities were reduced to approximately SAR 43 bn. The NDMC will carefully calibrate new securities to preserve the average target maturity of the Kingdom's debt portfolio. In addition, the NDMC will continue its liability management to control the refinancing risk. Furthermore, the debt portfolio average time to maturity (ATM) has increased slightly during 2021 reaching 9.5 years compared to 9.4 years in 2020.



Risk Management

Interest Rate Exposure

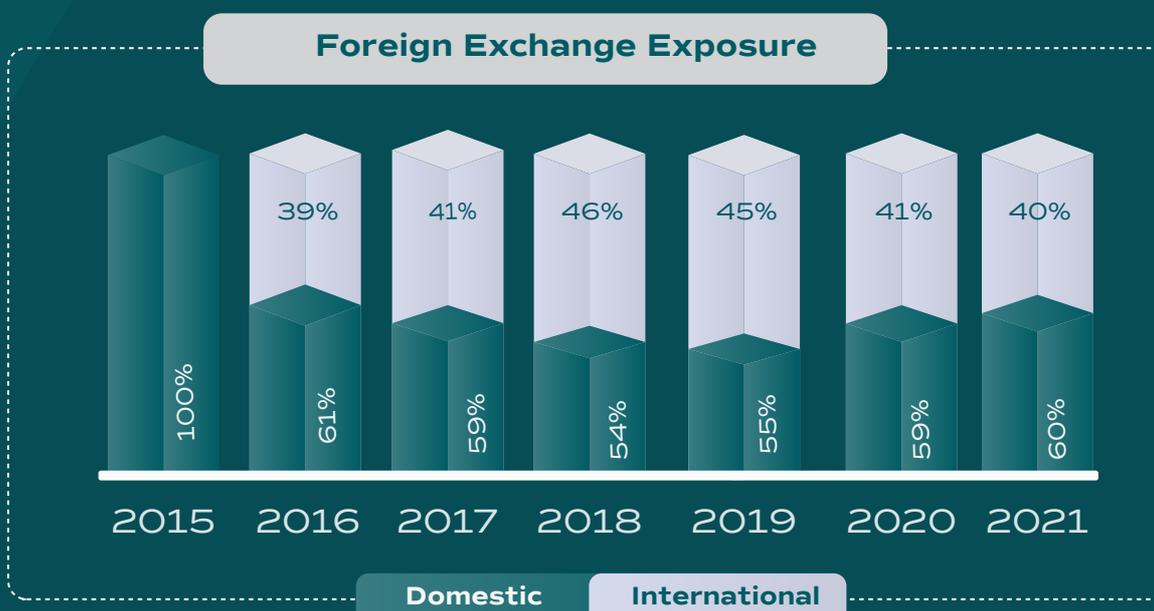
The NDMC will emphasize fixed over floating rate borrowing activities to maintain the Kingdom's outstanding debt portfolio exposure to interest rate risk. By end of 2021, 83% of the total debt portfolio has a fixed interest rate exposure while 17% has a floating interest rate exposure.



Foreign Exchange Exposure

The current and projected debt portfolio of international debt carries limited foreign exchange risk given the Kingdom's large foreign currency reserve, asset positions, and stable currency peg regime.

EUR denominated outstanding debt stands at nearly 2% of the overall debt portfolio in 2021. Based on market conditions, the Kingdom may explore non-USD international issuances.



Risk Management

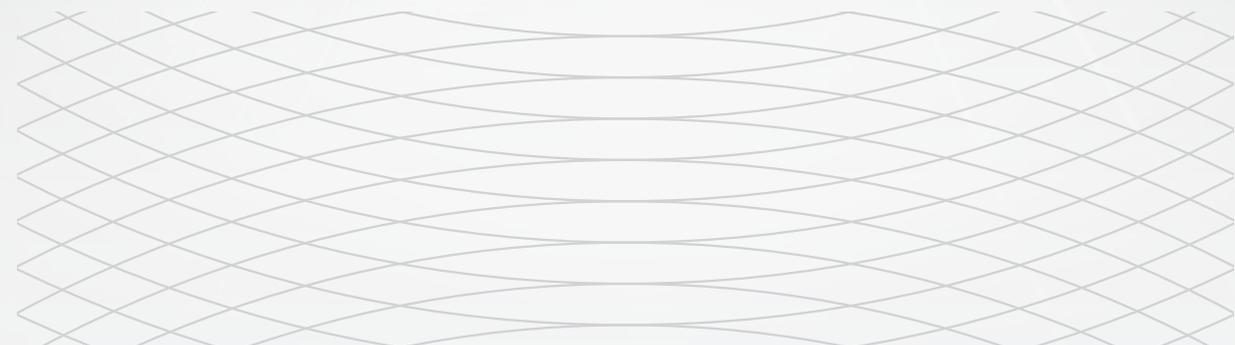
Credit Rating

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

Main Highlights of the Kingdom's Credit Rating Updates:

- ◆ "Fitch" revised Saudi Arabia's outlook in July 2021 from Negative to Stable and affirming credit rating at "A".
- ◆ "Moody's" revised Saudi Arabia's outlook in November 2021 from Negative to Stable and affirming credit rating at "A1".

Rating Agency	Rating	Outlook
Fitch	A	Stable
Moody's	A1	Stable





03 2022 Funding Plan

2022 Funding Plan

As per 2022 official budget statement, public debt is estimated to remain at approximately SAR 938 bn by 2022 year-end. Therefore, funding requirement in 2022 will mainly focus on debt refinancing which amounts approximately to SAR 43 bn. In addition, the NDMC will remain opportunistic by exploring additional debt raising activities depending on market conditions.

2022 Debt Raising Guidelines:

- ◆ Securing the Kingdom's financing needs in the short, medium, and long term is one of NDMC's main objectives, along with ensuring the Kingdom's sustainability in various debt markets to issue sovereign debt instruments at a fair price within prudent risk.
- ◆ Throughout the year of 2022, the government might consider additional tactical funding activities through available funding channels, either domestically or internationally, including debt capital markets and government alternative financing to fund opportunities that will promote economic growth such as capital expenditure and infrastructure financing. In addition, the NDMC will continue to proactively monitor the market and will size market opportunities to enhance the Kingdom's debt portfolio characteristics, taking into consideration interest rates movements.
- ◆ 2022 debt raising split between domestic and international debt will be largely unchanged from 2021.
- ◆ The projected form of funding can be a mix of bonds, Sukuk (both in domestic and international markets), as well as all forms of Government Alternative Financing (GAF).
- ◆ The expected fixed interest rate exposure will be maintained within a range of 75%-85%, and floating interest rate exposure will range between 15%-25%. This is in line with the government's public debt management objectives.

Investor Relation Strategy in 2022

- ◆ The NDMC will continue on engaging with investors, both in non-deal roadshows abroad and reverse investor roadshows in Saudi Arabia. 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 2022.

2022 Funding Plan

2022 Calendar of Domestic Sukuk Issuances¹



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2022

Calendar of Local Sukuk Issuances



1. 2022 Calendar was prepared taking into consideration holidays of the Saudi Arabian Riyal Interbank Express system (SARIE) and Payment Administrator feedback. The Calendar does not necessarily reflect future changes to official holidays.