

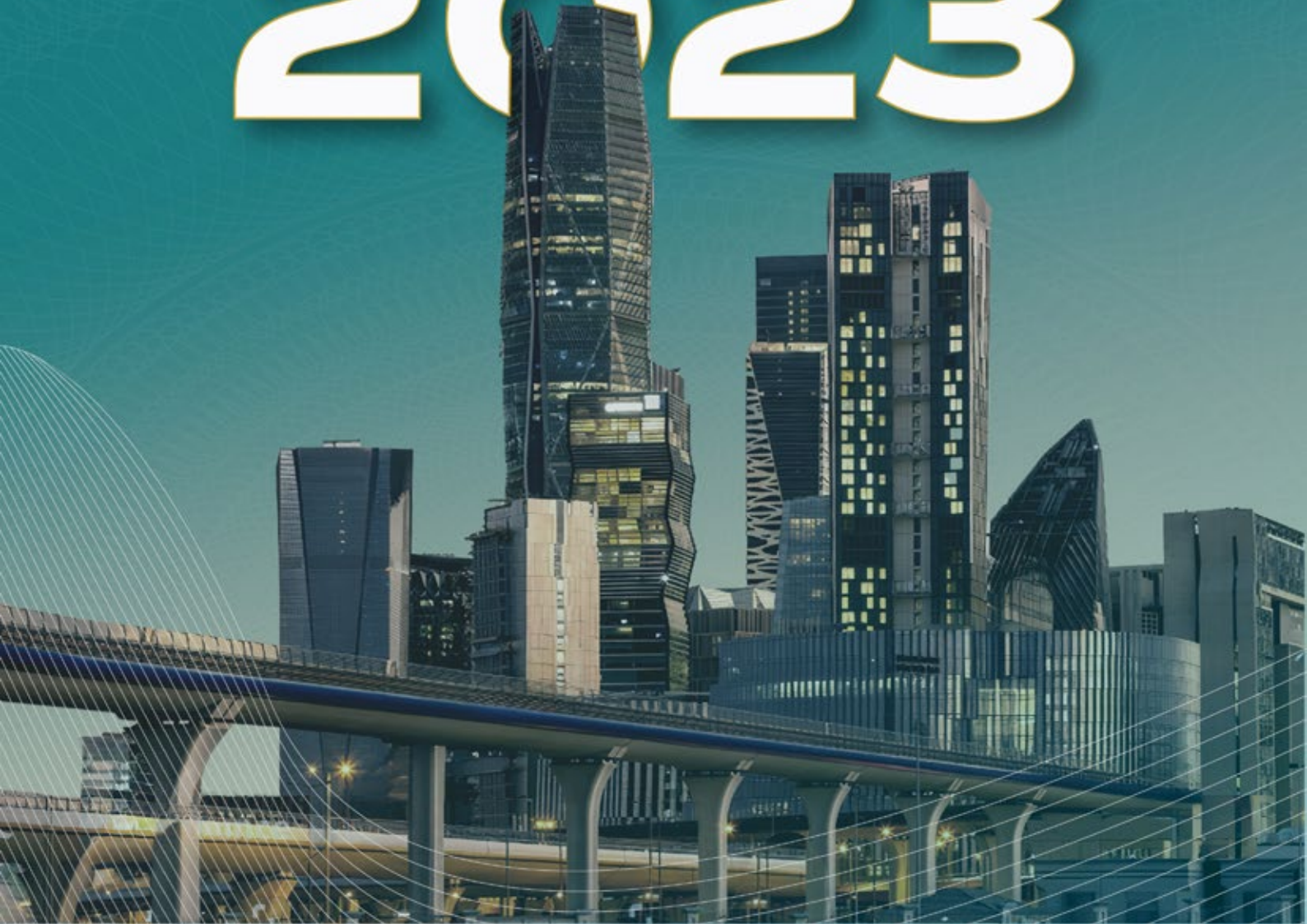


المركز الوطني لإدارة الدين
NATIONAL DEBT MANAGEMENT CENTER

The Annual Report

1444 - 1445 AH

2023







Custodian of the Two Holy Mosques
King Salman Bin Abdulaziz Al Saud



His Royal Highness

**Prince Mohammed Bin Salman Bin
Abdulaziz Al Saud**

Crown Prince, Prime Ministe

01

The Introductory Section

1-1 Introduction

His Royal Highness

**Prince Mohammed Bin Salman Bin Abdulaziz Al Saud
Crown Prince and Prime Minister**

May Allah protect him

In the name of Allah. Praise be to Allah and prayers and peace be upon the Messenger of Allah,

Since the outset of the Kingdom's transformation journey led by his Majesty the Custodian of the Two Holy Mosques King Salman Bin Abdulaziz Al Saud, may Allah bless him, and which is vigorously tracked by your Royal Highness, the Kingdom has been taking accelerated steps to capitalize on opportunities on regional and international fronts, with a focus on bolstering public finances, achieving sustainability and balance, and taking the necessary measures to ensure the continuation of comprehensive development projects and initiatives aimed at achieving the ambitious Saudi Vision.

The National Debt Management Center (NDMC) annual report provides a comprehensive overview of its key accomplishments over the past year. It underscores the NDMC's role in bolstering and advancing the Kingdom's public debt policy, ensuring the fulfillment of the Kingdom's short-, medium-, and long-term financing needs. Additionally, the report highlights the NDMC's commitment to fostering the Kingdom's financial sustainability through the development and implementation of a medium-term strategy and an annual borrowing plan that bolster the Kingdom's economic standing, fulfill its financing requirements at a fair price within prudent levels of risk, and facilitate access to various debt markets. These efforts align with the goals outlined in Saudi Vision 2030, and fostering the growth and development of the financial sector.

In presenting this account of the NDMC's accomplishments during the fiscal year 1444-1445 AH (2023), and the efforts that extended from securing all of the Kingdom's financing needs, according to the annual borrowing plan for the fiscal year 1444-1445 AH, corresponding to 2023, and following up on the Kingdom's credit rating affairs to ensure the dissemination of information and the issuance of positive ratings that reflect the development of public finances in the Kingdom, to its contribution in advancements and developments across various sectors. We extend our deepest gratitude to his Majesty the Custodian of the Two Holy Mosques King Salman Bin Abdulaziz Al Saud and your Royal Highness - may Allah protect you both, for your unwavering support and empowerment have propelled the financial sector, and specifically the NDMC, to overcome all challenges and attain the best international practices in public debt management. The NDMC's scope of operations has expanded beyond mere meeting financing needs and credit rating oversight your Highness to professional human capital development, and enablement and support for relevant entities, all aimed at contributing to the realization of Saudi Vision 2030.



Mohammed Bin Abdullah AlJadaan

Chairman of NDMC Board of Directors

1-2 Terms and Definitions

Unless the context requires otherwise, the following terms carry the meaning assigned to them wherever they appear in the report or its appendices:

| | |
|---------------------------------|---|
| Public Debt | Total amounts borrowed by the government through various sovereign debt instruments, such as bonds, sukuk, loans, and others. |
| Debt Portfolio | Compilation of the Kingdom's sovereign debt, encompassing principal, debt service, and classification of financing channels, domestic or foreign. |
| Debt Instrument | Security creating or acknowledging issued by companies, the government, public authorities, or public organizations, and offering a yield to the investor (lender), with the nominal value being repaid upon maturity. Examples of such instruments are sukuk and bonds. |
| Average Time to Maturity | The average period for the portfolio to mature, which is measured by the average time of all indebtedness principal maturity. |
| Yield | The total income earned on an investment, quoted as a percentage of the original investment value. |
| Credit Rating | An indicator of a country's creditworthiness, its ability to service debts, and the likelihood of defaulting on repayment at maturity. Credit rating agencies base their analysis on financial, economic, and institutional factors, along with the extent of vulnerability to external influences. |
| Yield Curve | A line that plots yields at a set point in time of debt instruments having equal credit quality but differing maturity dates. |
| Debt Ratio Ceiling | Debt-to-Gross Domestic Product ceiling. |
| Primary Dealers | Financial institutions authorized to distribute, receive orders for, and underwrite domestic government debt issuances. |
| Cost of Funding | The amount charged to a borrower, other than the borrowed amount, and it can be expressed as a fixed or variable percentage of the borrowed amount. |
| Issuance Size | The final amount approved by the person authorized to borrow from the debt markets. |
| SAR | Saudi Arabian Riyal. |
| Market | Domestic debt instrument market in the Kingdom of Saudi Arabia or global markets where debt instruments are issued and traded. |
| SAIBOR | Saudi Arabian Interbank Offered Rate. |
| Kingdom | Kingdom of Saudi Arabia |
| Reporting Year | Fiscal year 1444-1445 AH, corresponding to 2023. |
| ESG | It includes a set of standards used in investments and initiatives that adopt practices concerned with the environment, society and governance under the umbrella of the Financial Sector Development Program and in cooperation with relevant authorities. |
| GAF | Governmental Alternative Funding |
| NDMC | The National Debt Management Center |

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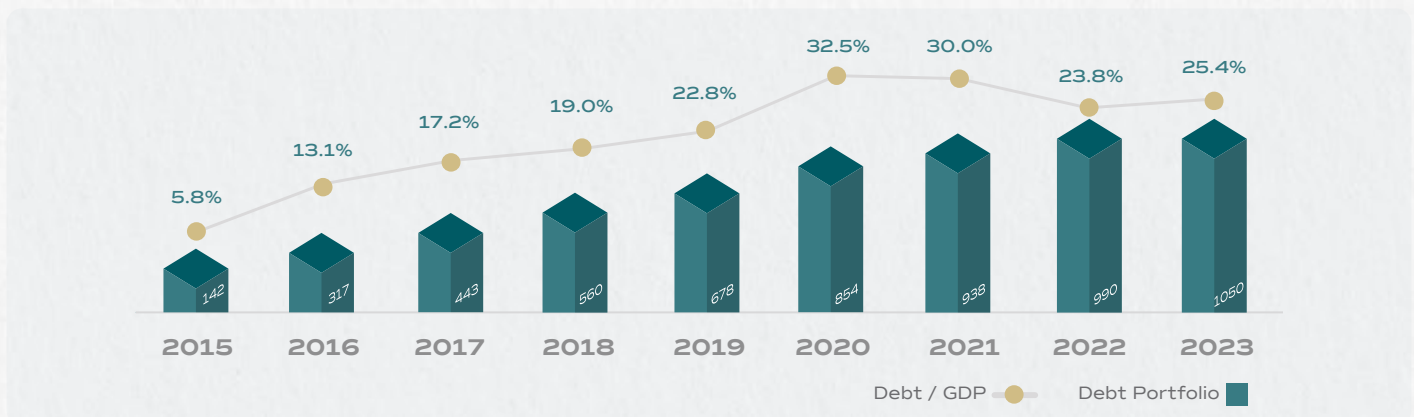
1-4 Executive Summary

In line with the mandates outlined in the NDMC Statute issued by Council of Ministers Resolution No. (139) of 1441 AH (2019), the NDMC continues its pursuit to achieve economic sustainability for the Kingdom through the contribution to the development of various financing policies that enhance the Kingdom’s positioning and maintain its ability to access domestic and international debt markets and provide optimal financing options to meet public financial needs at a fair price within prudent levels of risk. Concurrently, it aims to uphold the Kingdom’s credit ratings congruent with its continued economic growth amidst fluctuating variables, collaborating closely with relevant entities. Moreover, the NDMC has endeavored to enhance mechanisms for public debt repayment, developing debt instruments to contribute in fostering the depth of local debt markets and achieve the objectives of managing public debt and financing budgetary needs, all while aligning with the centralized efforts to advance the financial sector in realization of Saudi Vision 2030.

Below is a summary of the most significant accomplishments that transpired throughout fiscal year 2023:

Public Debt Portfolio

The public debt portfolio experienced an expansion of approximately SAR 60 billion in 2023⁽¹⁾, reaching SAR 1,050 billion. This represents 25.4% of GDP, compared to 23.8% in 2022⁽²⁾ year-end. Despite the increase in public debt in 2023, the debt-to-GDP ratio remains within conservative levels.



Graph (1): Public debt and debt-to-GDP ratio

Annual Borrowing Plan for the Fiscal Year 2023

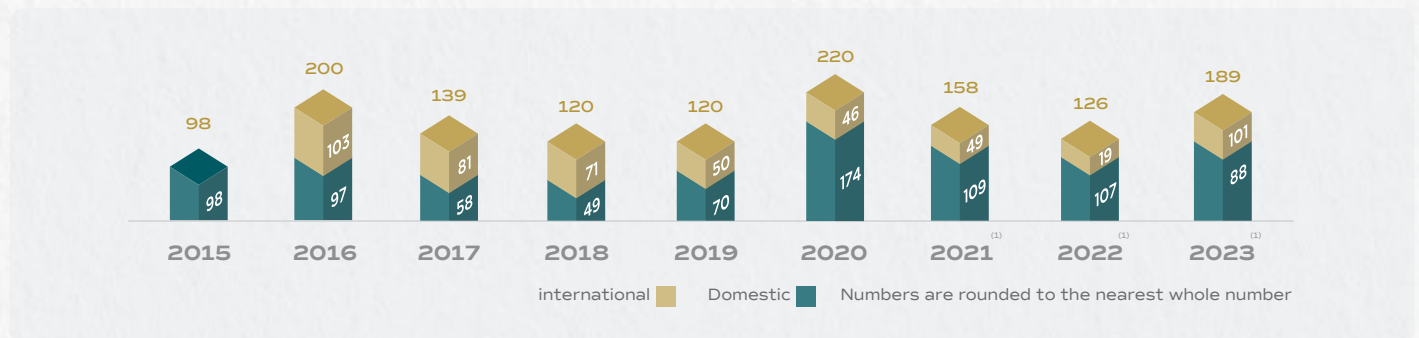
- 01** Securing the Kingdom’s financing needs in the short, medium, and long term is one of the NDMC’s main objectives, along with ensuring the Kingdom’s sustainable access to various debt markets to issue sovereign debt instruments at a fair price within prudent levels of risk.
- 02** Throughout 2023, the Center considered proactively additional financing activities through available financing channels, either domestically or internationally, including debt markets and Government Alternative Funding (GAF) to finance opportunities that will promote economic growth. In addition, the NDMC continued the proactive monitor on the market and in order to seize market opportunities to enhance the Kingdom’s debt portfolio characteristics, taking into consideration interest rate movements.
- 03** NDMC continued his methodology of diversifying the domestic and international financing sources for the debt portfolio in 2023 in a manner similar to the fiscal year 1443-1444 AH, corresponding to
- 04** 2022.
The projected financing channels were split between bonds and Sukuk, either domestic or international, as well as all forms of GAF.

Financing Activities

In 2023, financing activities reached a total volume of about SAR 189 billion⁽¹⁾. These encompassed SAR 88 billion sourced domestically and SAR 101 billion raised internationally, including refinancing principal maturities valued at around SAR 93 billion.

Domestic financing consisted of local issuances of sovereign Sukuk of up to SAR 45.6 billion and a domestic Sukuk and bond liability management transaction, that was executed to redeem domestic securities maturing in 2024, 2025, and 2026 with a total value of SAR 36 billion and simultaneously issuing domestic Sukuk for the redeemed amount as a part of debt portfolio management activities.

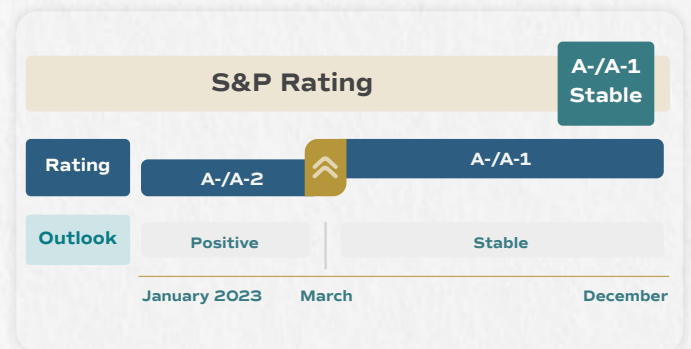
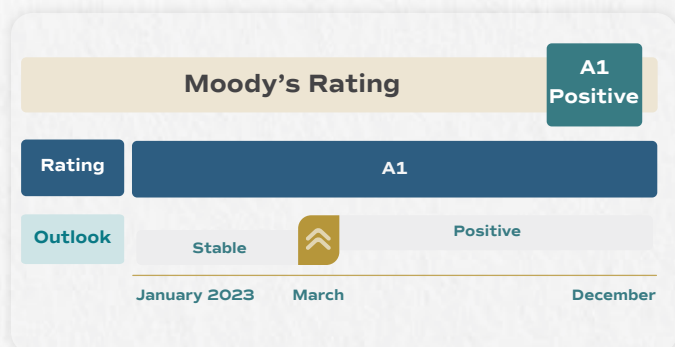
The international financing, totaled of SAR 101 billion, encompassed issuances of international sovereign bonds and Sukuk with a total value SAR 60 billion in addition to a syndicated loan worth SAR 41 billion supporting various infrastructure projects.



Graph (2): Financing activities (SAR Bn)

Credit Rating

The NDMC collaborated with relevant government entities to uphold the Kingdom’s positive rating and underscore ongoing governmental efforts aimed at enhancing public finances, optimizing expenditure, adapting to political and economic shifts, and continue support efforts to preserve gains after the Covid-19 pandemic. Additionally, efforts were made to bolster the appeal of the Saudi market and its capacity to attract significant and quality investments, consequently maintaining a positive credit standing in accordance with the criteria of each agency.



Graph (3): Development of credit rating indicators for the Kingdom of Saudi Arabia in 2023

⁽¹⁾ Includes liability management transactions during the year.

Achieved Objectives

▪ The Kingdom's Sustainable Financing Framework and ESG Investment

In collaboration with key ministries and stakeholders, the NDMC has made substantial strides towards finalizing the Kingdom's draft green financing framework, underscoring its dedication to sustainability and achieving net-zero emissions. The completion of the draft involved participation from the Ministry of Energy, the Ministry of Economy and Planning, the Ministry of Environment, Water, and Agriculture, as well as relevant entities. A preliminary study was carried out to assess the project's suitability for financing. Progress and future actions were presented to the Financial Sector Development Program Committee.

▪ Government-backed savings products initiative

The NDMC collaborated with the private sector to develop and launch a government-backed savings product intended for individuals, with a focus on the accessibility through digital channels and offering flexible product terms regarding commitment duration and yields calculation. The targeted launch of the product will take place during the fiscal year 2024.

▪ NDMC's GAF Initiative and Achievements

The NDMC arranged capital financing to implement infrastructure projects, notably spearheading the initial phase of the five-year capital portfolio for the water sector. Consequently, the Ministry of Finance concluded agreements with various international banks, aligning with its orientation to enable and support strategic infrastructure projects in pursuit of Saudi Vision 2030, thus expediting the implementation of these projects. This capital financing was represented in a syndicated loan worth SAR 41 billion extended for the implementation of several government infrastructure and initial phase projects that assigned to a number of entities in the water sector.

02

Detailed Report

2-1 Introduction



Introduction to the Report

The NDMC presents its annual report, showcasing the significant accomplishments achieved throughout the reporting year. This report offers insights into NDMC activities, internal dynamics, key achievements aligned with orders and resolutions, board decisions, and NDMC financial appropriations within the state budget. It also clarifies regulations, rules, and guidelines, as well as the scope of NDMC operations, which extend beyond meeting financing needs to encompass credit rating oversight. Furthermore, the report delves into NDMC's operational, financial, and administrative advancements. Additionally, it underscores the commitment to enhancing human capital, and empowering and supporting entities to contribute to the realization of Vision 2030 within the Financial Sector Development Program framework.



Purpose of the Report

This report was prepared to fulfill the NDMC's commitment to the highest standards of transparency and its aim to document the achievements of the past year. It aims to inform decision-makers, specialists, and the public about its work during the reporting year, as stipulated in Article 12 of the NDMC Statute, issued by Council of Ministers Resolution No. 139 dated 16/02/1441 AH. This article stipulates that the NDMC prepares a report on its achievements during the past year and the difficulties it has encountered, and proposes suggestions to improve its workflow. This is in line with Article 29 of the Law of the Council of Ministers issued by Royal Order No. A/13 dated 03/03/1414 AH.



Report Preparation Methodology

The reporting methodology took into account its conformity with the Guide for Preparing Annual Reports for Public Agencies, as approved by the Council of Ministers by Resolution No. (233) dated 04/18/1443 AH.

2-2 Strategic Orientation

2-2-1 About NDMC

01

Establishment of the NDMC

The NDMC was initially established as the Public Debt Management Office in the fourth quarter of 2015 as an initiative of the National Transformation Program. The Council of Ministers Resolution No. (139) dated 16/02/1441 AH was issued to transform the Public Debt Management Office in the Ministry of Finance into a center called NDMC. Organizationally linked to the Minister of Finance, the NDMC is an independent legal entity, along with financial and administrative autonomy. It undertakes managing debts to ensure the Kingdom's financial needs are met across the short, medium, and long term with risks consistent with the Kingdom's financial policies. Additionally, it strives to sustain the Kingdom's access to various global markets at fair pricing.

02

NDMC Functions and Responsibilities

The NDMC works to maintain the Kingdom's ability to access different debt markets to produce and manage the issuance of sovereign debt instruments at fair pricing within informed foundations and frameworks of risk management that align with the Kingdom's financial policies.

Collaborating with relevant government entities, the NDMC follows up on the Kingdom's credit-rating affairs and contributes to developing and enhancing its public debt policy. It endeavors to meet the Kingdom's financial needs in the short, medium, and long term by contributing to the formulation of a medium-term strategy and an annual borrowing plan. This strategy aligns with the objectives of Saudi Vision 2030, aiming to bolster the growth of the financial sector. The public debt strategy is designed to diversify issuances between domestic and foreign through the issuance of Sukuk and bonds with varying short, medium, and long terms.

03

NDMC Objectives

Debt Strategy

Contributing to developing the Kingdom's public debt policy and securing its financing needs in the short, medium, and long terms.

Sustainability of Financing

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

Credit Rating

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

Empowerment and Support

Providing advisory services and proposing implementation plans for government entities, companies in which the government owns more than 50% of their capital, and public institutions within the scope of NDMC's competence. This includes collecting, processing, and monitoring direct and indirect public debt data, negotiating debt restructuring, repricing, or re-contracting, offering services related to hedging policies, managing investor relationships in public debt instruments, handling credit rating affairs, and other related services.

04

Board of Directors

Pursuant to Article 5 of the NDMC Statute issued by Council of Ministers Resolution No. (139) dated 16/2/1441 AH, and per High Order No. (47526) dated 09/08/1441 AH, regarding approving the appointment of three qualified and experienced members in NDMC's competence field.

The first board of directors term started from 09/08/1441 AH, corresponding to 03/04/2020, and it ended its three years term in 08/08/1444 AH, corresponding to 28/02/2023. The board was reformed with the renewal of all members by High Order No. (67001) dated 28/09/1444 AH, corresponding to 19/04/2023.

The board of directors comprised of the following individuals:



H.E Mr. Mohammed bin Abdullah Al-Jadaan

Chairman of the Board



H.E Ayman bin Mohammed Al-Sayari

Member



Mr. Hani bin Medaini AlMedaini

Member - CEO



Mr. Spencer Lake

Member



Mr. Phillip Anderson

Member

2-2 Strategic Orientation

2-2-1 Vision, Mission and Values



To be the Center of Excellence in providing sustainable funding solutions for the government.



Manage and advise on public debt, sustainable funding solutions, advisory and credit rating affairs towards the Kingdom's economic growth and prosperity.

Values



Collaboration



Agility



Credibility



Integrity

2-2 Strategic Orientation

2-2-2 Strategic Plans

01 | Public Debt Strategy

Public debt management strategy represents the government's orientation and plans to finance at fair rates over the medium or long term while maintaining a prudent level of risk. It is important that this strategy achieve the objectives set by the government for public debt management, including the development and maintenance of an effective government securities market (as recommended by the World Bank and the International Monetary Fund).

The NDMC has formulated a medium-range strategy, characterized by:

- Issuing debt instruments at fair pricing over the medium and long term, aligning repayment or rescheduling of debt principal with the financial entities of the Kingdom, exploring alternatives to bank loans, and collaborating with relevant entities for effective implementation.
- Securing the Kingdom's continued access to diverse financial markets and diversifying the investor pool.
- Developing the domestic market to enhance its efficiency and depth in accommodating both government and private sector debt issuances through the establishment of a sovereign yield curve spanning various debt instrument maturity profiles.
- Ensuring the Kingdom's access to regulatory foundations for fair pricing while maintaining the stability and sustainability of public debt levels.
- Enhancing access to government debt markets, diversifying investors, ensuring ongoing access to these instruments, and bolstering the growth of the secondary markets.

02 | Annual Borrowing Plan for the Fiscal Year 2023

- At the start of each fiscal year, the NDMC and the Ministry of Finance prepare a report detailing the annual borrowing plan for the fiscal year. This report encompasses NDMC insights, forecasts, and future plans. Such insights, forecasts, and data may materially change, subject to domestic and international market conditions.
- Moreover, the NDMC publishes the Annual Borrowing Plan 2023 and a calendar on annual issuances in the local market on its website, as well as shares them with relevant entities. This aims to enable investors to prudently and promptly allocate their portfolios of government securities, thereby upholding the principles of disclosure and transparency.

03 | Debt Raising Guidelines for the Fiscal Year 2023

According to the Annual Borrowing Plan, the report’s guidelines were defined during the reporting year as follows:

- 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 Center considered proactively additional financing activities through available financing channels, either domestically or internationally, including debt markets and Government Alternative Funding (GAF) to finance opportunities that will promote economic growth. In addition, the NDMC continued the proactive monitor on the market and in order to seize market opportunities to enhance the Kingdom’s debt portfolio characteristics, taking into consideration interest rate movements.
- NDMC continued his methodology of diversifying the domestic and international financing sources for the debt portfolio in 2023 in a manner similar to the fiscal year 1443-1444 AH, corresponding to 2022.
- The projected financing channels were split between bonds and Sukuk, either domestic or international, as well as all forms of GAF.

04 | Investor Relation Strategy

In line with ongoing efforts, the NDMC will continue engaging with investors through roadshows abroad and regular investor visits to the Kingdom of Saudi Arabia. This involves exchanging information on key events, sustainability issues, and ESG initiatives.

05 | Calendar of Domestic Debt Issuances



2-2 Strategic Orientation

2-2-3 Set Objectives at the National Level


I NDMC objectives set to realize Saudi Vision 2030

| Vision Pillars | Axes | Programs | Objectives |
|----------------------------|--|---|--|
| Thriving Economy | Grow and diversify the economy | <ul style="list-style-type: none"> Financial Sector Development Program Fiscal Sustainability Program Public Investment Fund Program | <ul style="list-style-type: none"> Develop domestic debt markets. Develop economic relations with global partners. Develop the Kingdom's standing in global markets. Grow the assets of the Public Investment Fund. Develop a sustainable fiscal policy. Develop a sustainable financing framework. Attracting international capital to the local market. |
| Vibrant Society | <ul style="list-style-type: none"> Strengthen human values and national identity Offer a fulfilling and healthy life | <ul style="list-style-type: none"> Housing Program | <ul style="list-style-type: none"> Provide suitable homeownership opportunities for Saudi families (by creating a reference yield curve for financing products). |
| An Ambitious Nation | <ul style="list-style-type: none"> Enhance government effectiveness Enable social responsibility. | <ul style="list-style-type: none"> Financial Sector Development Program | <ul style="list-style-type: none"> Promote and enable financial planning (savings). Disseminating the Kingdom's story to international investors. |

I Direct and indirect contributions to Saudi Vision 2030 Realization Initiatives


The NDMC engages in various programs and initiatives, both directly and indirectly, aimed at realizing the objectives of the Saudi Vision 2030 through:

■ Direct contributions



المركز الوطني لإدارة الدين
NATIONAL DEBT MANAGEMENT CENTER

The NDMC seeks to maintain the Kingdom's ability to access different debt markets to produce sovereign debt instruments at fair pricing within informed foundations and frameworks of risk management.



Financial Sector Development Program

Government-backed savings products initiative

An initiative aimed at offering government-backed savings products, designed to incentivize both citizens and residents towards savings, foster competition, and enable individuals to save in government Sukuk, thereby benefiting the financial sector.

Sustainable financing in the Kingdom of Saudi Arabia:

Striving to issue sovereign debt instruments or other financing solutions in alignment with endorsed sustainability criteria. Additionally, endeavoring to enhance the Kingdom's assessment by ESG rating agencies through the cultivation of a positive perception.

Sukuk and Debt Instruments Market Development Committee

The NDMC collaborates with committee members from relevant entities to consistently assess and revise laws, regulations, and procedures pertaining to domestic debt markets. This aims to enhance the domestic debt markets, broaden investor participation, and entice foreign capital, all while adhering to international best practices.

Indirect contributions to programs

As part of the NDMC's contributions to developing the domestic debt market to enhance its efficiency and depth in accommodating both government and private sector debt issuances through the establishment of a sovereign yield curve spanning various debt instrument maturity profiles, the NDMC indirectly contributes to program issuances:



Public Investment Fund Program



Housing Program

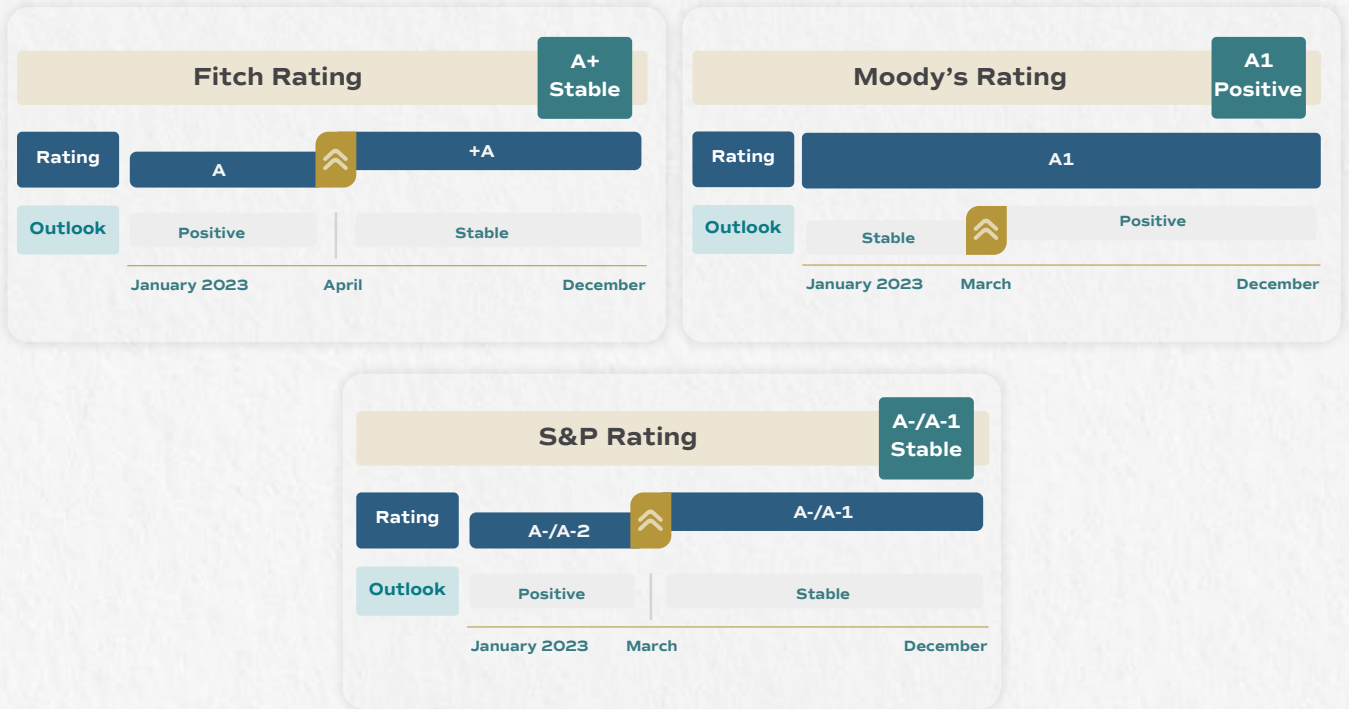


Privatization Program

2-3 Performance Overview

2-3-1 International Indicators

- Credit rating indicators for the Kingdom of Saudi Arabia in 2023



Graph (3): Development of credit rating indicators for the Kingdom of Saudi Arabia in 2023

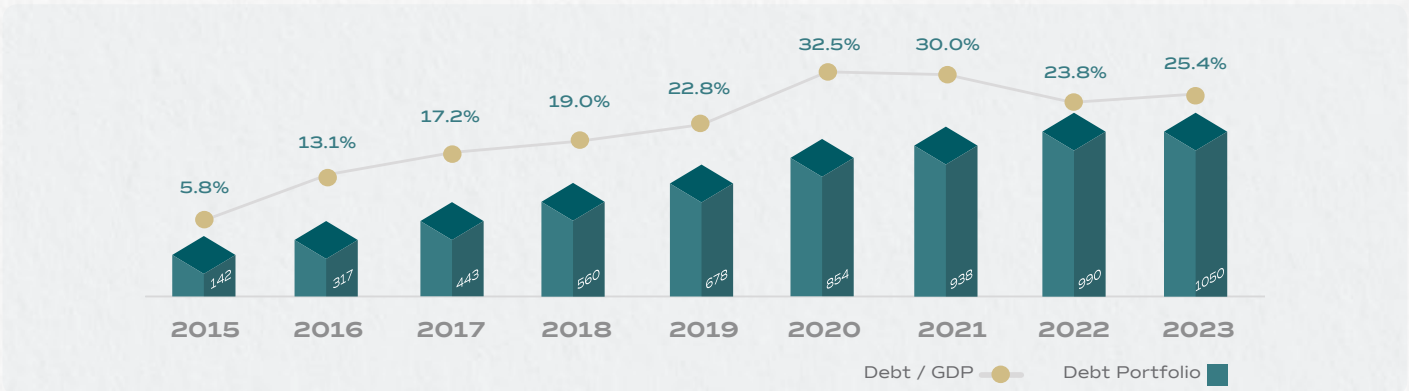
2-4 Key Actions and Achievements

2-4-1 Financial Sector Actions and Achievements

Indicators of Debt Developments and Financing Processes

Public Debt Portfolio

The public debt portfolio experienced an expansion of approximately SAR 60 billion in 2023⁽¹⁾, reaching SAR 1,050 billion. This represents 25.4% of GDP, compared to 23.8% in 2022⁽²⁾ year-end. Despite the increase in public debt in 2023, the debt-to-GDP ratio remains within conservative levels.



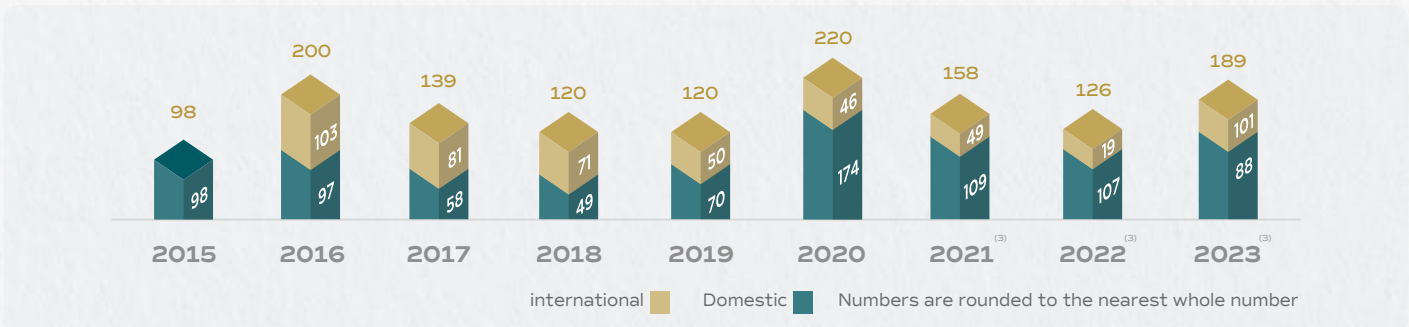
Graph (1): Public debt and debt-to-GDP ratio

Financing processes

In 2023, financing activities reached a total volume of about SAR 189 billion⁽³⁾. These encompassed SAR 88 billion sourced domestically and SAR 101 billion raised internationally, including refinancing principal maturities valued at around SAR 93 billion.

Domestic financing consisted of local issuances of sovereign Sukuk of up to SAR 45.6 billion and a domestic Sukuk and bond liability management transaction, that executed to redeem domestic securities maturing in 2024, 2025, and 2026 with a total value of SAR 36 billion and simultaneously issuing domestic Sukuk for the redeemed amount as a part of NDMC expertise in debt management activities.

The international financing, totaled of SAR 101 billion, encompassed issuances of international sovereign bonds and Sukuk with a total value SAR 60 billion in addition to a syndicated loan worth SAR 41 billion supporting various infrastructure projects.

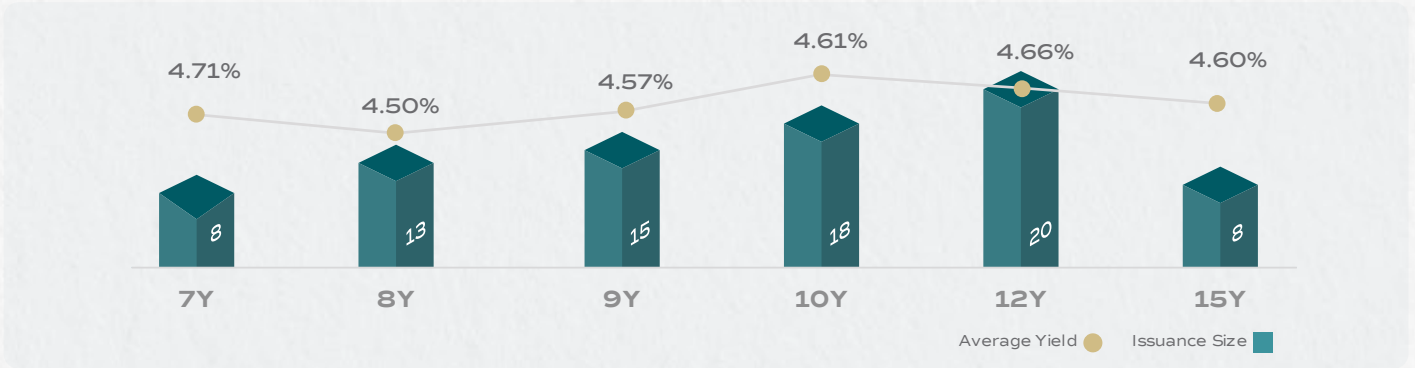


Graph (2): Borrowing activities (SAR Bn)

Financing processes

01 Domestic Financing

In 2023, domestic financing was approximately SAR 88 billion (accounting for around 47% of the total financing). Domestic Sukuk issuance amounted to around SAR 82 billion, in addition to drawdowns of approximately SAR 6 billion through the GAF channel to finance capital expenditures and infrastructure projects for financing agreements that were signed in 2022.



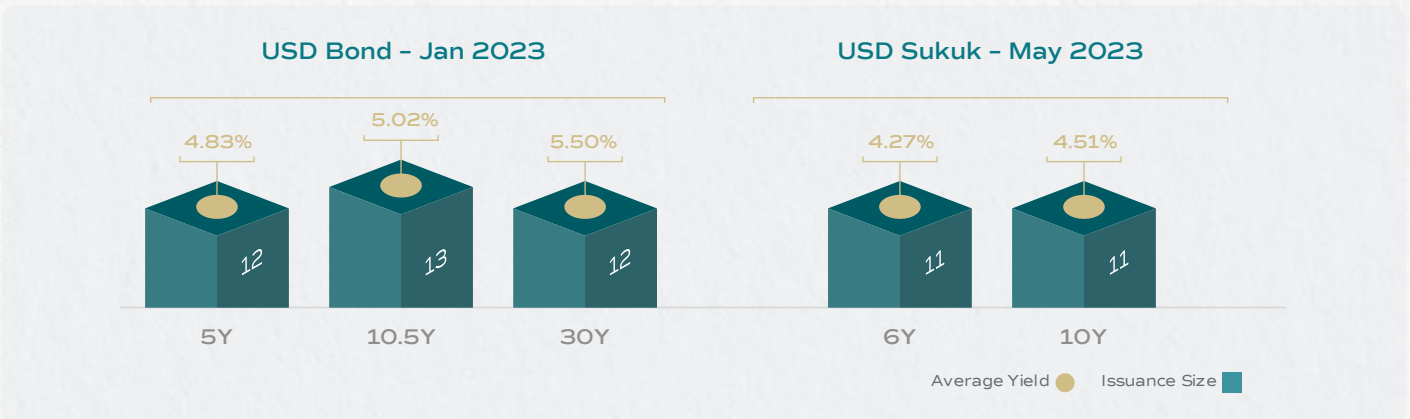
Graph (4): Domestic Sukuk issuances in 2023 (SAR Bn)

Timeline of domestic monthly issuances during the fiscal year 2023



02 International Financing

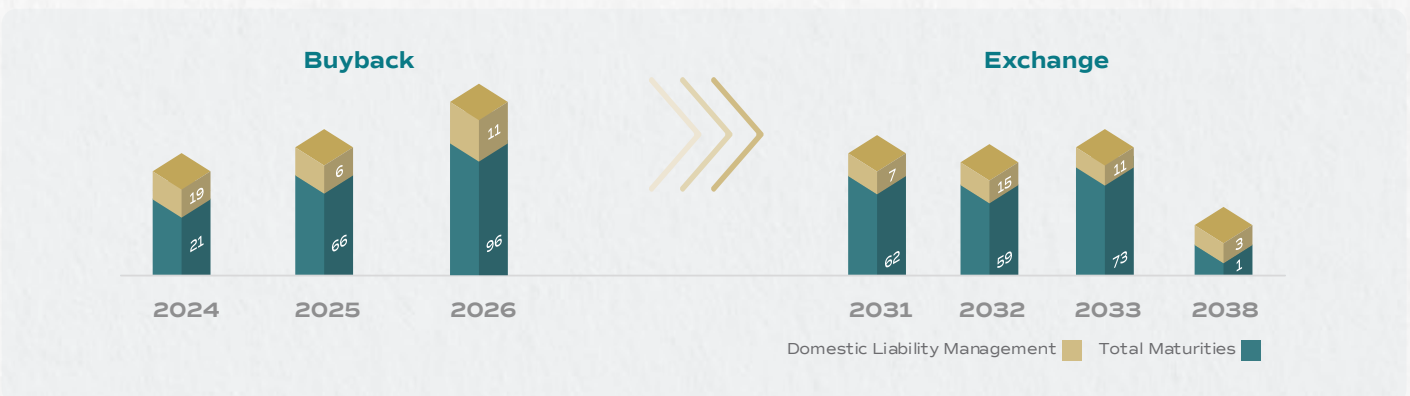
The Kingdom successfully executed its international Sukuk and bonds issuance program for 2023. The first issuance, in the form of USD-denominated bonds, attracted over USD 38 billion in total subscriptions, representing an oversubscription of 3.8 times the intended issuance size of USD 10 billion (SAR 37.5 billion). The Kingdom also completed a second issuance in USD, totaling approximately USD 27 billion in subscriptions. This led to an oversubscription of 6 times the planned issuance size of USD 6 billion (SAR 22.5 billion). Capital and infrastructure projects were financed through the GAF with an amount of USD 11 billion (SAR 41 billion). As a result, total international financing for public debt in 2023 amounts to around SAR 101 billion (approximately 53% of total financing).



Graph (5): International financing for 2023 (SAR Bn)

Sukuk and Bond Liability Management Transaction

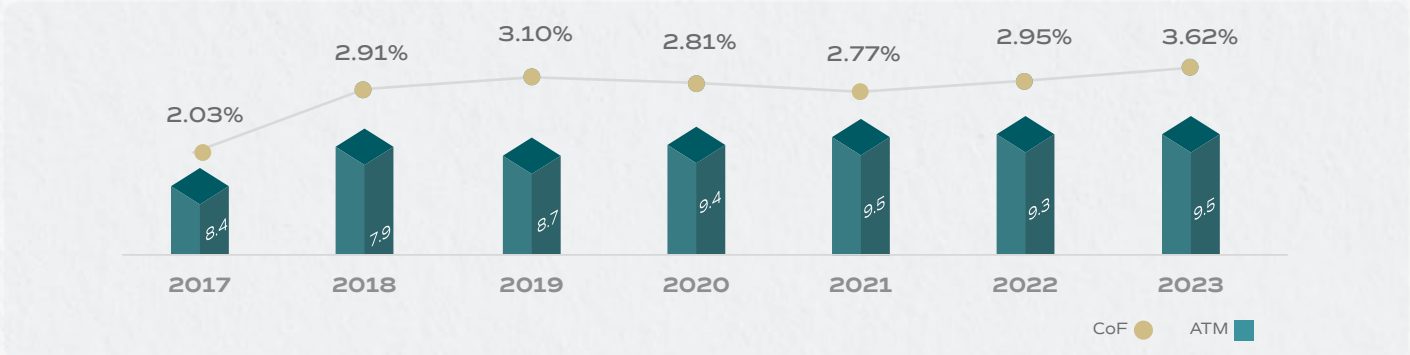
In alignment with the NDMC’s commitment to managing and evaluating the refinancing risk associated with the Kingdom’s debt portfolio, the NDMC successfully executed a domestic Sukuk and bond liability management transaction amounting to approximately SAR 36 billion. This transaction involved the redemption of domestic debt instruments maturing in 2024, 2025, and 2026, and the issuance of new Sukuk in exchange for the redeemed amount. This effectively extended the average time to maturity while mitigating the refinancing risk of future maturities.



Graph (6): Domestic and international liability management transactions in 2023 (SAR Bn)

Public Debt Portfolio Cost of Funding and Average Time to Maturity

Driven by rising interest rates, the Cost of Funding (CoF) of the Kingdom's debt portfolio has reached approximately 3.62%⁽⁴⁾ as of the end of 2023. Concurrently, the debt portfolio's Average Time to Maturity (ATM) has increased to approximately 9.5 years as of 2023 year-end.



Graph (7): CoF and ATM CoF on a cash basis per annum

Contribute to the development of infrastructure for domestic debt markets and access to international markets

The Kingdom's Sustainable Financing Framework and ESG Investment

In collaboration with key ministries and stakeholders, the NDMC has made substantial strides towards establishing the Kingdom's draft green financing framework, underscoring its dedication to sustainability, and achieving net-zero emissions. The completion of the draft involved active participation from the Ministry of Energy, the Ministry of Economy and Planning, the Ministry of Environment, Water, and Agriculture, as well as relevant entities.

Comprehensive Study to Evaluate ESG Data Quality and Availability

In collaboration with the Financial Sector Development Program, the NDMC conducted a comprehensive study to evaluate the ESG data quality and accessibility. This study aims to bolster sustainability evaluations within the Kingdom. It was shared with the Committee for Enhancing ESG Investment Indicators, comprising nine government entities. The study was updated based on their input. Subsequently, a consulting bank was engaged to spearhead the Sustainable Finance and ESG Investment Initiative, with a specific focus on enhancing performance indicators within the Kingdom of Saudi Arabia. The study was approved by the Financial Sector Development Program Committee, tasking the Ministry of Economy and Planning with formulating a plan to update the indicators. Collaboration with government bodies and international organizations, such as the World Bank, facilitated a clearer understanding of ESG data disclosure requirements. The Kingdom's strides in sustainability and climate finance were discussed during meetings with the World Bank and highlighted in international and regional forums, particularly emphasizing the circular carbon economy and the aspiration to achieve net-zero emissions.

Government-backed savings products initiative

The NDMC collaborated with the private sector to develop and launch a government-backed savings product intended for individuals, with a focus on the accessibility through digital channels and offering flexible product terms regarding commitment duration and yields calculation. It is targeted that the actual launch of the product will take place during the fiscal year 2024.

Interaction with Financial Institutions and Investors

International Level

The NDMC actively participates with international financial institutions and investors through meetings, investors' tours, and participation in international events. NDMC held meetings with international investors in London, Hong Kong, Singapore, Dubai, Marrakesh, and Tokyo. These efforts aimed at discussing market developments, showcasing the Kingdom's reforms and initiatives, communicate its credit story to the international community, fostering stronger relationships, and managing international obligations and entitlements. An investors' tour was also arranged in coordination with the Ministry of Finance during the Budget Forum activities, and 18 investors were invited to visit the Eastern Province, Al-Ula, the Red Sea, and Riyadh.

Local Level

The NDMC focused on enabling local investors' role in the Kingdom's local issuances, this reflected positively on the local debt market's image and led to attracting a greater number of investments in it. Moreover, the NDMC engaged with investors from both governmental and private sectors to outline its role and the local issuance program. Collaborative efforts with local financial entities aim to bolster market comprehension and stimulate growth within the local financial ecosystem.

NDMC Initiatives and Achievements in GAF Processes

The NDMC collaborated with the Ministry of Finance on the necessary arrangements for financing infrastructure projects, aligning with the orientation of supporting ongoing infrastructure projects to achieve the Quality of Life Program's objectives and improve provided services, according to the High Order No. 81113 dated 26/12/1443 AH.

Capital Project Financing

The NDMC arranged capital financing to enable and support strategic infrastructure projects in pursuit of Saudi Vision 2030, thus expediting the implementation of these projects.

This capital financing was represented in a syndicated loan worth SAR 41 billion.

Transfer of Private Sector Initiatives

NDMC oversaw the operations of the "Projects Support Fund" and "Corporate Sustainability Support Program" initiatives until the completion of these initiatives transfer to the National Development Fund.

Debt Portfolio Risk Management

Managing sovereign debt risk is an integral component of the Kingdom’s medium-term public debt strategy. The NDMC’s risk management balances financing decisions against five key risk factors: liquidity, refinancing, interest rates, foreign exchange, and credit rating.

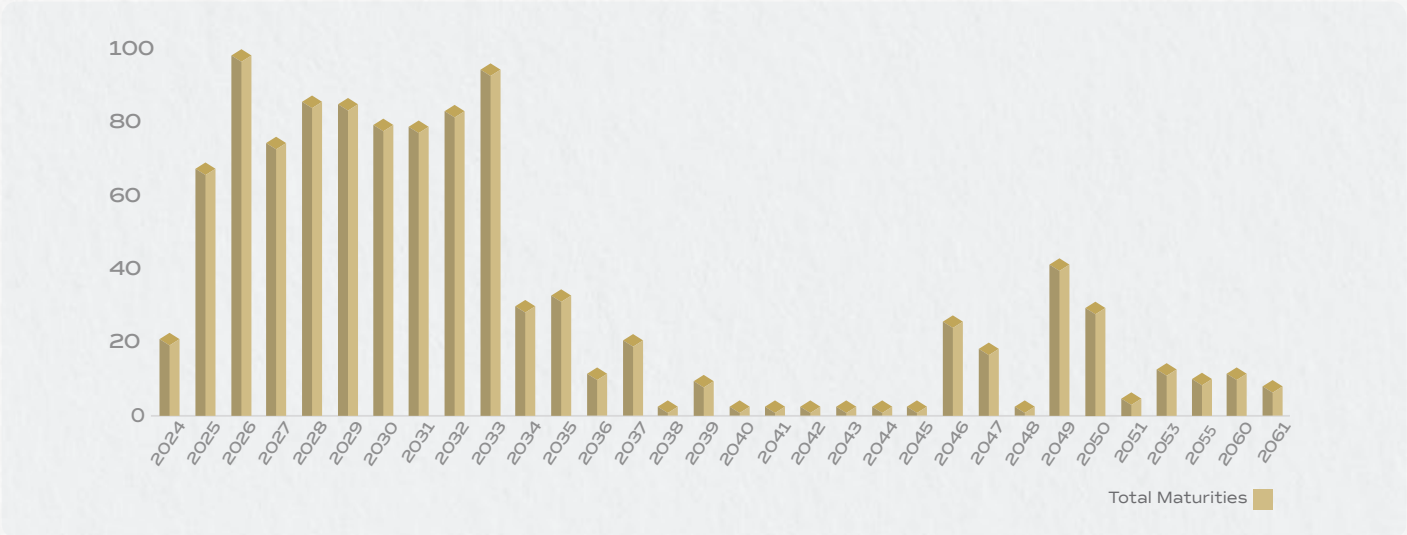
Liquidity

The NDMC collaborates with relevant stakeholders to ensure that the domestic debt market is sufficiently deep to accommodate issuance sizes and stabilize liquidity levels in the domestic market.

Refinancing

In 2024, an estimated SAR 40 billion of both domestic and international debt will mature. In 2023, the NDMC successfully executed a domestic liability management transaction, paying off SAR 19 billion debt principal maturing in 2024 and issuing domestic bonds in exchange. This reduced the total 2024 maturities to around SAR 21 billion.

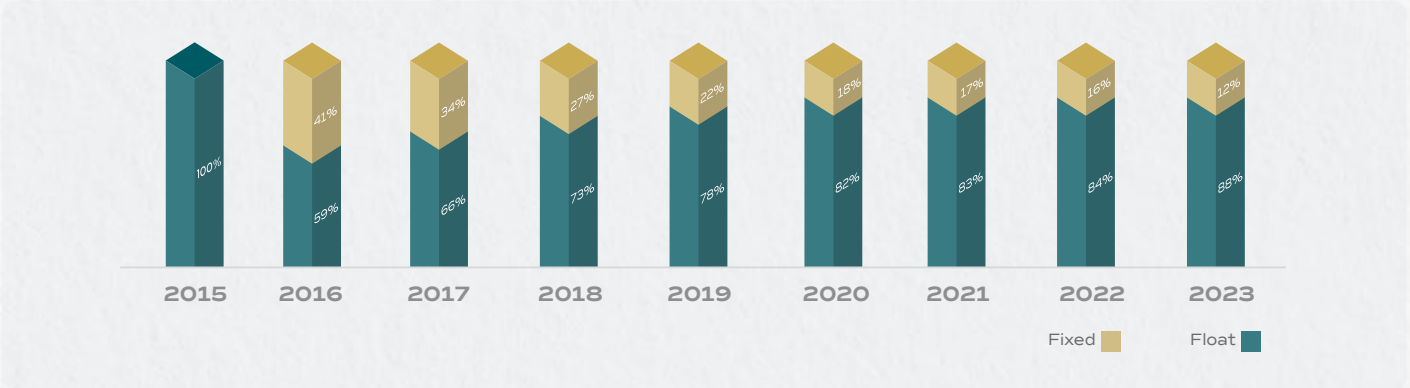
The NDMC plans to optimally continue issuing debt instruments to maintain the ATM of the Kingdom’s public debt portfolio and mitigate refinancing risks.



Graph (8): Maturity profile

Interest Rate Exposure

As of the end of 2023, around 88% of the total debt portfolio has a fixed interest rate, while 12% has a floating interest rate. The NDMC will also continue to assess market conditions and manage interest rate risks.

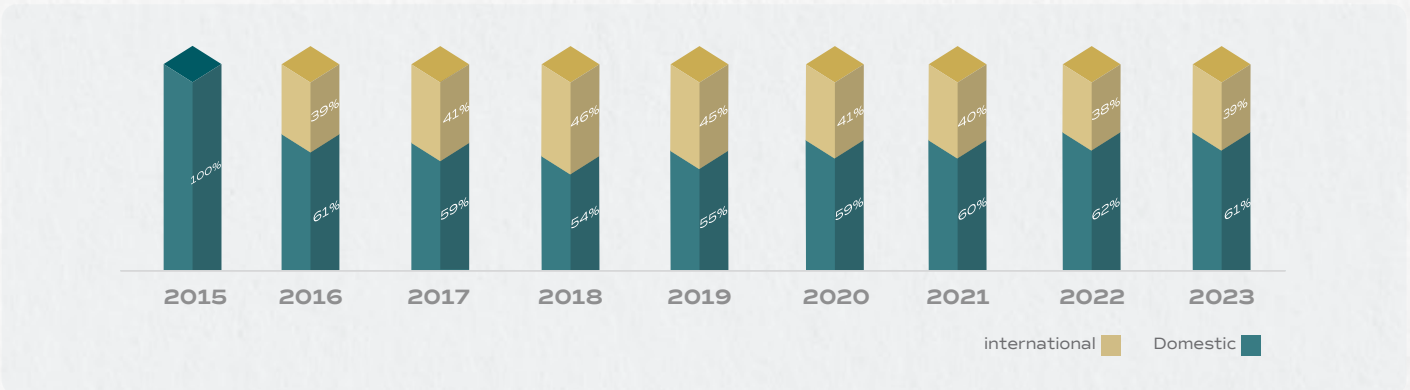


Graph (9): Yield exposure

Foreign Exchange Exposure (FX)

The current international debt portfolio carries limited foreign exchange risks given the Kingdom’s strong FX reserve, robust assets, and stable current peg policy.

EUR-dominated debt stands at nearly 2% of the total debt portfolio in 2023 year-end. Based on market conditions, the Kingdom may explore non-USD international financing opportunities



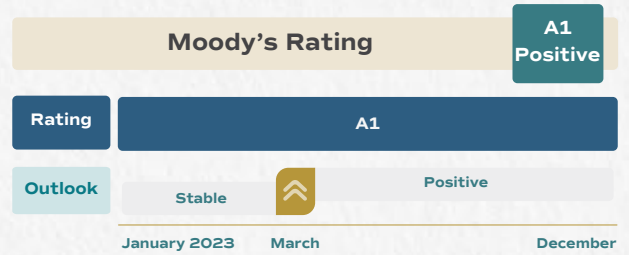
Graph (10): Foreign exchange exposure

Follow-up on Credit Rating Affairs

The NDMC continued to follow up on the Kingdom’s credit rating affairs, in collaboration with relevant government entities. Additionally, proactive engagement with credit rating agencies was maintained to guarantee the timely dissemination of information and the issuance of ratings accurately reflecting the Kingdom’s public financial advancements.

MOODY’S

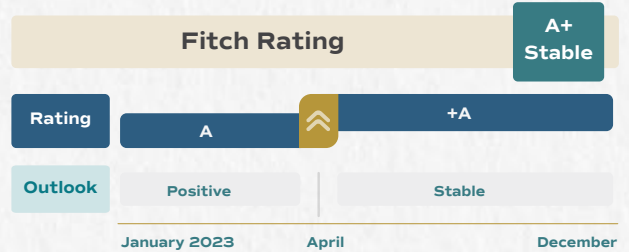
- Moody’s affirmed in its report the Kingdom’s credit rating at A1 and revised the outlook to positive.
- Moody’s attributes the preservation of economic diversification to the government’s fiscal policy and reforms, noting that both government initiatives and private sector investments are driving economic growth and enhancing future prospects.
- The report recognizes the Kingdom’s efforts in financial sustainability and debt management, as well as its retention of cash reserves and a competitive standing in the energy sector.



Graph (11): Developments in the Kingdom's Moody's credit rating

FitchRatings

- Fitch Ratings upgraded the Kingdom’s credit rating to A+ with a stable outlook, reflecting financial strength and sovereign assets. In its reports, Fitch highlighted:
 - Debt-to-GDP ratio is less than half the average among A-rated countries.
 - The percentage of the Kingdom’s external reserves and the coverage of reserves is strong as the government balances Vision 2030 projects with fiscal prudence.
 - The non-oil private sector is expected to grow by up to 5% in 2023 and 4% thereafter.



Graph (12): Developments in the Kingdom's Fitch credit rating

I Agreements and Memorandums of Understanding

■ Memorandums of Understanding

- **Financial Academy:** To enhance the mutual cooperation in the field of human capital capabilities development and integration to serve the goals of both parties.
- **Financial and Accounting Excellence Academy:** Developing and implementing specialized training programs and courses in the financial and accounting sector, as well as cooperating to hold specialized seminars, meetings, and workshops in the financial and accounting sector.
- **Japan Bank for International Cooperation (JBIC):** In examining potential opportunities available to the bank to provide credit facilities to the Ministry of Finance (arranged by the center) to develop new projects.

■ Cooperation Agreement

- **The Eastern Region Council for Social Responsibility:** In an effort to activate the role of social responsibility by enhancing the financial awareness of society in the Kingdom and to create opportunities for the center's employees to contribute to providing social responsibility work within their field of specialization.their field of specialization.

■ Workshops

NDMC and JPMorgan advisory team coordinated to hold a workshop, with the participation of several departments from NDMC and the Ministry of Finance. Potential liabilities were covered, including the sovereign rating methodologies of the credit rating agencies Fitch, Moody's, and S&P.

2-4 Key Actions and Achievements

2-4-2 Operational Actions and Achievements

I Organizational Excellence

- **institutional Strategy**

The strategic plan has been designed to include four strategic objectives that contribute to achieving the outputs:

To be the Center of Excellence in providing sustainable funding solutions for the government

Meet key stakeholders' funding needs by diversified solutions

Secure sustainable funding in line with a sound government debt policy

Proactive contribution to credit rating achievement

Sustainable Growth

Pursue NDMC's by full activation of NDMC mandates while expanding valuable products & services to a diversified portfolio of investors and the local market participants

Business Excellence

Fully operationalize NDMC's mandate through establishing strategic partnerships, developing standardized business policies and ensuring agile portfolio management by achieving the ABP targets in alignment with approved debt portfolio risk levels

Strategic Positioning

Recognize NDMC as a valuable knowledge & data analytics advisor for debt management, and build KSA coherent credit story to enhance brand visibility and maintain NDMC's positive corporate image perception

Agile Organization

Enhance capabilities and resources that empower NDMC's core functions to execute the strategic themes, by accelerating the technology transformation, enabling effective governance and operational transformation, as well as ensuring a high-performing organization to lead the organizational transformation

- **Business Excellence**

Optimizing NDMC's capacity through strategic partnerships, formulation of business policies, and proficient portfolio management to achieve the annual borrowing plan within approved debt risk levels.

- **Strategic Positioning**

Fostering the NDMC as a hub of public debt expertise and data interpretation, crafting a compelling credit narrative for the Kingdom, and elevating the NDMC's perception.

- **Sustainable Growth**

Optimizing the NDMC's capacity while broadening the spectrum of financial products and advisory services and expanding the investor network.

- **Flexible Facility**

Enhancing capabilities and resources to empower the NDMC's core functions in executing the institutional strategy, with a focus on accelerating digital transformation, fostering effective governance and operational evolution, and cultivating a high-performance culture.

2-4 Key Actions and Achievements

2-4-3 Human Capability Development

The NDMC worked to develop and enhance the skills of its workforce through development programs and collaborations with numerous training and educational institutions. The notable accomplishments include:

- **Leadership Development Program:** Designed to train and develop leadership and administrative competencies among the NDMC's leadership cadre.
- **High-Potential Program (HiPo):** Aims to develop and elevate the leadership and management skills of high-performing and high-potential individuals, enabling their nomination for specialized training tracks with leading entities spanning a duration of six separate months.
- **Professional Certification Program:** Aims to train and qualify employees to pass professional tests and obtain the accredited professional certificate
- **Professional Training Program:** Focused on developing the technical skills and competencies of employees, according to job families and the professional level required to implement job objectives.
- **Online Training:** Focused on employee engagement with multiple training options to develop behavioral or digital skills in partnership with an internationally recognized platform.
- **General Skills Training Program:** Targets raising awareness of one of the skills required to achieve the NDMC's strategy and general requirements, such as digital transformation, governance and procedures awareness, and other general skills required.

2-4 Key Actions and Achievements

2-4-4 Global and Local Social Activities, Conferences, and Awards

01 NDMC participation in local and international forums

| | | |
|---|--|--|
| Tadawul: Developing the Debt Capital | Financial sector conference | Global Islamic Finance 2023 Outlook |
| Riyadh, KSA February, 2023 | Riyadh, KSA March, 2023 | Virtual Conference March, 2023 |
| Local Currency Sukuk: Expert Insights from KSA and Indonesia | Morgan Stanley Saudi & MENA Conference | J.P. Morgan Frontier Markets Conference |
| Jeddah, KSA May, 2023 | London, UK May, 2023 | London, UK June, 2023 |
| Financial leaders | J.P. Morgan Emerging Markets Conference | HSBC Global Credit Forum 2023 in Asia |
| Riyadh, KSA September, 2023 | London, UK September, 2023 | Singapore, Singapore September, 2023 |
| Standard Chartered Sovereign Investors Forum | Future Investment Initiative Conference (FII) | Financial Market Institutions Forum |
| Marrakesh, Morocco October, 2023 | Riyadh, KSA October, 2023 | Riyadh, KSA November, 2023 |
| | Moody's Saudi Arabia Conference 2023 | |
| | Riyadh, KSA November, 2023 | |

01 Local and International Awards

NDMC was awarded the “Sovereign, Supra & Agency Bond Deal of the Year 2022” at the annual Bonds, Loans & Sukuk Capital Markets & ESG Finance Saudi Arabia awards ceremony held in Riyadh, on February 8th, 2023.



**Sovereign, Supra & Agency Bond
Deal of the Year 2022**

Conclusion

In conclusion, this report reflects the NDMC's commitment to upholding the highest standards of transparency and financial and administrative disclosure to inform decision-makers, experts, and the public about its operations, based on NDMC Statute issued by Council of Ministers Resolution No. 139 dated 16/02/1441 AH. Article 12 of the Statute stipulates that the NDMC prepares an annual report on its achievements during the past year and the difficulties it has encountered, and proposes suggestions to improve its workflow. The report followed the Guide for Preparing Annual Reports for Public Agencies, adopted by the Council of Ministers Resolution No. 25819 of 23/04/1443 AH.

Throughout the year 2023, the NDMC attained significant milestones, driven by the team's unwavering belief in the significance of their efforts to enhance the performance of public finances. The dedication and sincerity of this team played a pivotal role in attaining these objectives.

Gratitude is owed firstly to Allah, followed by the guidance of the wise leadership and the diligent oversight of Their Excellencies. The consistent commitment to institutional and professional excellence, a source of pride for the NDMC, was made possible through the efforts of talented young Saudi professionals.



المركز الوطني لإدارة الدين
NATIONAL DEBT MANAGEMENT CENTER

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