

وزارة المالية
Ministry of Finance



National Debt Management Center (NDMC)

2020 Borrowing Plan Highlights



Introduction

This annual borrowing plan has been prepared by NDMC as a general statement of its financial policy. It contains information in summary form only. It may also contain forecasts, including statements regarding NDMC's opinions or intentions. Such information, forecasts and statements may be subject to material change in the light of domestic and international market conditions. Neither the Ministry of Finance nor the NDMC accepts any responsibility for, or obligation to publish any revisions to, the information, forecasts or statements in this plan to reflect changing market conditions after the date of publication. This material does not constitute investment advice and we hereby inform you that this communication should not be considered as a solicitation or offer to sell or purchase any securities, deal in any product or enter into any transaction.



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01

FINANCING
POLICY



1.1 NDMC Role and Objectives

As per the Cabinet Resolution number (139) dated 16/2/1441H (corresponding to 15 October 2019G), The Debt Management Office (DMO) was transformed into the National Debt Management Center (NDMC) with the role of securing the Kingdom's financing needs at the best possible cost and with acceptable levels of risk, in compliance with its financial policies.

The NDMC's main objectives include:

- Contributing to setting and developing the Kingdom's public debt policy, and securing the Kingdom's financing needs in the short, medium and long term.
- Ensuring the Kingdom's sustainable access to various debt markets to issue sovereign debt instruments at a fair price with prudent risk.
- Coordination of the sovereign credit rating affairs of the Kingdom in cooperation with the relevant government agencies.
- Providing advisory services and proposing executive plans to government bodies, government-related entities, state owned companies with government ownership of 50% or more.



1.2 National Debt Management Center Guidelines

In line with the 2020 budget, the financing needs for the Kingdom of Saudi Arabia will be met in a balanced way, with a mix of direct and indirect borrowing through: (i) debt issuances, (ii) Financial Institutions, (iii) government alternative financing including Export Credit Agencies Financing, Project Financing, and Infra Financing (domestic or external, in local currency or foreign currencies) and (iv) reserve drawdowns:

- The mix between domestic and external debt will remain largely unchanged in 2020 compared with 2019, which will further enhance the Kingdom's access to capital in both local and international markets. The outstanding debt mix policy of the NDMC remains unchanged with a target of 55 - 75% domestic debt / 25 - 45% external debt.
- The Kingdom will seek to increase the diversification of its financier and investor base by expanding its investor outreach both locally and internationally, with new geographies and business segments.



02

2019 MAIN
HIGHLIGHTS



2.1 Debt Portfolio

The debt portfolio has increased during 2019 by SAR 118 billion, or 21%, represented by gross issuances of SAR 120 billion distributed between SAR 69.8 billion issued in the domestic market and SAR 50.2 billion issued internationally. This was in line with the 2019 annual borrowing plan, including the split between domestic and external debt at portfolio level.

2.2 Market Developments and Initiatives

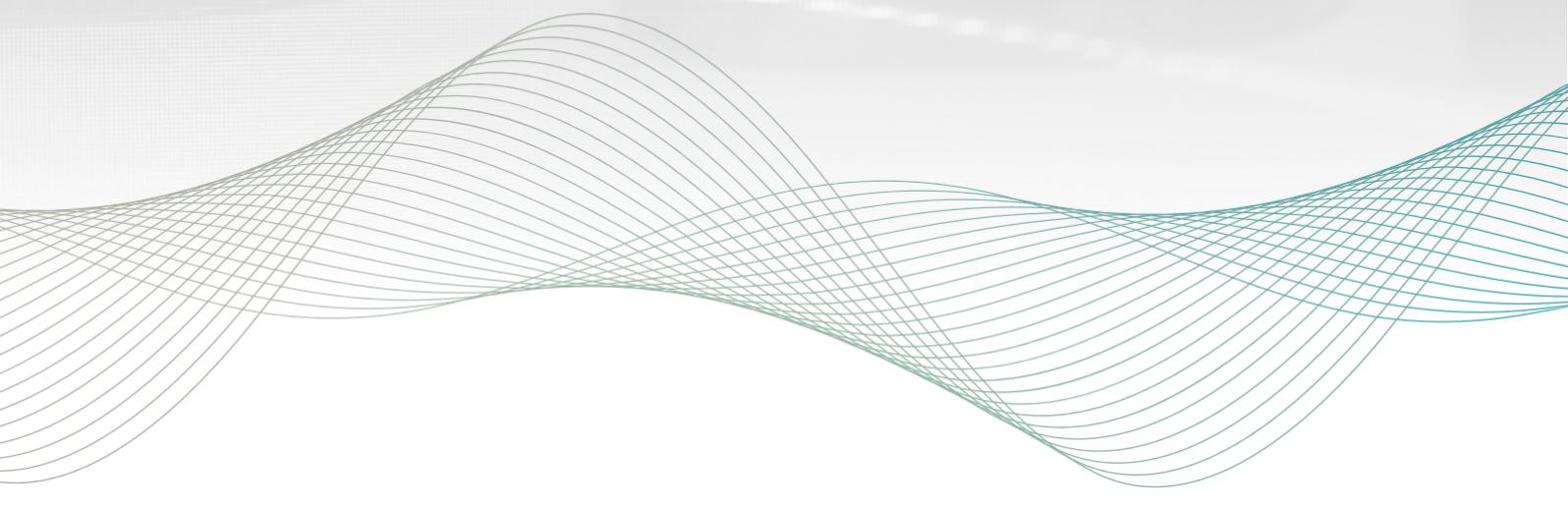
As part of the NDMC commitments toward developing the domestic market infrastructure, in coordination with the relative stakeholders, along with enhancing the KSA's positioning in the international market, the below summarizes the NDMC's main achievements during 2019:

- The continued commitment toward the Primary Dealers (PDs) initiative in the domestic market, with five PDs arranging and participating in primary auctions on behalf of local issuance investors and providing daily liquidity in the secondary market.
- Introducing new long-term issuances including 12, 15 and 30 years in the domestic market with demand exceeding SAR 11 billion, SAR 9 billion and SAR 20 billion respectively, which provided full risk-free yield curve that can support several markets including the mortgages market.
- The reduction of the minimum sukuk subscription size from SAR 1,000,000, to SAR1,000, to increase the demand base.
- The reduction of the domestic market transaction fees in coordination with the Capital Market Authority and the Saudi Stock Exchange (Tadawul).
- Internationally, JPMorgan Emerging Market Bond Index (EMBI) inclusion for KSA international issuances.
- Tapping new international markets with the first EUR issuance.
- Increase the international investor base by 10% during 2019.
- The recent sukuk issuance in 2019 registered an increase in Asian investors to reach more than 20% for the first time.



03

●
RISK
MANAGEMENT





RISK MANAGEMENT

Managing sovereign debt risk is a central element of the NDMC's borrowing plan for the next fiscal year. It will balance debt-raising decisions against the five other risk considerations for the NDMC: liquidity, refinancing, interest rates, foreign exchange, and credit rating.

- **Liquidity:** the NDMC will ensure that the domestic debt market is deep enough to absorb contemplated issuance volumes to preserve the strong liquidity of the domestic market.
- **Refinancing:** in 2020, SAR 44.4 billion is due to mature all in local currency. The NDMC will carefully calibrate new securities to preserve the average target maturity of the KSA's debt and minimize refinancing risk.
- **Interest rates:** at year-end 2019, the debt portfolio expected split is 78% fixed rate and 22% floating rate, with all floating rate debt maturing by 2026. The NDMC will emphasize fixed over floating rates for 2020 to reduce the government's outstanding debt portfolio's exposure to interest rate risk.
- **Foreign exchange:** the current and projected portfolio of external debt carries limited foreign exchange risk given the Kingdom's large foreign currency reserve and asset positions and the stable currency peg regime. Debt issued in EUR currency stands at less than 2% of the overall debt portfolio as of end 2019. The NDMC, based on market conditions, may explore non-USD international issuances.
- **Credit rating:** the NDMC actively monitors key sovereign credit metrics and will continue to proactively communicate with credit rating agencies to maintain a strong credit rating.



04

2020 ANNUAL
BORROWING PLAN



4.1 Summary Highlights

This section contains summary highlights of the government's annual borrowing plan, which outlines the government's net borrowing requirements in 2020.

At year-end 2019, the Kingdom of Saudi Arabia had approximately SAR 678 billion of government debt outstanding, consisting of 55% SAR-denominated and 45% foreign currency denominated, bonds, sukuks and loans with maturities ranging from 5 to 31 years (Average Term Maturity at 8.7 years by end of 2019). The fixed/floating rate proportion of government debt was 78% / 22% respectively.

As per the 2020 KSA budget, the deficit funding requirement in 2020 is estimated to be SAR 187 billion. To fund this deficit, MoF plans to:

- Approximate gross debt raising of up to SAR 120 billion, of which SAR 76 billion is net debt raising.
- Debt raising split between domestic and external debt will be largely unchanged from 2019.
- The form of funding will be a mix of conventional bonds, sukuk, and government alternative financing.
- The remaining expected deficit will be financed through government reserves.

Based on the 2020 budget statement, **the year-end 2020 target portfolio is expected to reach approximately SAR 754 billion,** which translates into an approximate of 26.4% debt to GDP ratio¹, and a 75 - 85% fixed / 15 - 25% floating interest rate split. This is in line with the government's public debt management objectives.

NDMC will continue to weigh sovereign debt risk against the 2020 borrowing plan and actively manage liquidity, refinancing, interest rate, foreign exchange and credit rating risks.

¹ Based on MoF estimates for 2020 budget



4.2 2020 Debt Raising Guidelines

- External funding will be positioned in a way to secure most of the requirements in Q1, subject to market conditions, to reduce funding risk, and for other general government and public sector entities to select the appropriate windows during the year.
- Further develop the domestic capital market to diversify investor base and deepening the market.
- Maturities to be selected based on maturity cap guidelines, to minimize future refinancing risks.
- Emphasize fixed over floating rates for 2020 to reduce the government's exposure to interest rate risk.
- Continue to explore new markets, and new financing methodologies through government alternative financing, via project finance, infra finance and export credit agencies.

4.3 Investor Relation Strategy in 2020

The NDMC will continue its strategy of engaging with its investors in both non-deal roadshows abroad and reverse investor roadshows in the Kingdom of Saudi Arabia. Continued focus on further investor diversification is a key target for 2020.

4.4 2020 Calendar of Domestic Sukuk Issuances²

As part of the NDMC's initiatives to enhance the domestic market conditions and in line with the best market practice, the NDMC had reviewed its domestic issuances calendar to cater for international market working days with regard to issuance announcements and settlement dates.

NDMC 2020 local issuances calendar

January							February							March						
Sun	Mon	Tue	Wed	Thr	Fri	Sat	Sun	Mon	Tue	Wed	Thr	Fri	Sat	Sun	Mon	Tue	Wed	Thr	Fri	Sat
29	30	31	1	2	3	4							1	1	2	3	4	5	6	7
5	6	7	8	9	10	11	2	3	4	5	6	7	8	8	9	10	11	12	13	14
12	13	14	15	16	17	18	9	10	11	12	13	14	15	15	16	17	18	19	20	21
19	20	21	22	23	24	25	16	17	18	19	20	21	22	22	23	24	25	26	27	28
26	27	28	29	30	31		23	24	25	26	27	28	29	29	30	31				
April							May							June						
Sun	Mon	Tue	Wed	Thr	Fri	Sat	Sun	Mon	Tue	Wed	Thr	Fri	Sat	Sun	Mon	Tue	Wed	Thr	Fri	Sat
			1	2	3	4						1	2							
5	6	7	8	9	10	11	3	4	5	6	7	8	9		1	2	3	4	5	6
12	13	14	15	16	17	18	10	11	12	13	14	15	16	7	8	9	10	11	12	13
19	20	21	22	23	24	25	17	18	19	20	21	22	23	14	15	16	17	18	19	20
26	27	28	29	30			24	25	26	27	28	29	30	21	22	23	24	25	26	27
							31							28	29	30				
July							August							September						
Sun	Mon	Tue	Wed	Thr	Fri	Sat	Sun	Mon	Tue	Wed	Thr	Fri	Sat	Sun	Mon	Tue	Wed	Thr	Fri	Sat
			1	2	3	4							1			1	2	3	4	5
5	6	7	8	9	10	11	2	3	4	5	6	7	8	6	7	8	9	10	11	12
12	13	14	15	16	17	18	9	10	11	12	13	14	15	13	14	15	16	17	18	19
19	20	21	22	23	24	25	16	17	18	19	20	21	22	20	21	22	23	24	25	26
26	27	28	29	30	31		23	24	25	26	27	28	29	27	28	29	30			
							30	31												
October							November							December						
Sun	Mon	Tue	Wed	Thr	Fri	Sat	Sun	Mon	Tue	Wed	Thr	Fri	Sat	Sun	Mon	Tue	Wed	Thr	Fri	Sat
				1	2	3	1	2	3	4	5	6	7			1	2	3	4	5
4	5	6	7	8	9	10	8	9	10	11	12	13	14	6	7	8	9	10	11	12
11	12	13	14	15	16	17	15	16	17	18	19	20	21	13	14	15	16	17	18	19
18	19	20	21	22	23	24	22	23	24	25	26	27	28	20	21	22	23	24	25	26
25	26	27	28	29	30	31	29	30						27	28	29	30	31		

Weekends
Offer Day
Settlement Day
Eid Holidays
National Day

Calendar is subject to change due to official holidays

² 2020 Calendar was prepared taking into consideration holidays of the Saudi Arabian Riyal Interbank Express system (SARIE) and Payment Administrator feedback. Calendar doesn't necessarily reflect future changes to official holidays.