



Financial Sector
Development Program

THE FINANCIAL SECTOR DEVELOPMENT PROGRAM 2020 ANNUAL REPORT

رؤية VISION
2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

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“ THE KINGDOM OF SAUDI ARABIA IS MOVING TOWARDS ACHIEVING WHAT IT TAKES TO ENHANCE CITIZEN’S PROSPERITY, PROGRESS, SECURITY AND STABILITY. ”

THE CUSTODIAN OF THE TWO HOLY MOSQUES THE KING OF SAUDI ARABIA





**“ THE DEVELOPMENT OF
THE FINANCIAL SECTOR IS
THE CORNERSTONE FOR
THE SUSTAINABILITY OF
A PROSPER ECONOMY. ”**

**HIS ROYAL HIGHNESS THE CROWN
PRINCE OF SAUDI ARABIA**





Financial Sector Development Program Committee Chairman Statement

In line with the Kingdom’s vision under the leadership of the Custodian of the Two Holy Mosques King Salman bin Abdulaziz and His Royal Highness Prince Mohammed bin Salman, the Financial Sector Development Program (FSDP) seeks to achieve its goals complementing other vision programs. The vision programs have developed various initiatives in order to enhance the position of the Kingdom regionally and internationally. To strengthening the Kingdom’s position regionally and internationally at all levels, the Minister of Investment’s joined the Financial Sector Development Program Committee as this will add an integral role between the financial and investment systems.

Despite the challenges facing the global economy due to the impacts of the health pandemic (Covid-19), the program was able to end the year with major milestones achieved which will help to empower our financial sector to be among the largest financial centers in the world by 2030. I would like to share with you some achievements

of the program that had major impact on the financial system, including the establishment of a financial academy, which aims at upgrading the financial sector in the Kingdom and developing its outputs, under (The Financial Academy) and having its organizational arrangements approved. Also, in the context of enhancing the activity of the fintech sector and pushing towards innovation for services provided in the Kingdom, the number of authorized payment companies has reached (11) companies, in addition to (32) authorized companies in the Sandbox. Also (7) companies has been authorized in the field of securities. Another achievement related to developing an advanced financial market, the derivatives market was launched and futures contracts for indices were started as the first financial derivative product to be traded in the Saudi Stock Exchange. In efforts to enhancing the attractiveness of the investment environment in Saudi Arabia for foreign investors by harmonizing its requirements with international best practices, resident and non-resident foreigners were allowed to directly invest in listed and unlisted debt instruments.

These achievements are the result of the efforts made by FSDP, through its partners and employees, which seeks to achieve the goals of the Kingdom’s Vision 2030 in order to enable a diversified and effective financial sector to support the development of the national economy.

Lastly, I want to extend my thanks and gratitude to the Custodian of the Two Holy Mosques and His Highness the Crown Prince, Chairman of the Council for Economic Affairs and Development, and to everyone who contributed to these achievements.

Mohammed bin Abdullah Al-Jadaan





Financial Sector Development Program Committee Member Testimonials



“Since its foundation less than a year ago, the Ministry of Investment has been an active player in developing the investment ecosystem by attracting global investors and increasing FDI to the country in 2020 despite the pandemic. The Ministry has also created collaboration frameworks with key stakeholders to increase the number of financial institutions by issuing 25 financial investor licenses in 2020, and establishing an investor COVID Response Center to help investors through the pandemic challenges. Moreover, the Ministry has been a driver of regulatory reforms that aim to position the Kingdom as an attractive place for all investments.”

Minister of Investment
His Excellency Eng. Khalid Alfalih



“The Saudi Central Bank (SAMA) has taken many measures in response to the impact of the COVID-19 pandemic, launching a package of programs, including Funding for Lending Program, Deferred Payments Program and Loan Guarantee Program. SAMA has also enhanced the liquidity of the banking sector to enable banks to continue providing credit facilities for the private sector, hence supporting it to overcome the impact of the pandemic and promoting its role in the economic growth. SAMA’s programs have enabled the economic sectors to continue functioning, preserve gains and jobs and restore growth. Moreover, work on developing the financial sector and enhancing financial technology (FinTech) has continued to keep up with the global developments and achieve the objectives of Saudi Vision 2030.”

Governor of the Saudi Central Bank
His Excellency Dr. Fahad Almubarak



“Despite the challenges caused by (Covid-19) pandemic and its economic implications, the continuous development of the financial sector during the previous years enabled the financial sector to confront these challenges and to serve the economy during these circumstances. Furthermore, the pace of development continued during last year which included the launch of a derivatives market, allowing foreigners to invest directly in debt instruments, and the registration of the first direct listing in the parallel market – NOMU.”

Chairman, CMA Board
His Excellency Mr. Mohammed El-Kuwaiz



“Despite the challenges of the COVID19 pandemic, the collaborative efforts between the public and private sectors contributed remarkably to the growth of SMEs’ access to funding solutions evidenced by the 38% increase in the percentage of loans to SMEs by banks and financing companies...”

Governor of Small and Medium Enterprises General Authority
Eng. Saleh Alrasheed



“With the support of our wise government in mitigating the effects of the (Covid-19) pandemic and the program partners, we review the most outstanding achievements in the financial sector, asking God to help us all to serve this country.”

Director General Financial Sector Development program office - Secretary of the Financial Sector Development Program committee
Mr. Faisal Alsharif



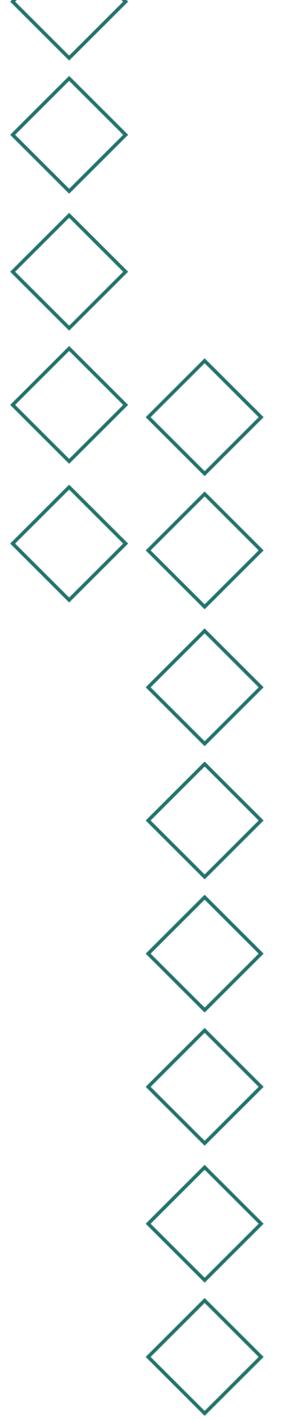
GOVERNMENT EFFORTS TO COMBAT (COVID-19) AND MITIGATE ITS EXPECTED FINANCIAL AND ECONOMIC IMPACTS ON THE PRIVATE SECTOR





SAMA BOOSTS BANKING SECTOR LIQUIDITY WITH SAR 50 BN

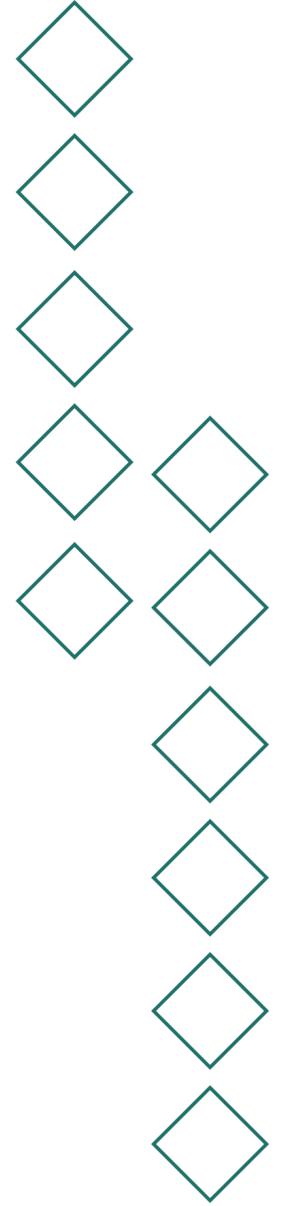
As part of its role in activating monetary policy tools and preserving financial stability, the Saudi Central Bank (SAMA) has decided to inject SAR 50 Bn into the banking sector to enhance banking liquidity and enable banks to continue providing credit facilities to the private sector. The aim of this initiative was to help banks revise or restructure the private sector loans with no additional charges, support plans to maintain employment levels in the private sector and provide certain e-banking services for free.





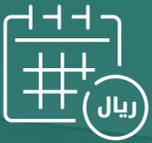
SAMA'S PRIVATE SECTOR FINANCING SUPPORT PROGRAM 1/2

In the framework of the government's efforts in combating COVID-19 and mitigating its expected financial and economic impacts on the private sector, especially on SME sector, SAMA has announced the launch of the Private Sector Financing Support Program with a total value of about SAR 50 Bn. The program aims at supporting and enabling the private sector to promote economic growth through a package of measures that includes the following:



FIRST: SUPPORTING SME FINANCE

The purpose of the program is to mitigate the impacts of precautionary Covid19- measures on the SME sector, by reducing the burden of cash flow fluctuations, supporting working capital, enabling the sector to grow during the coming period, contributing to economic growth, and maintaining employment. The program consists of three basic elements as follows:



1. Deferred Payments Program: Depositing funds for banks and financing companies to delay the payment of the dues of the financial sector (banks and finance companies) from SMEs for a period of six months as of its date, which was extended until Q1 2021 recently.



2. Guaranteed Financing Program: SAMA, in cooperation with SMEs, Financing Guarantee Program (Kafalah), launched the Guaranteed Financing Program, by guaranteeing 95% of the granted financing value according to the approved mechanisms within the Kafala program, with the aim of providing additional support and enhancing the creditworthiness of micro-enterprises. This is to overcome the challenges of financing these enterprises, which reduces the impact of the decline in cash flows and makes it easier for them to serve their customers and pay the salaries and dues of their employees.

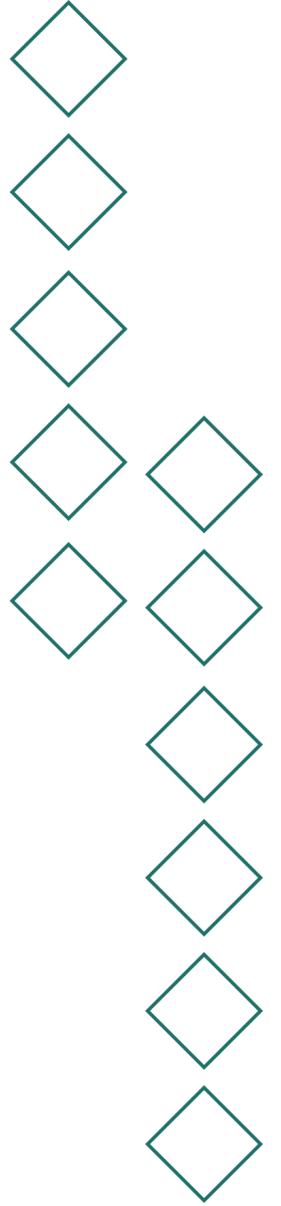


3. Loan Guarantee Program: Depositing an amount of SAR 6 Bn for banks and insurance companies to enable insurance entities (banks and insurance companies) to relieve SMEs from the finance costs of Kafala Program for the purpose of minimizing finance costs for entities eligible to utilize from those guarantees during the Fiscal Year 2020 and support finance expansion.



SAMA'S PRIVATE SECTOR FINANCING SUPPORT PROGRAM 2/2

In the framework of the government's efforts in combating COVID-19 and mitigating its expected financial and economic impacts on the private sector, especially on SME sector, SAMA has announced the launch of the Private Sector Financing Support Program with a total value of about SAR 50 Bn. The program aims at supporting and enabling the private sector to promote economic growth through a package of measures that includes the following:



SECOND: SUPPORTING FEES OF POS & E-COMMERCE

This is accomplished via supporting payment fees of all stores and entities in the private sector for a period of 3 months with an amount exceeding SAR 800 Mn. SAMA will pay these fees to payment service providers participating in the national system.

THIRD:

With regard to the institutions affected by the precautionary measures implemented in the cities of Makkah and Medina, SAMA is now coordinating with banks and finance companies to facilitate financerepayments of such institutions.



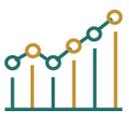
CMA'S MEASURES IN LIGHT OF COVID19- IMPACTS

The Capital Market Authority (CMA) has taken various measures in light of the significant impact of COVID-19. Some of the measures are highlighted below:



1.

Establishing a new webpage regarding the latest updates related to CMA's procedures during these exceptional circumstances in both languages (Arabic and English)



3.

Extending the statutory deadline to disclose the board report for the listed companies whose fiscal year ends on 31/12/2019, for an additional month.



5.

Extending periods to provide statutory and regulatory requirements to the market institutions.



2.

Restricting physical board assembly meetings of listed companies until further notice, and promoted meetings to be held virtually, while allowing voters to submit their votes electronically via Tadawulaty platform.



4.

Urging Financial Market Institutions to **take precautionary measures towards COVID-19**.



6.

Exempting listed companies from fee requirements from CMA for a period of one year and for debt issuers until the end of 2025.



REDUCING THE NEGATIVE IMPACTS ON THE PRIVATE SECTOR DUE TO THE CORONA PANDEMIC

In the efforts to reduce the negative impact of the Corona pandemic, the government announced continuing the lending processes to the private sector, during the pandemic, to various sectors including healthcare, educational & training, and hospitality & tourism projects totaling a value of more than

204

MILLION SAR

12

PROJECTS

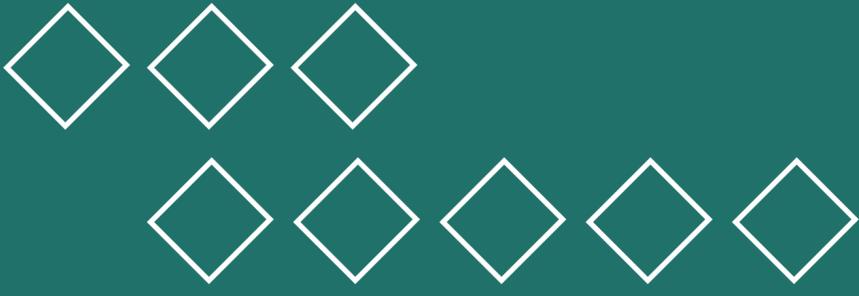
The government also announced postponing the collection of installments due in 2020 to 2021.

Monshaat Held More than 5 Virtual Sessions for the Financial Sector in Light of the Corona Pandemic, with More than 900,000 Views

The General Authority for Small and Medium Enterprises (Monshaat) has held several virtual sessions within the Facilities Support Council sessions organized by the Virtual Enterprise Support Center. The sessions focused on government financing initiatives to support small and medium enterprises and their financial solutions, and other sessions on the financial market.

The sessions discussed, with the participation of many financial authorities, including financial market regulators, government support funds, investment companies, government and private banks, and many bodies that participate in the financial system, focusing on the importance of benefiting from current government initiatives in light of the Corona pandemic and the most important advice for entrepreneurs and owners of small and medium enterprises to reduce the effects resulted from the crisis and overcoming financing obstacles through the deferred payments initiative, according to the directives of the Saudi Central Bank (SAMA)





FINANCIAL TECHNOLOGY (FINTECH)



SAMA LICENSE'S 11 FINANCIAL TECHNOLOGY (FINTECH) PAYMENT COMPANIES IN 2020

SAMA announced the licensing of 11 payments companies as Payment Institutions (PI); STC Pay, Hala, BayanPay, Alinma Pay, Geidea, BrightWare, TaP, Sure ,Skyband as a (PI) through point of sales services, NoonPay as a PI through e-commerce payment gateway services, and Foodics as a (PI) through point of sales services.

This decision is based on SAMA's mandate to license, control, and oversee the payments sector in the Kingdom as per the Council of Ministers Resolution No. 226 dated 2/5/1440 H. The step by SAMA follows the issuance of the **Payment Services Provider regulations on 5/6/1441H corresponding to 30/1/2020**, which was followed by the licensing of payment services providers (Financial Technology Institutions) With the aim to provide a competent regulatory framework which is capable of supporting innovation in the payments sector and financial technology.

SAMA PERMITS 32 NEW FINTECH COMPANIES TO OPERATE IN THE REGULATORY SANDBOX

SAMA announced that it has permitted two new FinTech companies (**Tabby and Tamara**) to operate in the Regulatory Sandbox environment. These companies will be joining the list of companies that have been permitted in the previous cohorts, **bringing the total number of companies permitted by SAMA to 32.**



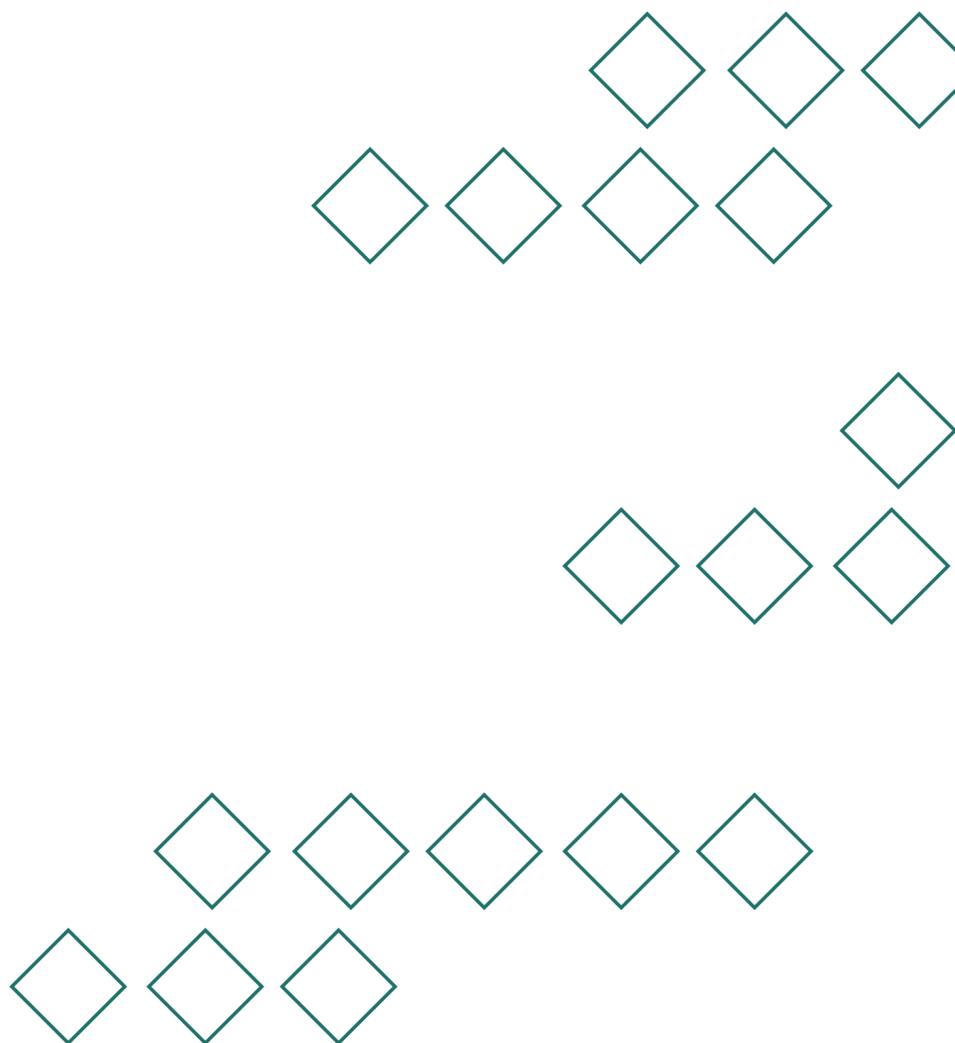
The new service “**Buy now Pay later**”, approved in SAMA’s Regulatory Sandbox, comes as part of SAMA’s endeavor to support e-commerce, increase the level of financial inclusion, in addition to promoting and diversifying the financial services offered within the financial sector, and driving towards digital transformation in the financial sector in line with the requirements and objectives of the Financial Sector Development Program, one of the Kingdom’s Vision 2030 programs.

SAMA AND CBUAE ISSUE REPORT ON RESULTS OF JOINT DIGITAL CURRENCY PROJECT “ABER”

In a joint statement, the Saudi Central Bank (SAMA) and the Central Bank of the United Arab Emirates (CBUAE) announced the results of «Aber» Project.



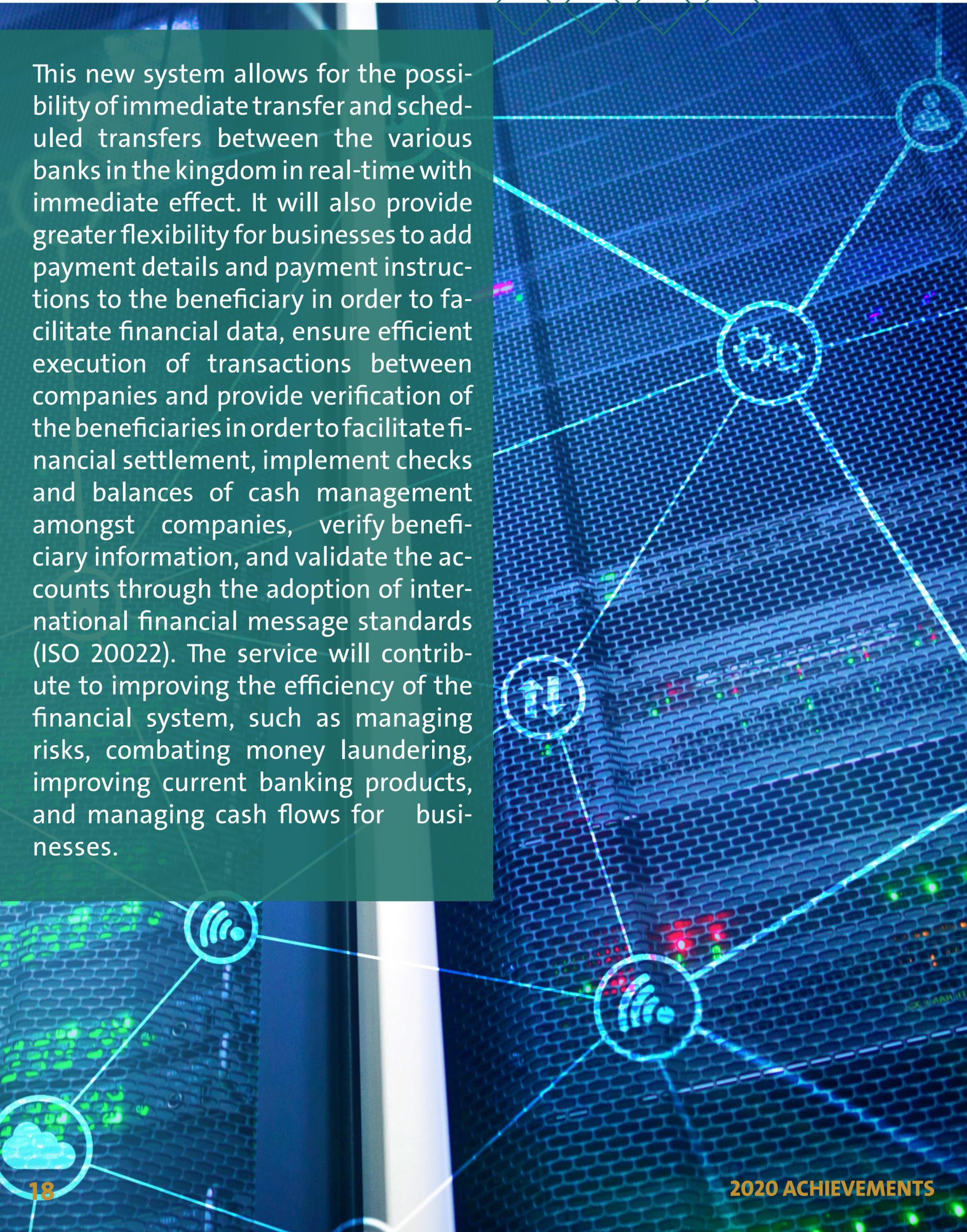
This initiative aims to proof of concept for, study, understand, and evaluate the feasibility of issuing a digital currency for central banks (Wholesale CBDC) with a view to developing cross-border payment systems and reducing transfer times and costs between banks, in addition to experiment the direct use and actual application of technologies such as the distributed ledgers.



AS PART OF THE INITIATIVE TO MOVE TOWARDS A CASHLESS SOCIETY, SAMA LAUNCHES THE INSTANT PAYMENTS SYSTEM

IPS (Instant Payments System) project went live in its initial pilot phase, paving the way for the official launch in Q1 2021.

This new system allows for the possibility of immediate transfer and scheduled transfers between the various banks in the kingdom in real-time with immediate effect. It will also provide greater flexibility for businesses to add payment details and payment instructions to the beneficiary in order to facilitate financial data, ensure efficient execution of transactions between companies and provide verification of the beneficiaries in order to facilitate financial settlement, implement checks and balances of cash management amongst companies, verify beneficiary information, and validate the accounts through the adoption of international financial message standards (ISO 20022). The service will contribute to improving the efficiency of the financial system, such as managing risks, combating money laundering, improving current banking products, and managing cash flows for businesses.



SAMA INSTRUCTS PROVIDING ELECTRONIC PAYMENT METHODS FOR PERSONAL SERVICES ACTIVITIES

SAMA announced the issuance of the first license for a company to practice this activity in the Kingdom, which is the National Company for Financial Services as a closed joint stock company with a capital of SAR 80 Mn.

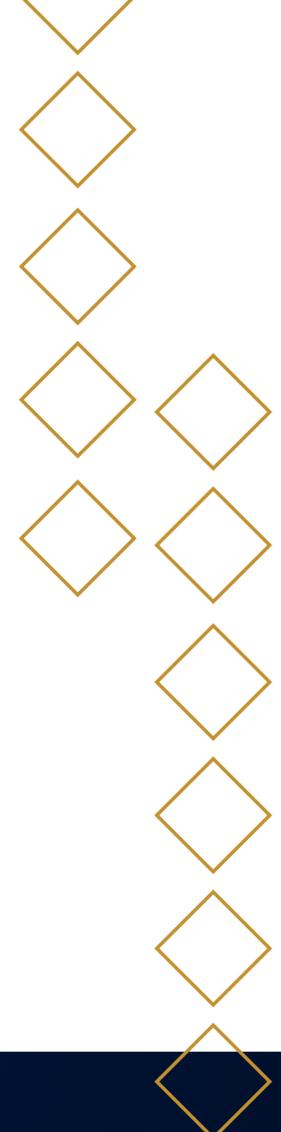
This step comes based on SAMA's role in supporting the empowerment of the finance sector by allowing the entry of new supportive activities to strengthen the sector, support companies and facilitate their work. SAMA also aims, through these rules, to support the finance sector by permitting entry into the activities of electronic mediation and collection of the debts of financing agencies, within a supervisory framework that ensures the stability of the sector and the protection of consumer rights.



SAMA DIRECTS RETAIL ACTIVITIES TO PROVIDE ELECTRONIC PAYMENT FACILITIES

SAMA stated that this step comes as part of its strategy for the payment sector as well as the Financial Sector Development Program, aiming to enhance electronic payment and reduce the use of cash.

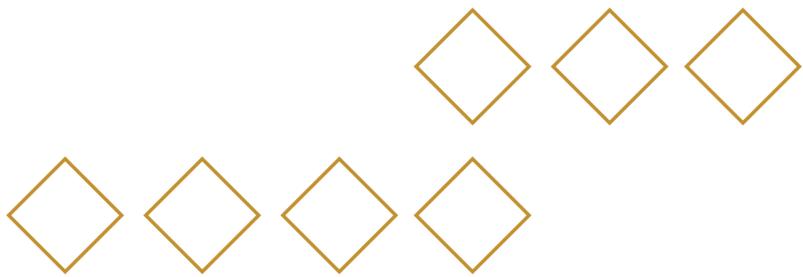
It is part of SAMA's efforts to support the use of electronic channels through implementation of the Integrated Digital Payment Strategy to improve the level of electronic services. In addition, this comes as part of the work to enhance customer service and protection, which is a goal that SAMA is keen to achieve through advancing the performance of these sectors in terms of fair and secure treatment and expanding the use of financial services at all levels.



SAMA ISSUES THE ADDITIONAL GUIDELINES AND CRITERIA FOR DIGITAL-ONLY BANKS IN SAUDI ARABIA

SAMA has published the Additional Licensing Guidelines and Criteria for Digital-Only Banks in Saudi Arabia on its website. It has issued these guidelines and criteria to keep up with the developments in the financial and information technology sectors and to achieve the objectives of the Financial Sector Development Program (FSDP) and Saudi Vision 2030 by developing the digital economy.

These guidelines and criteria include the minimum requirements to be met for obtaining a license to establish a digital-only bank in Saudi Arabia. They complement the Banking Licensing Guidelines and Minimum Criteria published on SAMA's website.



SAMA SETS CONTROLS FOR THE USE OF DIGITAL CERTIFICATION SERVICES FOR BANKING PRODUCTS

SAMA has set controls for banks benefiting from digital certification services for banking products related to personal financing for individuals and issuing credit cards if the bank desires, provided that the bank assesses the risks associated with the service, sets precautionary controls, and verifies the identity of the applicant. In order to benefit from digital certification services, a number of requirements must be adhered to, the most prominent of which are:



The customer's consent shall be confirmed through the bank's phone call to verify the customer's identity.



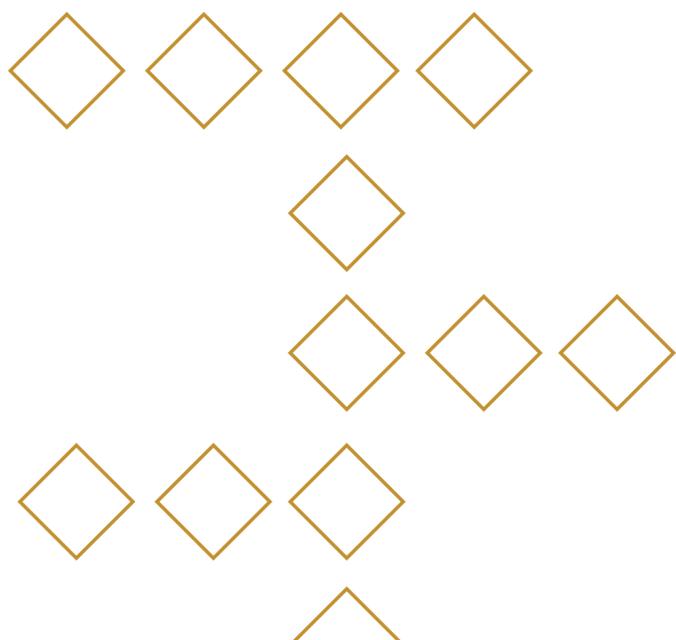
The approval of the application shall take place at least 24 hours after submitting the application.



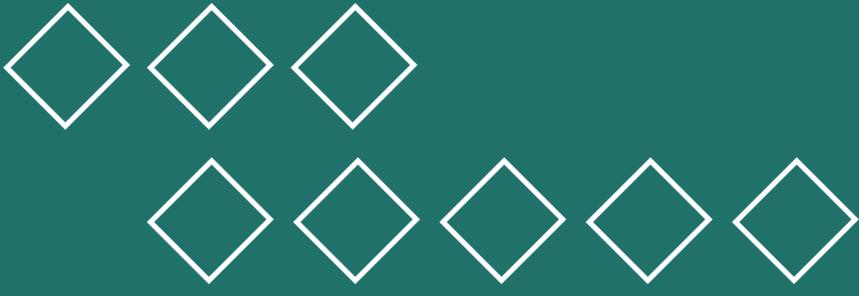
The request shall be created through one of the electronic channels.



The digital certification service provider shall be accredited by the National Digital Certification Center.



This step comes as SAMA's strategy to facilitate and improve banking services, by enabling banks to take advantage of the digital certification services approved in the Kingdom for banking products related to personal financing for individuals and the issuance of credit cards.



FINANCIAL MARKET DEVELOPMENT



THE PROGRESSION OF THE KINGDOM IN THE GLOBAL COMPETITIVENESS YEARBOOK 2020 REPORT

The Kingdom has made remarkable progress in the indicators related to the capital market in the Global Competitiveness Report 2020 issued by the Global Competitiveness Center of the International Institute for Administrative Development (IMD),



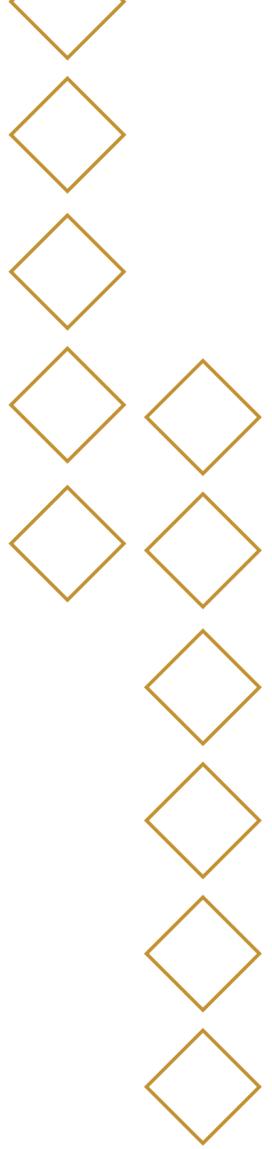
in which the Kingdom this year ranked (24) compared to (26) in 2019 report

The Kingdom has made progress in the following indicators: ease of access to capital markets, market capitalization, initial public offerings, shareholders' rights, and provision of adequate financing for companies.

THE KINGDOM IS RANKED 12TH IN THE VENTURE CAPITAL AVAILABILITY INDEX IN THE GLOBAL COMPETITIVENESS REPORT 2020

Saudi Arabia ranked 12th in the Venture Capital Availability Index among the leading sub-indices in the Global Competitiveness Yearbook report issued by the Center for Global Competitiveness, and this ranking reflects the keenness of the General Authority for SMEs to create competitive environment, encourage new businesses to enter the market, enable SMEs to grow and expand, find appropriate financing solutions and investment opportunities, **to increase their contribution to GDP to 35% in 2030.**

The Venture Investment Initiative launched by The General Authority for Small and Medium Enterprises (Monshaat) contributed to the kingdom's progress in the Venture Capital Availability index, especially as it aims to stimulate capital financing for SMEs and entrepreneurs, to enhance the means of investing in start-ups during their various stages of growth, and to exploit local capacities by investing in companies in the early stages and stages of growth with the aim of creating financial returns to investors and achieving strategic returns that serve the growth of the economy in KSA.



THE LAUNCH OF DERIVATIVES MARKET IN THE KINGDOM

As one of the Financial Sector Development Program's (FSDP) initiatives, the Saudi Stock Exchange (Tadawul) launched the Derivatives Market. A significant step to further advance the Saudi Capital Market, providing investors with a full and diversified range of investment products and services. This will mark the beginning of trading in the Saudi Futures 30 (SF30) Index Futures Contract, Saudi Arabia's first exchange-traded derivatives product. The SF30 Index Futures Contract is based on the MSCI Tadawul 30 (MT30) Index.

The SF30 will provide investors with hedging tools to manage risk more effectively and will deliver expanded opportunities to gain exposure to the Saudi capital market.





SECURITIES CLEARING CENTER COMPANY (MUQASSA) ANNOUNCES THE COMMENCEMENT OF OPERATIONS

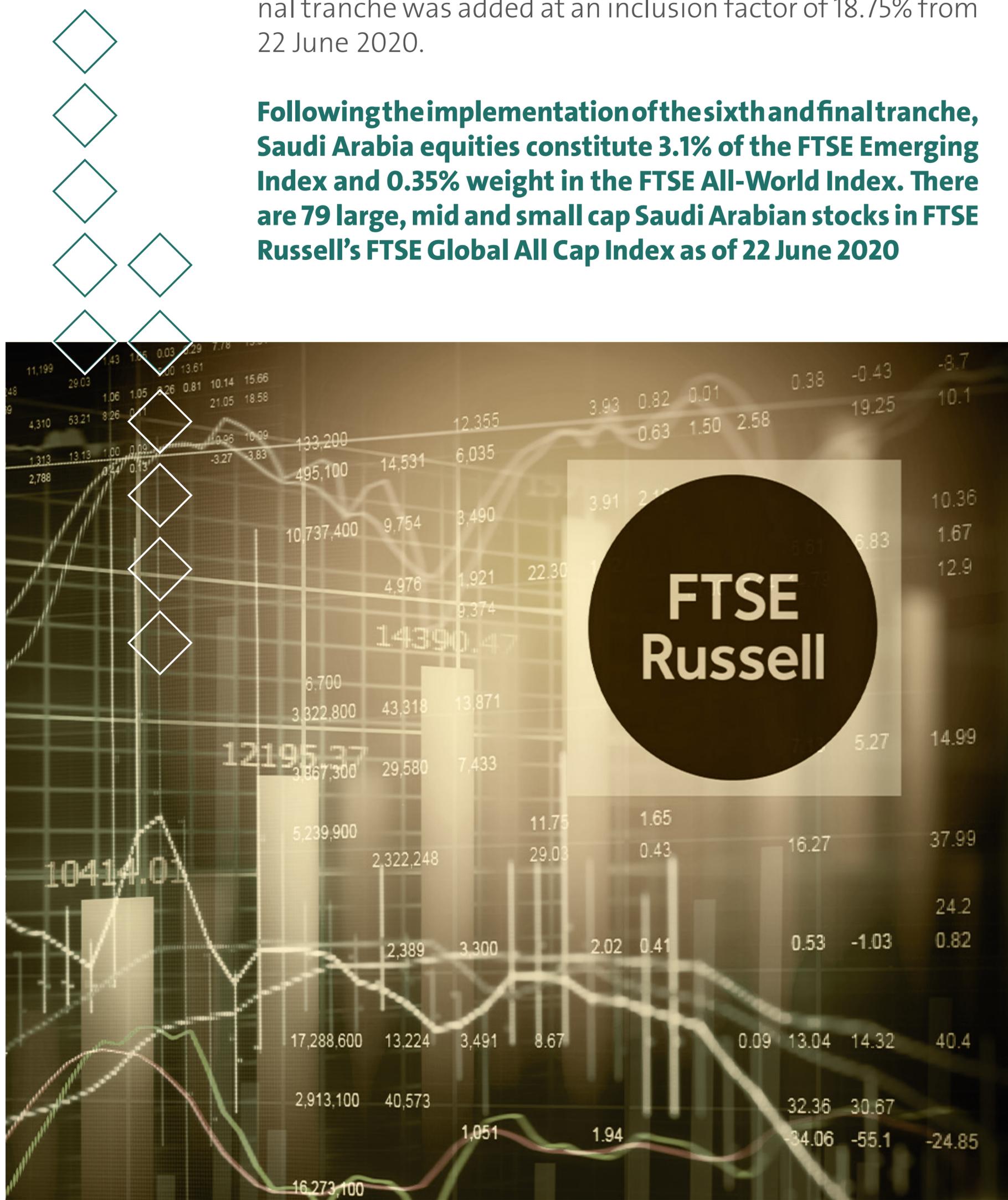
The Securities Clearing Center Company (Muqassa), announced the commencement of its operations early 2020.

The launch of Muqassa is one of the key initiatives under the Financial Sector Development Program (FSDP), that will contribute in providing a safe and transparent capital market infrastructure. Muqassa is responsible for developing clearing services and guaranteeing the settlement for all trades executed on the Saudi Stock Exchange (Tadawul) and over the counter under its coverage. The clearing service will take place over several stages, starting with the Exchange Traded Derivatives clearing at this stage and other markets to follow at latter stages. Muqassa will introduce new mechanisms to the market to reduce post trade risks, provide centralized counterparty risk management and offer clearing services in line with international practices.

FTSE RUSSELL COMPLETES INCLUSION OF SAUDI ARABIAN STOCKS TO ITS GLOBAL EQUITY INDEX SERIES

FTSE Russell, the global index, data and analytics provider, has completed the inclusion of Saudi Arabia to the FTSE Emerging Index following the reclassification of the country to Secondary Emerging market status. The sixth and final tranche was added at an inclusion factor of 18.75% from 22 June 2020.

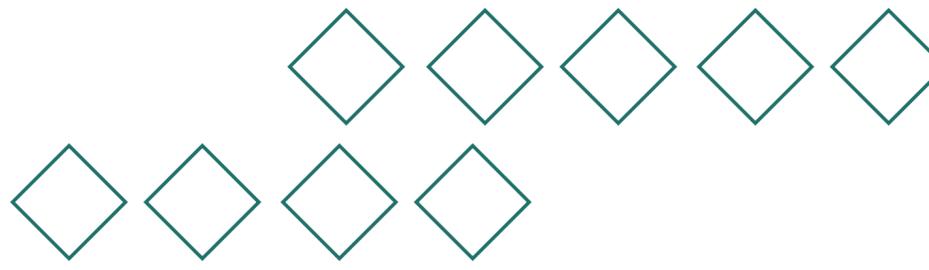
Following the implementation of the sixth and final tranche, Saudi Arabia equities constitute 3.1% of the FTSE Emerging Index and 0.35% weight in the FTSE All-World Index. There are 79 large, mid and small cap Saudi Arabian stocks in FTSE Russell's FTSE Global All Cap Index as of 22 June 2020



LAUNCHING A NEW SERVICE FOR AUTHORIZATION TO CONDUCT SECURITIES BUSINESS

Pursuant to the Capital Market Authority's (CMA) role in developing and regulating the capital market, and further to improve its services, CMA has launched an electronic service for a new license application to conduct Securities Business. This service aims to ease the submission of securities business licenses in the Kingdom. It also aims at enhancing confidence through electronic linkage and integration with the relevant authorities.

REGISTRATION OF SHARES AS THE FIRST DIRECT LISTING IN THE PARALLEL MARKET (NOMU)



The Capital Market Authority (CMA) Board has issued its resolution approving Saudi White Cement Company's application for the registration of its shares for direct listing in Saudi Parallel Market (Nomu), which is the first direct listing on it. Tadawul is the first GCC exchange to allow direct listings, which will enable companies to direct-

ly list their shares on Nomu without an offering, whether for institutional or individual investors. This step allows companies to sell the minimum required for liquidity in the financial market for a short-term period, less than 12 months from the date of listing.



COMPLETION OF SEVERAL PRIVATIZATION TRANSACTIONS DURING 2020 (1/2)

The National Center for Privatization and PPP (NCP) supported several sectors to complete a number of Privatization transactions (PPP and Asset sale) during 2020 enabling the private sector to play a larger role in providing services and unlocking state-owned assets for it. Among the most prominent transactions were:

Public-Private Partnerships

1. The second Cargo Terminal awarded on January 13, 2020

The project aims to expand the current Cargo terminal to increase its capacity from 350,000 tons to 600,000 tons through a BOT (Build, Operate, Transfer) model under a 25-year contract.

2. Yanbu 4 IWP awarded on February 27, 2020

The project will supply Makkah and Madinah regions with 450,000 cubic meters of potable water daily through a BOO (Build, Own, Operate) model under a 25- year contract. The project will include solar power units to reduce power consumption from the network in addition to water tanks with a storage capacity of two operating days.

3. Developing and operating the container terminals at Dammam's King Abdulaziz Port awarded on 13 April 2020

The project will contribute to raising the capacity of the container terminals by more than 120% to reach 7.5 million containers. The project will contribute to efficiency of logistical services, supply chains and will support local and international commerce.

COMPLETION OF SEVERAL PRIVATIZATION TRANSACTIONS DURING 2020 (2/2)

4. Jubail 3A IWP awarded on April 30, 2020

The project will supply the Eastern Province, Riyadh and Qassim regions with 600,000 cubic meters of potable water daily, utilizing reverse osmosis technology, through a BOO (Build, Own, Operate) model under a 25-year contract.

5. School Buildings Wave 1 project to finance and build 60 public schools awarded on 18 November 2020

Awarding the execution of wave 1 of the school buildings transaction in partnership with the private sector under a BMT (Build, Maintain, Transfer) model under a 23-year contract in the cities of Makkah and Jeddah.

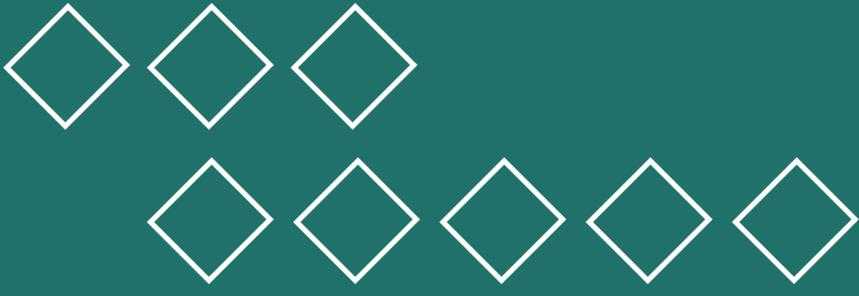
Asset Sale:

1. The sale of all shares in the First Flour Milling Company

Sale of all shares of the company to private sector investors for the amount of SAR (2,027,000, 000) and will supply the markets of Jeddah, Qassim, Tabuk and Alahsa.

2. The sale of all shares in the Third Flour Milling Company

Sale of all shares of the company to private sector investors for the amount of SAR (750,000,545) and will supply the markets of Khamis Mushait area.



DEBT CAPITAL MARKET



NATIONAL DEBT MANAGEMENT CENTER 2020 ACHIEVEMENTS (1/2)

During the year 2020, the National Debt Management Center worked on many transactions that resulted in various achievements in the local debt markets, most important achievements:

1. Increase in the secondary market trading volume

A 600% YoY increase in the secondary debt market trading volume resulted in reaching the 70 Bn SAR mark in 2020, compared to 10 Bn SAR in 2019. This was achieved due to the successful completion of various initiatives that aimed to strengthen the infrastructure of the local market, including lowering transaction fees.

2. The implementation of the first phase of the buyback of local government bonds

Implementing the first stage of repurchasing local government bonds in exchange for issuing sukuk denominated in Saudi Riyals of more than SAR 34 bn, with the aim of unifying government issuances within the framework of the sukuk program, in addition to allowing investors to benefit from the Zakat rebate under the program.

NATIONAL DEBT MANAGEMENT CENTER 2020 ACHIEVEMENTS (2/2)

3. Continuing the highest levels of disclosure and transparency

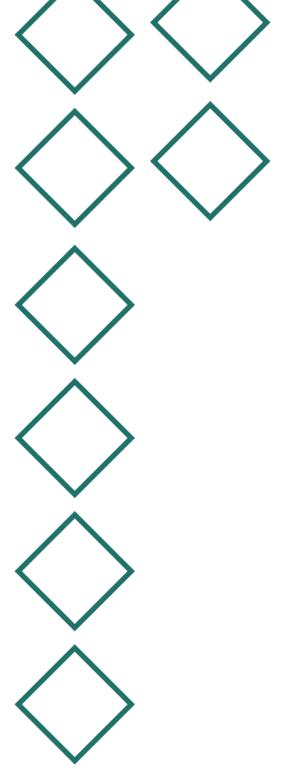
The Center continued to publish the annual borrowing plan and calendar of the annual issuances in the local market on the Ministry of Finance's website as well as other relevant stakeholders relevant to allow investors to allocate their portfolios from government securities carefully and with sufficient time.

4. Other achievements:

1. Developing the infrastructure for electronic trading, which would allow the automation of prices listed on the trading platform for primary dealers.
2. Promote domestic primary market settlement by allowing delivery-for-payment settlements for primary dealers
3. FTSE Russell announces the launch of the Saudi Government Bond Index, in local currency
4. Launching 20 debt-related indices for government and corporate issuances

ALTERNATIVE GOVERNMENT FINANCING DEVELOPMENTS IN 2020 (1/2)

Under the leadership of the National Debt Management Center, several government alternative financing agreements were concluded during the year 2020, with the aim of ensuring the Kingdom's sustainability to reach the various debt markets and to accelerate securing financing requirements for government projects, the most important of are:



1. Supply chain financing agreement with three local banks

The Ministry of Finance signed agreements with three local banks (SAMBA, NCB, and SABB) to finance their supply chain. These agreements were the result from the continuous cooperation between the Kingdom's financial sector and local financial institutions

2. Signing a (3) billion US dollars financing agreement

The Ministry of Finance represented by the National Debt Management Center has signed a financing agreement estimated at (3) billion US dollars with the Korean Commercial Insurance Company (KSURE). The agreement comes was a result of the continuous cooperation between the Kingdom and the Republic of South Korea. 10 banks from different countries participated in the transaction, which will be used to finance strategic government projects related to the Kingdom's 2030 vision

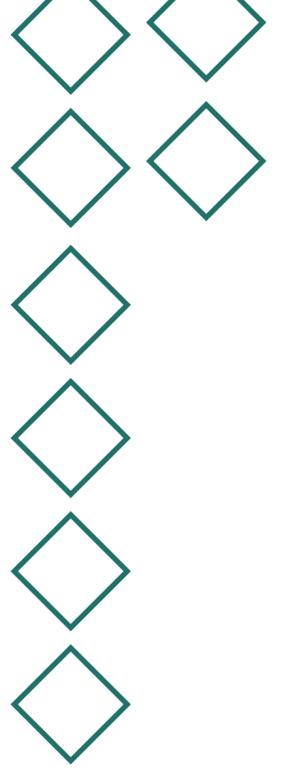
3. Encouraging the private sector to invest in the health, education, and real estate development sector (mega projects)

The Project Support Fund initiative signed a cooperation agreement with the Royal Commission of Jubail and Yanbu for a cooperation between them in stimulating the private sector to invest in the health, education and real estate development sector. The agreement will provide financial and technical requirements, and aims to provide an attractive investment environment to attract various unique investments in the aforementioned sectors by providing land, opportunity and a loan-ategic government projects related to the Kingdom's 2030 vision



ALTERNATIVE GOVERNMENT FINANCING DEVELOPMENTS IN 2020 (2/2)

Under the leadership of the National Debt Management Center, several government alternative financing agreements were concluded during the year 2020, with the aim of ensuring the Kingdom's sustainability to reach the various debt markets and to accelerate securing financing requirements for government projects, the most important of are:

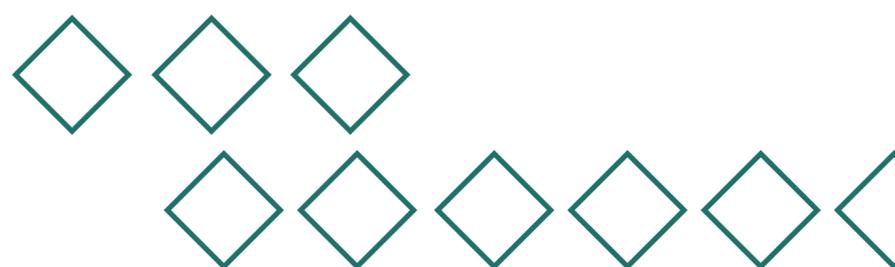


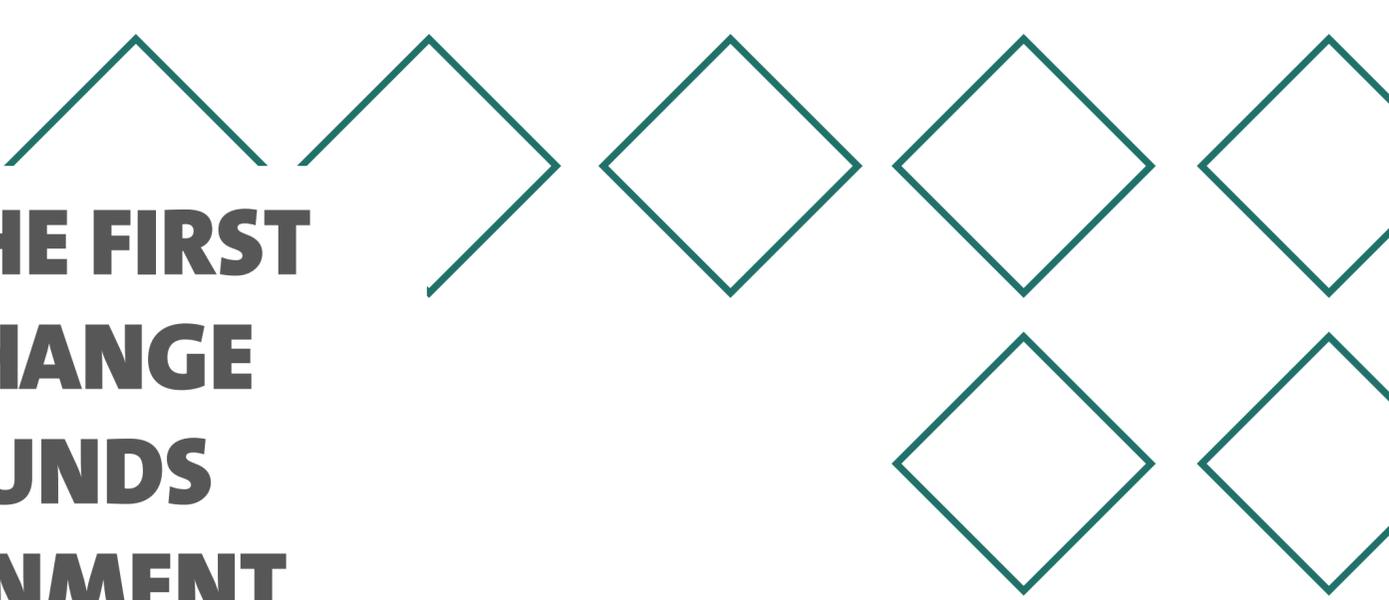
4. The Center has successfully completed the financing process for purchasing of 842 busses

With funding of nearly one billion Saudi riyals, King Abdulaziz Project for Public Transport (Riyadh Buses) at the Royal Commission for Riyadh City, is the first financing transaction that was completed through export credit agencies, and the first financing transaction with German Export Credit Agency (Euler Hermes) and the Ministry of Finance, in addition to two international banks in US dollars to supply buses. institutions

5. Signing strategic agreements for alternative financing

The National Center for Debt Management (NDCM) - Ministry of Finance - signed a memorandum of understanding with Nippon Export and Investment Insurance Company (NEXI), the agreement aims to expand on opportunities for financing government projects implemented by Japanese companies in the Kingdom. The agreement will contribute to creating a cooperation framework between NDCM and NEXI to secure exports and investments, in addition to attracting financial institutions to finance a group of strategic projects in a number of sectors, with competitive lending terms and a flexible financing structure. The Ministry of Finance signed a memorandum of understanding with the Italian Export Credit Agency (SACE). The agreement aims to enhance trade and investment relations between the two countries, and benefit from optimal financing methods for government projects in line with the Kingdom's Vision 2030.





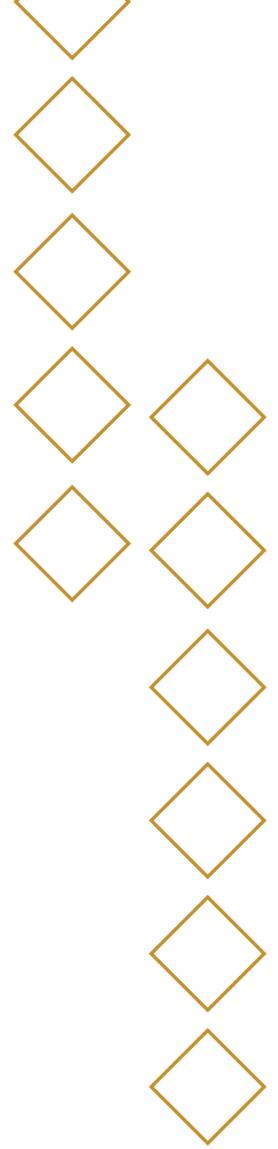
LISTING THE FIRST TWO EXCHANGE TRADED FUNDS IN GOVERNMENT SUKUK

The Saudi Stock Exchange (Tadawul) announced the listing and trading units of “ALBILAD Saudi Sovereign Sukuk Fund” as an Exchange Traded Fund. Also, Tadawul announced the listing and trading units of “Alinma Saudi Government Sukuk ETF Fund - Short Maturity” as an Exchange Traded Fund.



NATIONAL DEBT MANAGEMENT CENTER WINS “GLOBALMARKETS” AWARD AND TWO “GLOBAL CAPITAL” AWARDS

GlobalMarkets has announced Saudi Arabia as the best Sovereign Public Debt Office in the Middle East and North Africa. Additionally, the 2020 Global Capital Bond Awards, bestowed the Kingdom of Saudi Arabia as the Most Impressive Middle East Sovereign Issuer Award and Most Impressive Emerging Market Issuer Award for the year 2020

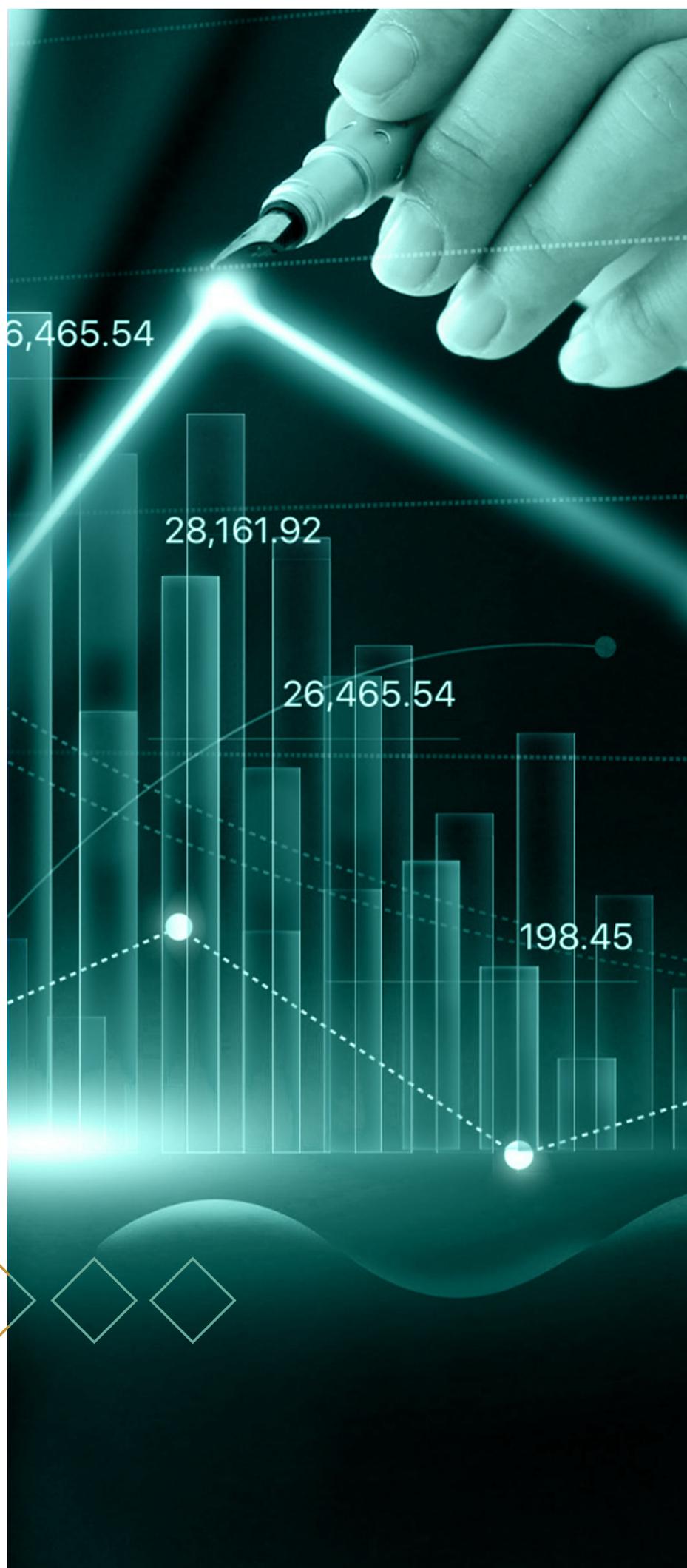


ALLOWING FOREIGNERS TO INVEST DIRECTLY IN DEBT INSTRUMENTS

The Capital Market Authority (CMA) Board issued its resolution which included allowing foreigners, residents, and non-residents, to invest directly in listed and non-listed debt instruments.

The CMA Board resolution included the following:

- A.** All foreign legal and natural persons may invest directly in debt instruments.
- B.** A non-resident foreign person may not invest in the market as a direct investor in listed debt instruments and as a qualified foreign investor or an ultimate beneficiary in swap agreements at the same time.
- C.** A foreign person who invests directly in debt instruments may not convert such instruments into shares listed in the main market, unless such person is among the categories of investors who are allowed to invest directly in the shares listed in the main market, or becomes an ultimate beneficiary in a swap agreement in accordance with the provisions of the Authority's instructions on swap agreements.

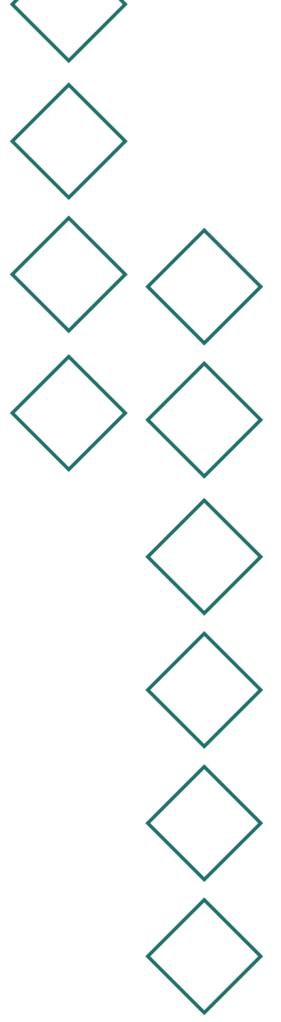


MOODY'S ASSIGNS (P)A1/AAA.SA RATING TO SAUDI ARABIA'S DOMESTIC SUKUK ISSUANCE PROGRAM

Moody's assigned (P)A1/Aaa.sa) rating to Saudi Arabia's domestic Sukuk issuance program. His Excellency the Minister of Finance, Acting Minister of Economy and Planning, and the Head of the Financial Sector Development Program, Mr. Mohammed Al-Jadaan, emphasized that this rating reflects the strength, flexibility and capability of the Kingdom's economy in facing global economic challenges.

It also reflects the effectiveness of structural reforms and financial and economic policies aimed at enhancing, diversifying and sustaining economic growth to achieve comprehensive economic and social development. These positive estimates from credit rating agencies confirm the great confidence in the Saudi economy, the strength of the Kingdom's financial status and its ability to contin-

ue growth and face challenges, especially in light of the difficult crises and exceptional circumstances the world is currently witnessing.



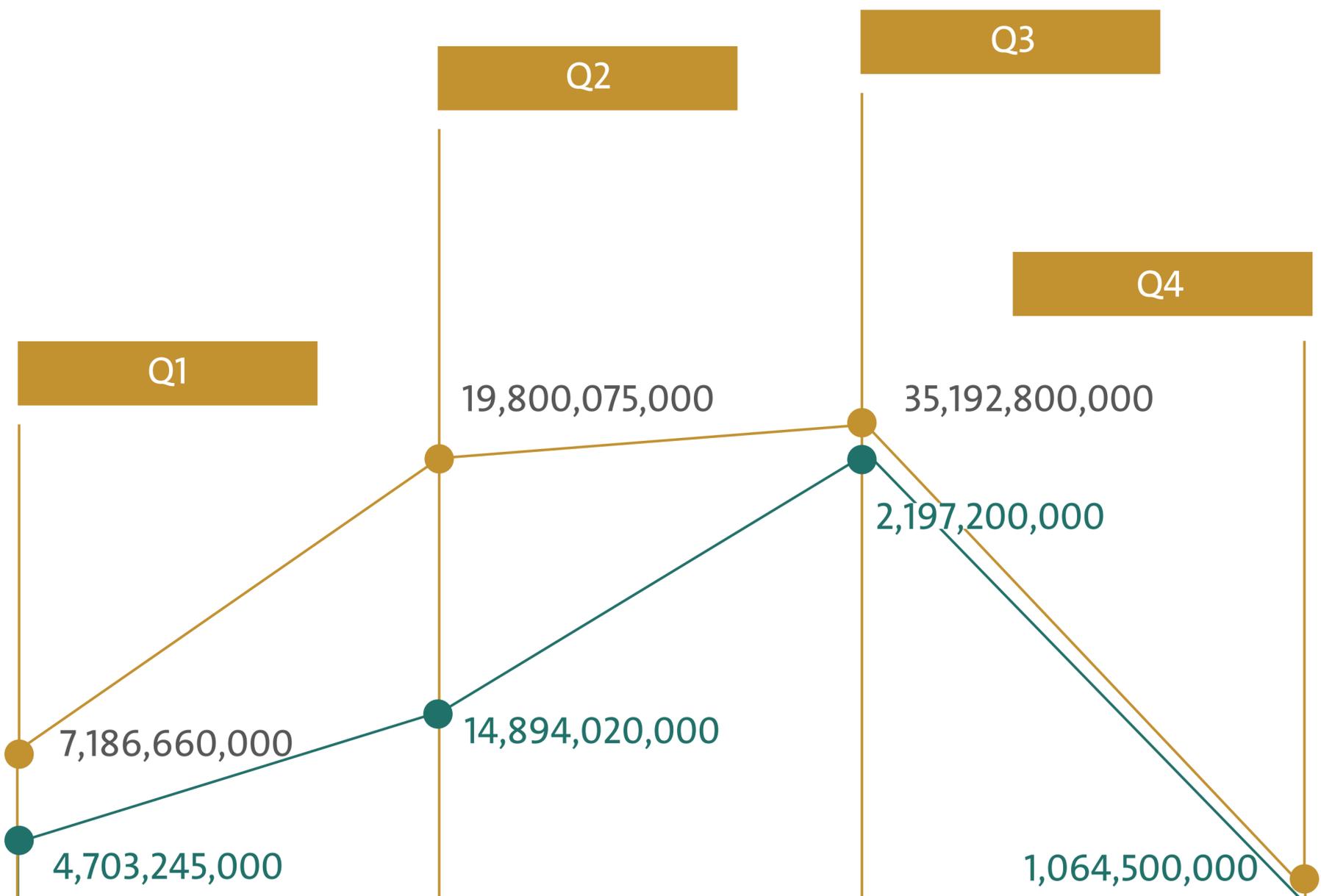
The National Debt Management Center Announces the Completion of the Borrowing Plan for the Year 2020, Amounting to SAR 220 Bn

The National Debt Management Center **announced that the funding plan for the year 2020, amounting to SAR 220 Bn, which has been successfully completed**, through a diversified funding sources which included domestic and international issuances as well as new financing channels, including : Government Financing including Supply Chain Financing, Export Credit Agency Financing, Private Placements, in addition to unifying the domestic issuances project

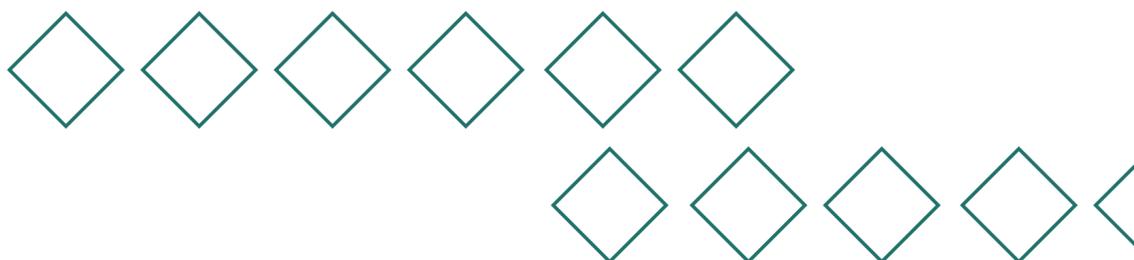
LIST GOVERNMENT DEBT INSTRUMENTS IN THE SAUDI FINANCIAL MARKET

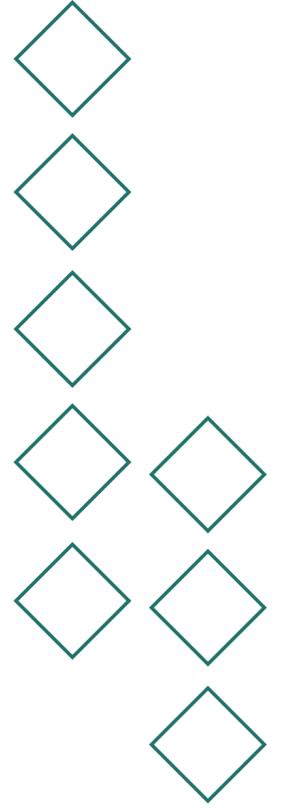
During the year 2020, the Saudi Stock Exchange Company (Tadawul) approved the applications submitted by the Ministry of Finance (MoF) to list and trade debt instruments issued by the Kingdom's government of Saudi Arabia and detailed as follows:

TOTAL	
REISSUING 30,248,435,000	NEW ISSUES 54,790,065,000



- REISSUING
- NEW ISSUES

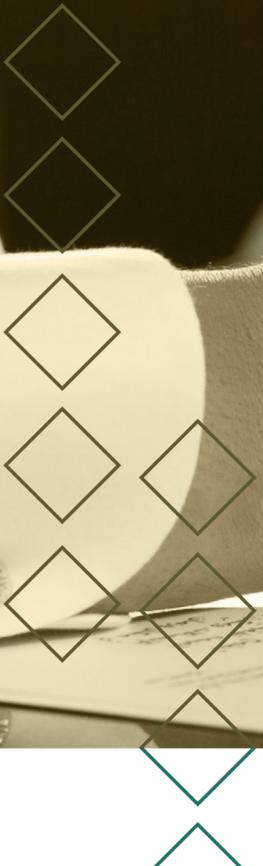


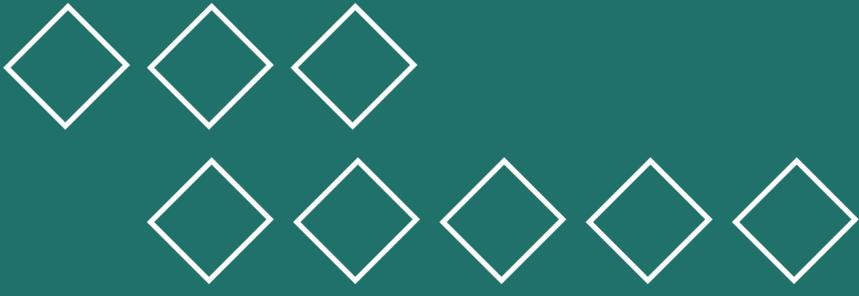


THE NATIONAL DEBT MANAGEMENT CENTER CONDUCTED A VIRTUAL MEETING TO ADDRESS THE KSA LOCAL DEBT CAPITAL MARKETS UPDATE

In light of the major infrastructural and technical developments that have taken place in the Saudi Riyal (SAR) fixed income market over the course of the past two years as part of the Financial Sector Development Program, the Saudi National Debt Management Center have hosted the KSA Local Debt Capital Markets Update virtual event. The purpose of this event was to highlight

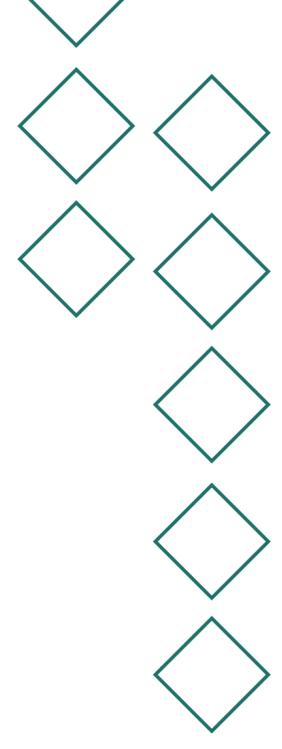
the KSA domestic market to local and international investors and showcase the key milestones accomplished in this space as well as outline the implications of these developments for existing and prospective investors. The event also provided tools that facilitate market access to new investors.





REGULATIONS IN THE FINANCIAL SECTOR





DEVELOPING AND AMENDING MARKET'S REGULATIONS AND RULES

The Capital Market Authority (CMA) issued its resolution to publish the draft amendments to its rules and regulations. The amendments are related to:

 **1. Rules for Special Purposes Entities.**

 **2. Investment Funds Regulations and Real Estate**

 **3. Investment Funds Regulations.**

 **4. Rules on the offer of securities and continuing obligations.**

 **5. Approving of the Derivatives Exchange Trading and Membership Rules and Procedures.**

 **6. Approving of amendments to the Securities Business Regulations, and Authorized Persons Regulations.**

 **7. Approving of the Instructions on Issuing Depositary Receipts out of the Kingdom.**

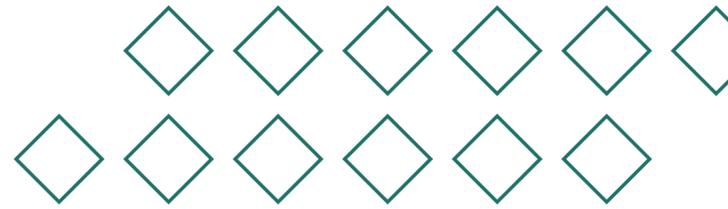


SAMA ISSUES A FRAMEWORK OF “SHARIA GOVERNANCE” FOR BANKS IN THE KINGDOM

Based on the supervisory role of the Saudi Central Bank (SAMA) and in view of the remarkable growth in the volume of financing and investment related to banking products and services that are in compliance with the provisions and principles of sharia; SAMA has worked on developing a supervisory framework for the banks that practice Islamic banking activities in the kingdom.

SAMA clarified in a statement that the first stage of the project was the issuance of the «sharia governance framework» aimed at setting a minimum for governance practices related to practicing Islamic banking. The sharia governance framework also included defining the roles and responsibilities of the board of directors, the executive management, the sharia committee, and the internal control departments, in addition to a number of other aspects regarding adherence to the provisions and principles of sharia.

STATEMENT OF THE CENTRAL BANK OF SAUDI ARABIA REGARDING THE ISSUANCE OF THE SYSTEMATICALLY IMPORTANT FINANCIAL INSTITUTIONS (SIFIS) TREATMENT SYSTEM



The Council of Ministers headed by the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud, Prime Minister, approved the Significant Financial Institutions Treatment System; Pointing out that this approval comes from the leadership's keenness to preserve national gains, achieve the public good, and keep pace with international best practices, which enables the Saudi Central Bank (SAMA) to effectively supervise and control important financial institutions in a manner that ensures the preservation of monetary and financial stability, and the

protection of the financial system from Any negative effects, in line with the recommendations of the G20 and the Financial Stability Board. the financial institutions subject to the supervision of the Central Bank are not classified as «important» in accordance with the decision of SAMA, as the Central Bank will set special standards for those subject establishments in accordance with the relevant regulations taking into account the size of the establishment, its complexity, its interconnectedness, and the risks associated with it.



SAMA ISSUES A MODEL FORM FOR THE COMPULSORY INSURANCE POLICY FOR HIDDEN DEFECTS

SAMA announced the issuance of the model version of the compulsory insurance policy for hidden defects, **in implementation of Cabinet Decision No. (509) dated 09/21/1439 AH**, requiring contractors in non-governmental sector projects to insure hidden defects that appear in buildings and constructions after using it. In continuation of SAMA's role in developing the insurance industry in the Kingdom, **and supporting the growth of the insurance sector's contribution to the national economy within a supervisory framework that ensures protection and efficiency of transactions.**

SAMA explained that the provisions of the model form specify the minimum coverage and exclusions to cover this type of risk. It takes into account the rights and obligations of the most important parties involved in the process of insuring the hidden defects of the insured, contractors and building owners, as well as local insurance companies, global reinsurance companies, and companies that provide technical inspection during the construction process.



SAMA ISSUES THE RULES GOVERNING INSURANCE AGGREGATION ACTIVITIES

SAMA announced the issuance of the Rules Governing Insurance Aggregation Activities “Rules”, as part of its aspirations and efforts in developing the insurance sector and facilitating the availability of insurance coverage within a supervisory framework that ensures the protection and efficiency of transactions and contributing to stable and fair transactions.

These Rules come in line with the Kingdom’s Vision 2030 supporting entrepreneurship and enhancement of financial services technologies. Moreover, it comes in pace with SAMA’s support to financial technology development, economic growth and to enhance the contribution of insurance sector to the gross domestic products



SAMA ISSUES THE RULES GOVERNING BANCASSURANCE ACTIVITIES

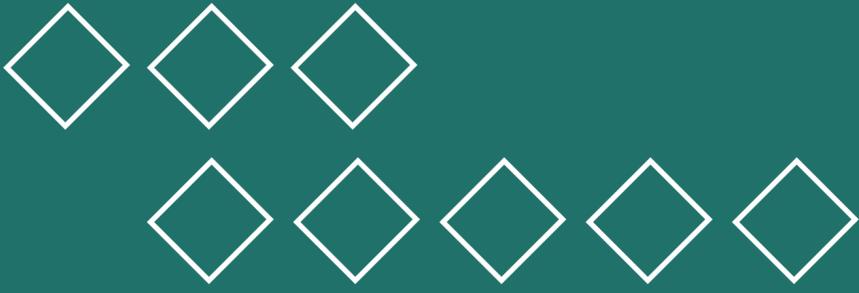
SAMA announced the issuance of the Rules Governing Bancassurance Activities in the Kingdom.

SAMA announced the issuance of the Rules Governing Bancassurance Activities in the Kingdom. This step comes as part of SAMA's aspirations and efforts in developing the financial services environment and aligning with the latest technical developments in the insurance industry around the world, along with SAMA's efforts to raise the Insurance sector growth and spreading insurance culture and awareness.

SAMA ANNOUNCES THE LAUNCH OF LICENSES FOR ACTIVITIES SUPPORTING THE FINANCING ACTIVITY

SAMA announced the issuance of the first license for a company to practice this activity in the Kingdom, which is the National Company for Financial Services as a closed joint stock company with a capital of SAR 80 Mn.

This step comes based on SAMA's role in supporting the empowerment of the finance sector by allowing the entry of new supportive activities to strengthen the sector, support companies and facilitate their work. SAMA also aims, through these rules, to support the finance sector by permitting entry into the activities of electronic mediation and collection of the debts of financing agencies, within a supervisory framework that ensures the stability of the sector and the protection of consumer rights.



SMALL AND MEDIUM ENTERPRISES





INDIRECT LENDING INITIATIVE “IDL”

In 2020, Indirect lending initiative continued lending SMEs to deploy 1,980 Million to 1,710 SME’s. In addition, IDL has ease eligible criteria during the pandemic, and automate the funding process through the Funding Gate.

1710

SME’S

2291

DEAL

1980

MILLION SAR

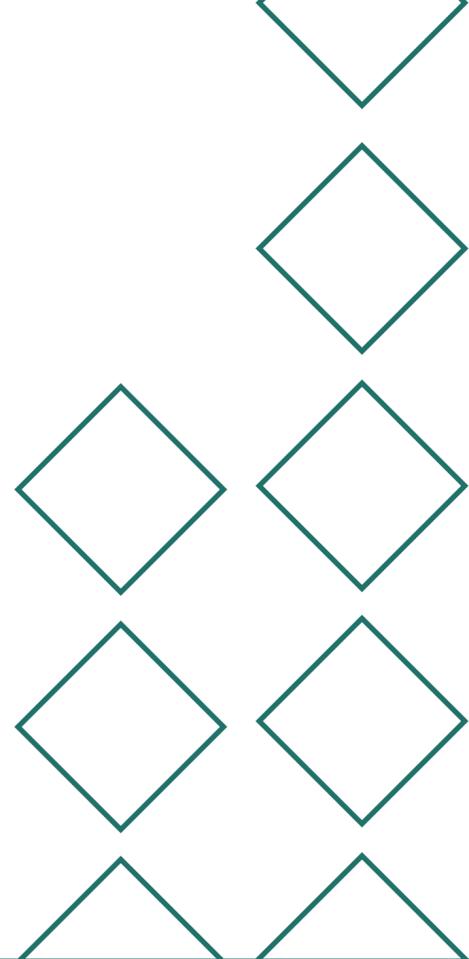


SAUDI VENTURE CAPITAL “SVC”

In 2020, “SVC» experienced significant growth in many aspects, as the commitment portfolio has been increased by 126%, to reach out of SAR 991.2 Mn, which represents 181 deals either direct or indirect deals through venture capitals.

SMALL & MEDIUM ENTERPRISES LOAN GUARANTEE PROGRAM “KAFALAH”

In 2020, “Kafalah” experienced significant growth in many aspects



additionally a **99%** increase in the number of beneficiary enterprises, which amounted to

4945
SME'S

as well as a growth rate of **106%**

15.2
Million Saudi Riyals

as it increased in the value of guarantees issued by **156%**

12.3
Million Saudi Riyals

Moreover, the number of financing institutions participating with Kafalah **increased from 18 to 33 financial** institutions.



“JADA” AND THE VENTURE CAPITAL ASSOCIATION SIGN A COOPERATION AGREEMENT AND STRATEGIC PARTNERSHIP

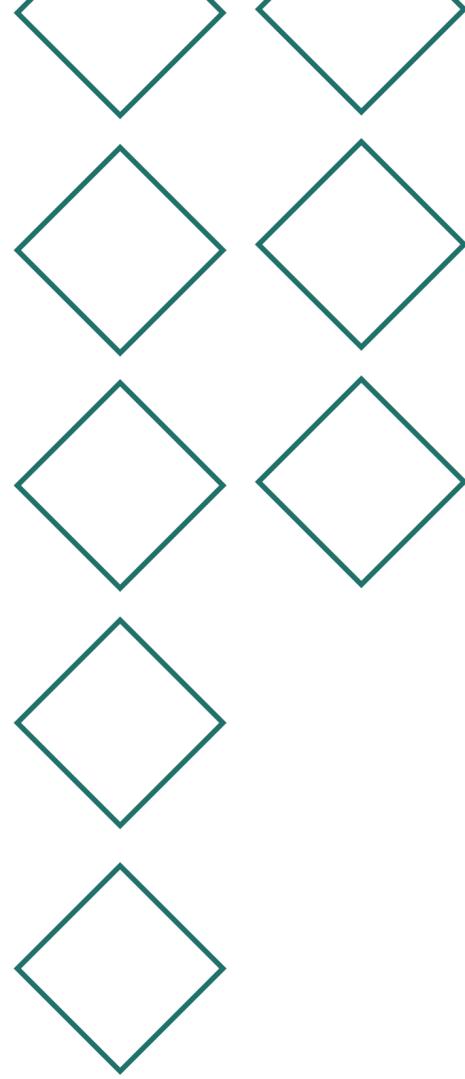
The Fund of Funds Company “Jada” and the Venture Capital and Private Equity Association has signed a strategic cooperation and partnership agreement to support the Venture Investment and private equity, supported by the General Authority for Small and Medium Enterprises (Monshaat),

In accordance with the cooperation agreement, the two parties will exchange experiences to contribute to the support and development of the Venture Capital sector and Private Equity and participate in the development of training programs to raise the level of professionalism in the sector, as well as to cooperate in research and studies fields.



ESTABLISHMENT OF THE FUNDING GATE

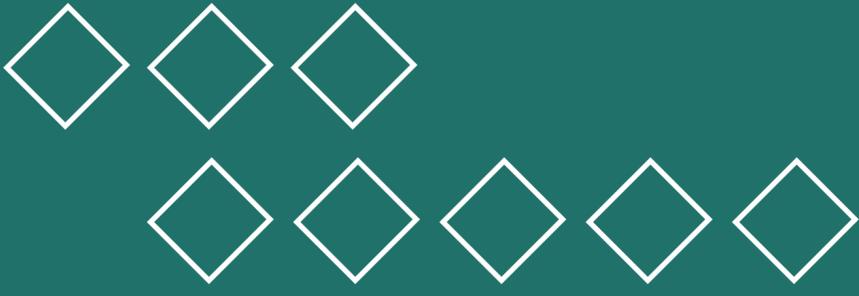
In efforts to ease the funding process in the Kingdom, the government has established a new platform connecting government and private sector loan providers through the Funding Gate. A platform where it connects SME's to loan providers, to provide ease and make access to financing. In 2020, Funding Gate supported



799
SME'S

with a mount of
1.2
BILLION SAUDI RIYALS





FINANCIAL LITERACY



THE COUNCIL OF MINISTERS APPROVED THE ESTABLISHMENT OF THE FINANCIAL ACADEMY

The Council of Ministers headed by the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud, Prime Minister, approved **the establishment of the Financial Academy**, and approved its organizational arrangements.

UNDER THE SLOGAN “A LITTLE NOW..IS ALLOT LATER”, SAMA LAUNCHES SAVING CAMPAIGN

SAMA launched an awareness campaign under the slogan « A Little Now.. is a Lot Later» to educate the public on the importance of savings and financial planning.

This campaign comes from the SAMA's responsibility to enhance financial awareness among all segments of society and its endeavor to raise the level of financial culture in a way that contributes to achieving the goals of the Financial Sector Development Program; one of the Kingdom's 2030 vision programs. It aims at enhancing the culture of financial planning and raising the percentage of savings.

SAMA ORGANIZES THE THIRD EDITION OF SAMA ISLAMIC FINANCE WORKSHOP VIRTUALLY

SAMA organized the third edition of the Islamic Finance Workshop, which is held virtually under the title **“The Role of Institutions Supporting the Islamic Financial Industry.”**

The workshop witnessed the participation of more than

100
participants

from experts and interested in the Islamic financial sector, in addition to the relevant institutions: the Islamic Financial Services Board and the Arab Monetary Fund. They discussed the role of institutions that support and catalyze the growth of the Islamic financial sector in light of the unprecedented risks, and the opportunities and challenges that pose for the regulatory and legislative bodies and Islamic financial institutions. The Islamic financial indus-

try is of great importance, especially in the Middle East and Southeast Asia regions.

The Islamic banking industry in the Kingdom also represents more than 23% of the total global Islamic banking industry.



LAUNCHING THE FINANCIAL LITERACY AND COMMUNICATION CENTER

The Ministry of Finance (MoF) launched one of its initiatives, the Financial Literacy and Communication Center, which is a knowledge platform that enhances communicative partnerships and is concerned with financial education and knowledge exchange. The center contributes to raising financial awareness and collecting and disseminating information in innovative ways. The center began its work on the following:

Planning and supervising the implementation of 4 virtual encounters

Activating the center's advisory board

Launching Knowledge Gathering & Launching and verifying the center's Twitter Account

Issuing a daily media report and a weekly report on the developments of the Corona pandemic (more than 90 reports)

This will contribute to:



Providing a platform for building capabilities and expertise and enriching financial knowledge



Supporting and strengthening institutional partnerships



Enhancing the positive image of MoF



Enriching financial knowledge in the community



Raising awareness and financial culture



Financial Sector Development Program

The Financial Sector Development Program is one of the executive programs launched by the Council of Economic and Development Affairs (CEDA) to achieve the objectives of Vision 2030. The role of the program is to create a diversified and effective financial sector to support the development of the national economy, diversify its sources of income and stimulate savings, finance, and investment. The program will achieve its ambition by enabling financial institutions to support private sector growth, promoting and enabling financial planning, and ensuring the formation of an advanced capital market, without impeding the strategic objectives intended to maintain the financial services sector's stability.

Sources:

Ministry of Finance, Saudi Central Bank (SAMA), Capital Market Authority (CMA), General Authority of Statistics, Tadawul, Monsha'at, Bloomberg, Reuters Eikon.

This report has been published by Financial Sector Development Program Office. For questions or comments, please contact us at fsdp@mof.gov.sa

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