



THE KINGDOM OF SAUDI ARABIA

acting through the Ministry of Finance

Global Medium Term Note Programme

Under this Global Medium Term Note Programme (the “**Programme**”), the Kingdom of Saudi Arabia (the “**Issuer**”, the “**Kingdom**” or “**Saudi Arabia**”), acting through the Ministry of Finance, may elect, subject to compliance with all relevant laws, regulations and directives, from time to time to issue notes (the “**Notes**”) denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below).

Notes may be issued in bearer or registered form (respectively, “**Bearer Notes**” and “**Registered Notes**”). The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*Overview of the Programme*” and any additional Dealer(s) appointed under the Programme from time to time by the Issuer (each a “**Dealer**” and together, the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the “**relevant Dealer(s)**” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

AN INVESTMENT IN NOTES ISSUED UNDER THE PROGRAMME INVOLVES CERTAIN RISKS. SEE “RISK FACTORS”.

This Base Prospectus has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the “**Prospectus Directive**”). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval has been sought for the purpose of giving information with regard to the issue of Notes described in this Base Prospectus for the period of 12 months from the date of this Base Prospectus. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange plc (the “**Irish Stock Exchange**”) for the Notes issued under the Programme to be admitted to the official list (the “**Official List**”) and to trading on its regulated market.

References in this Base Prospectus to Notes being “**listed**” (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Irish Stock Exchange.

The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

The aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined herein) of Notes will be set out in the final terms specific to each Tranche (the “**Final Terms**”). Payments of interest on Notes issued under the Programme will be made without deduction for, or on account of, taxes imposed by the Kingdom to the extent described in Condition 13 (*Taxation*) under “*Terms and Conditions of the Notes*”.

The Issuer has been assigned a sovereign credit rating of A+ (stable outlook) by Fitch Ratings Limited (“**Fitch**”) and A1 (stable outlook) by Moody’s Investors Service Limited (“**Moody’s**”). Each of Fitch and Moody’s is established in the European Union (the “**EU**”) and registered under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”). As such, each of Fitch and Moody’s is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation. Certain tranches of Notes (each, a “**Tranche**”) to be issued under the Programme may be rated or unrated and, if rated, the credit rating agency issuing such rating will be specified in the Final Terms. Where a Tranche is rated, such rating will not necessarily be equivalent to the ratings assigned to the Issuer. Whether or not each credit rating applied for in relation to a Tranche will be (a) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (b) issued by a credit rating agency which is not established in the EEA but will be endorsed by a credit rating agency which is established in the EEA and registered under the CRA Regulation, or (c) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will also be disclosed in the Final Terms. A rating is not a recommendation to buy, sell or hold the Notes, does not address the likelihood or timing of repayment and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisations.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form may be subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person except in certain transactions permitted by U.S. tax regulations. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)) except in certain transactions exempt from the registration requirements of the Securities Act. The Notes may be offered and sold (A) in bearer form or registered form outside the United States to Non-U.S. persons in reliance on Regulation S and (B) in registered form within the United States to persons who are “qualified institutional buyers” (“**QIBs**”) in reliance on Rule 144A under the Securities Act (“**Rule 144A**”). Prospective purchasers who are QIBs are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Base Prospectus, see “*Subscription and Sale*” and “*Transfer Restrictions*”.

This Base Prospectus should be read and construed together with any amendment or supplement hereto. In relation to a Tranche of Notes, this Base Prospectus should be read and construed together with the Final Terms.

Arrangers and Dealers

Goldman Sachs International

HSBC

J.P. Morgan

Dealers

Bank of China

BNP PARIBAS

Citigroup

Deutsche Bank

GIB Capital

ICBC

Mizuho Securities

Morgan Stanley

MUFG

SMBC Nikko

RESPONSIBILITY STATEMENT

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position and prospects of the Issuer.

The Issuer accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The opinions, assumptions, intentions, projections and forecasts expressed in this Base Prospectus with regard to the Issuer are honestly held by the Issuer, not misleading in any material respect, have been reached after considering all relevant circumstances and are based on reasonable assumptions.

Where information has been sourced from a third party (other than a state agency or Government department, in respect of which the Issuer accepts responsibility), the Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third party information contained in this Base Prospectus is stated where such information appears in this Base Prospectus.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under “*Terms and Conditions of the Notes*” (the “**Conditions**”), as completed by the Final Terms. This Base Prospectus must be read and construed together with any supplements hereto and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the Final Terms.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, any Arranger (as defined herein) or any Dealer.

The Arrangers, the Dealers and the Agents (as defined in the Conditions) have not independently verified the information contained herein. Accordingly, neither the Arrangers, the Dealers nor the Agents or any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus.

Neither this Base Prospectus nor any Final Terms are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers or the Dealers that any recipient of this Base Prospectus or any Final Terms should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and any Final Terms and its purchase of Notes should be based upon such investigation as it deems necessary. Neither the Arrangers nor the Dealers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus and any Final Terms or to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers or any of the Dealers.

IMPORTANT NOTICES

Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or, if applicable, the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial, economic, political or otherwise), general affairs or prospects of the Issuer since the date hereof or, if applicable, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers, the Arrangers, the Agents and their affiliates do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers, the Arrangers, the Agents or any of their affiliates which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering materials may be distributed or published in any jurisdiction, except in circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer, the Arrangers and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see “*Subscription and Sale*”. In particular, the Notes have not been and will not be registered under the Securities Act and may be subject to U.S. tax law requirements.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes is intended to provide the basis of any credit or other evaluation. Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Arrangers, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

None of the Dealers, the Agents or the Arrangers or any of their affiliates or the Issuer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of the purchase of any Notes.

Prospective purchasers must comply with all laws that apply to them in any place in which they buy, offer or sell any Notes or possess this Base Prospectus. Any consents or approvals that are needed in order to purchase any Notes must be obtained prior to the deadline specified for any such consent or approval. The Issuer, the Arrangers, the Dealers, the Agents and their affiliates are not responsible for compliance with these legal requirements.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Base Prospectus or any applicable supplement;

- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal and tax advisers to determine whether and to what extent: (i) the Notes are legal investments for it; (ii) the Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

SUPPLEMENTS TO THIS BASE PROSPECTUS

The Issuer has agreed to comply with any undertakings given by it from time to time to the Irish Stock Exchange in connection with Notes in a Series (as defined herein) to be listed on the Official List of the Irish Stock Exchange and, without prejudice to the generality of the foregoing, shall in connection with the listing of the Notes on the Official List of the Irish Stock Exchange or on any other relevant stock exchange, so long as any Note remains outstanding, prepare a supplement to this Base Prospectus, or, as the case may be, publish in a new Base Prospectus, whenever required by the rules of the Irish Stock Exchange or any other relevant stock exchange. In the event that a supplement to this Base Prospectus is produced pursuant to such undertakings, a copy of such supplement will accompany this Base Prospectus. Any such supplement to this Base Prospectus will also be available from the specified office of HSBC Bank plc in its capacity as fiscal agent (the “**Fiscal Agent**”). See “*General Information—Documents on Display*”.

NOTICE TO U.S. INVESTORS

This Base Prospectus may be submitted on a confidential basis in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of certain Notes which may be issued under the Programme. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Any Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to or for the account of United States persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and the Treasury regulations promulgated thereunder.

Registered Notes may be offered or sold within the United States only to QIBs in transactions exempt from registration under the Securities Act in reliance on Rule 144A under the Securities Act or any other applicable exemption from registration under the Securities Act. Any U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser or holder of Notes represented by a Restricted Global Certificate or any Notes issued in registered form in exchange or substitution therefor (together “**Legended Notes**”) will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in “*Subscription and Sale*” and “*Transfer Restrictions*”.

NEITHER THE PROGRAMME NOR THE NOTES HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF ANY OFFERING OF NOTES OR THE ACCURACY OR ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area (“**EEA**”) which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by the Final Terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

IMPORTANT – EEA RETAIL INVESTORS

Unless the Final Terms in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, the Notes, from 1 January 2018, are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “**Insurance Mediation Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**PRiIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and, therefore, offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRiIPs Regulation.

NOTICE TO UNITED KINGDOM RESIDENTS

The distribution in the United Kingdom of this Base Prospectus, any Final Terms and any other marketing materials relating to the Notes if effected by a person who is not an authorised person under the Financial Services and Markets Act 2000 is being addressed to, or directed at, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Financial Promotion Order**”); (ii) persons falling within any of the categories of persons described in Article 49(1) of the Financial Promotion Order (all such persons together being referred to as “**relevant persons**”); and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order. Any person who is not a relevant person should not act or rely on this document or any of its contents. Persons into whose possession this Base Prospectus may come are required by the Issuer, the Arrangers and the Dealers to inform themselves about and to observe such restrictions.

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This Base Prospectus may not be distributed in Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the “**Capital Market Authority**”).

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Base Prospectus and expressly disclaims any liability whatsoever for any loss arising from, or incurred in

reliance upon, any part of this Base Prospectus. Prospective purchasers of Notes issued under the Programme should conduct their own due diligence on the accuracy of the information relating to the Notes. If a prospective purchaser does not understand the contents of this Base Prospectus, he or she should consult an authorised financial adviser.

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

This Base Prospectus does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Base Prospectus and any related offering documents have not been and will not be registered as a prospectus with the Central Bank of Bahrain. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Base Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to ‘accredited investors’, as such term is defined by the Central Bank of Bahrain.

The Central Bank of Bahrain has not reviewed, approved or registered this Base Prospectus or any related offering documents and it has not in any way considered the merits of the Notes to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the Central Bank of Bahrain assumes no responsibility for the accuracy and completeness of the statements and information contained in this Base Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Base Prospectus. No offer of securities will be made to the public in the Kingdom of Bahrain and this Base Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

This Base Prospectus does not and is not intended to constitute an offer, sale or delivery of notes or other debt financing instruments under the laws of the State of Qatar and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority or the Qatar Central Bank. The Notes are not and will not be traded on the Qatar Exchange.

PRESENTATION OF STATISTICAL AND OTHER INFORMATION

Presentation of Statistical Information

Statistical data appearing in this Base Prospectus has, unless otherwise stated, been obtained from, among others, the General Authority for Statistics (“**GASTAT**”), the Saudi Arabian Monetary Agency (“**SAMA**”), the Ministry of Finance, the Ministry of Economy and Planning, Saudi Aramco, the Ministry of Energy, Industry and Mineral Resources, the CMA, the Saudi Commission for Tourism and National Heritage (“**SCTH**”), the Communications and Information Technology Commission (the “**CITC**”), the General Railway Organisation, the Saudi Ports Authority, the Ministry of Transport, the General Authority of Civil Aviation (“**GACA**”), the Public Pension Agency (the “**PPA**”), the General Organization for Social Insurance (the “**GOSI**”) and the Saudi Fund for Development (the “**SFD**”). Some statistical information has also been derived from information publicly made available by third parties, including the United Nations (the “**UN**”), the World Bank, the World Trade Organisation (the “**WTO**”), the Organization of the Petroleum Exporting Countries (“**OPEC**”), the International Monetary Fund (the “**IMF**”) and other third parties. Where such third party information has been so sourced the source is stated where it appears in this Base Prospectus. The Issuer confirms that such information has been accurately reproduced. Similar statistics may be obtainable from other sources, but the underlying assumptions, methodology and, consequently, the resulting data may vary from source to source.

Although every effort has been made to include in this Base Prospectus the most reliable and the most consistently presented data, no assurance can be given that such data was compiled or prepared on a basis consistent with international standards.

Annual information presented in this Base Prospectus is based upon 1 January to 31 December periods, unless otherwise indicated. Notwithstanding the foregoing, for the purposes of the Government's budget (the details of which are set forth in "*Public Finance*"), the Government's fiscal year commences on 31 December and ends on 30 December in the following year. References in this Base Prospectus to a specific "**fiscal year**" are to the 12-month period commencing on 31 December of the preceding calendar year and ending on 30 December of the specified year.

Certain Defined Terms and Conventions

Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed thereto in "*Terms and Conditions of the Notes*" or any other section of this Base Prospectus. In addition, all references in this Base Prospectus to:

- "**Saudi Arabia**" or to the "**Kingdom**" are to the Kingdom of Saudi Arabia;
- the "**Government**" are to the government of Saudi Arabia;
- "**bpd**" are to barrels per day;
- "**c-km**" are to circuit kilometres;
- "**GW**" are to gigawatts;
- "**GWh**" are to gigawatt hours;
- "**kg**" are to kilograms;
- "**km**" are to kilometres;
- "**MW**" are to megawatts;
- "**mtpy**" are to million tonnes per year;
- "**scfd**" are to square cubic feet per day;
- "**TEUs**" are to twenty-foot equivalent units;
- "**tonnes**" are to metric tonnes; and
- "**TWh**" are to terawatt hours.

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments; accordingly figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Currencies and Exchange Rates

All references in this Base Prospectus to:

- "**Saudi riyals**", "**riyals**" and "**SAR**" refer to Saudi riyals, the legal currency of Saudi Arabia for the time being;
- "**U.S. dollars**", "**dollars**", "**U.S.\$**" and "**\$**" refer to United States dollars, the legal currency of the United States for the time being;
- "**pounds sterling**", "**pounds**", "**GBP**" and "**£**" refer to pounds sterling, the legal currency of the United Kingdom for the time being; and
- "**euro**", "**EUR**" and "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

The Saudi riyal has been pegged to the U.S. dollar at a fixed exchange rate of SAR 3.75 = U.S.\$1.00 and, unless otherwise indicated, U.S. dollar amounts in this Base Prospectus have been converted from Saudi riyal at this exchange rate.

Websites and Web Links

The websites and/or web links referred to in this Base Prospectus are included for information purposes only and the content of such websites or web links is not incorporated into, and does not form part of, this Base Prospectus.

Language

The language of the Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

FORWARD-LOOKING STATEMENTS

Certain statements included in this Base Prospectus may constitute “forward looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the United States Exchange Act of 1934, as amended (the “**Exchange Act**”). However, this Base Prospectus is not entitled to the benefit of the safe harbour created thereby. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “projects”, “expects”, “intends”, “may”, “will”, “seeks” or “should” or, in each case, their negative or other variations or comparable terminology, or in relation to discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements are statements that are not historical facts, including statements about the Issuer’s beliefs and expectations. These statements are based on current plans, estimates and projections and, therefore, undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. Although the Government believes that beliefs and expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such beliefs and expectations will prove to have been correct. Forward looking statements include, but are not limited to: (i) plans with respect to the implementation of economic policy; (ii) expectations about the behaviour of the economy if certain economic policies are implemented; (iii) the outlook for gross domestic product (“**GDP**”), inflation, exchange rates, interest rates, commodity prices, foreign investment, balance of payments, trade and fiscal balances; and (iv) estimates of external debt repayment and debt service.

Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those expressed in any forward-looking statement. The information contained in this Base Prospectus identifies important factors that could cause such differences, including, but not limited to:

External factors, such as:

- the impact of changes in the price of oil;
- ongoing political and security concerns in the Middle East;
- global financial conditions;
- present and future exchange rates; and
- economic conditions in the economies of key trading partners of Saudi Arabia;

Domestic factors, such as:

- revenues from crude oil exports;
- the impact of the Government’s fiscal consolidation measures;

- the diversification of the Saudi economy;
- the sovereign credit rating assigned to Saudi Arabia;
- changes to estimates of hydrocarbon reserves;
- levels of unemployment;
- foreign currency reserves; and
- the maintenance of the Saudi riyal-U.S. dollar currency peg.

Any forward-looking statements contained in this Base Prospectus speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Base Prospectus any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward-looking statement is based.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a sovereign state and a substantial portion of the assets of the Issuer are therefore located outside the United States and the United Kingdom. As a result, it may not be possible for investors to effect service of process within the United States and/or the United Kingdom upon the Issuer or to enforce against it in the United States courts or courts located in the United Kingdom judgments obtained in United States courts or courts located in the United Kingdom, respectively, including judgments predicated upon the civil liability provisions of the securities laws of the United States or the securities laws of any state or territory within the United States.

A substantial part of the Issuer's assets are located in Saudi Arabia. In the absence of a treaty for the reciprocal enforcement of foreign judgments, the courts of Saudi Arabia are unlikely to enforce a United States or English judgment without re-examining the merits of the claim and may not consequently observe the choice by the parties of English law as the governing law of the Notes. In addition, the courts of Saudi Arabia may decline to enforce a foreign judgment if certain criteria are not met, including, but not limited to, compliance with public policy of Saudi Arabia. Investors may have difficulties in enforcing any United States or English judgments or arbitral awards against the Issuer in the courts of Saudi Arabia.

The Notes are governed by English law and disputes in respect of the Notes may be settled under the Arbitration Rules of the London Court of International Arbitration in London, England. Saudi Arabia is a signatory to the New York Convention on Recognition and Enforcement of Arbitral Awards (1958) and as such, any arbitral award could be enforceable in Saudi Arabia but subject to filing a legal action for recognition and enforcement of foreign arbitral awards with the Enforcement Departments of the General Courts which can take considerable time. Enforcement in Saudi Arabia of a foreign arbitral award is not certain. For example, there are a number of circumstances in which recognition of an arbitral award under the New York Convention may be declined, including where the award is contrary to the public policy of the receiving state. As a consequence, any arbitral award deemed by a court in Saudi Arabia as contrary to the public policy of Saudi Arabia may not be enforceable in Saudi Arabia.

See *“Risk Factors—Risks relating to enforcement—Investors may experience difficulty in enforcing foreign judgments in Saudi Arabia”* and *“Risk Factors—Risks relating to enforcement—Noteholders may only be able to enforce the Notes through arbitration before the London Court of International Arbitration (“LCIA”), and LCIA awards relating to disputes under the Notes and certain of the Transaction Documents may not be enforceable in Saudi Arabia”*.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilisation manager(s) in the applicable Final Terms (the “**Stabilisation Manager(s)**”) (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

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OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the Final Terms that relate thereto.

This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

Words and expressions defined in “*Form of the Notes*” and “*Terms and Conditions of the Notes*” shall have the same meanings in this overview.

Issuer	The Kingdom of Saudi Arabia acting through the Ministry of Finance.
Description	Global Medium Term Note Programme.
Programme Amount	The programme is unlimited in amount.
Risk Factors	There are risks relating to the Notes, which investors should ensure they fully understand. These include the fact that the Notes may not be suitable investments for all investors, and risks relating to the Issuer and the market. See “ <i>Risk Factors</i> ”.
Arrangers	Goldman Sachs International, HSBC Bank plc and J.P. Morgan Securities plc.
Dealers	The Arrangers and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Fiscal Agent, Reg S Registrar and Reg S Transfer Agent	HSBC Bank plc
Rule 144A Paying Agent, Rule 144A Registrar and Rule 144A Transfer Agent	HSBC Bank USA, National Association
Irish Listing Agent	Matheson
Currencies	Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, as agreed between the Issuer and the relevant Dealer(s).
Final Terms	Notes issued under the Programme may be issued pursuant to this Base Prospectus and the Final Terms. The terms and conditions applicable to any particular Tranche of Notes will be the terms and conditions set out herein (the “ Conditions ”), as completed by the Final Terms.
Listing and Trading	Application has been made to the Irish Stock Exchange for Notes to be admitted to the Official List and trading on the Irish Stock Exchange’s regulated market. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between

	<p>the Issuer and the relevant Dealer(s) in relation to the relevant Series. Notes which are neither listed nor admitted to trading on any market may also be issued.</p> <p>The Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.</p>
Clearing Systems	<p>Euroclear Bank SA/NV (“Euroclear”), Clearstream Banking, S.A. (“Clearstream”) and/or The Depository Trust Company (“DTC”), unless otherwise agreed, and such other clearing system(s) as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer(s).</p>
Issuance in Series	<p>Notes will be issued in series (each, a “Series”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the date of the first payment of interest) to the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may comprise one or more Tranches issued on the same or different issue dates. The specific terms of each Tranche (which will comprise, where necessary, the relevant terms and conditions and, save in respect of the issue date, issue price, date of the first payment of interest and nominal amount of the Tranche), will be identical to the terms of other Tranches of the same Series and will be completed in the Final Terms.</p>
Status of the Notes	<p>The Notes are the direct, unconditional and (subject to Condition 6 (<i>Negative Pledge</i>)), unsecured obligations of the Issuer and rank and will rank <i>pari passu</i> without preference among themselves, with all other unsecured External Indebtedness (as defined in the Conditions) of the Issuer, from time to time outstanding, <i>provided, further</i>, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due under the Notes, and vice versa.</p> <p>The full faith and credit of the Issuer is pledged for the due and punctual payment of principal of, and interest on, the Notes and for the performance of all other obligations of the Issuer in respect of the Notes and the Deed of Covenant.</p>
Issue Price	<p>Notes may be issued at any price and either on a fully or partly paid basis, as specified in the Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.</p>
Maturities	<p>The Notes may have any maturity as agreed between the Issuer and the relevant Dealer(s), subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.</p>
Forms of Notes	<p>Notes may be issued in bearer form or in registered form. Bearer Notes may not be exchanged for Registered Notes and</p>

Registered Notes will not be exchangeable for Bearer Notes. No single Series or Tranche may comprise both Bearer Notes and Registered Notes.

Bearer Notes

Each Tranche of Bearer Notes will initially be in the form of either a Temporary Bearer Global Note or a Permanent Bearer Global Note, in each case as specified in the Final Terms. Each Global Note will be deposited on or around the relevant issue date with a common depository for Euroclear and/or Clearstream and/or any other relevant clearing system. Bearer Notes will only be delivered outside the United States and its possessions. Each Temporary Bearer Global Note will be exchangeable for a Permanent Bearer Global Note or, if so specified in the Final Terms, for Definitive Notes upon certification of non-U.S. beneficial ownership as required by United States Treasury regulations (the “**U.S. Treasury Regulations**”). If the TEFRA D Rules (as defined below) are specified in the Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Bearer Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Bearer Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Registered Notes

Each Tranche of Registered Notes will be represented by either:

- (i) Individual Note Certificates; or
- (ii) one or more Unrestricted Global Certificates in the case of Registered Notes sold outside the United States in reliance on Regulation S and/or one or more Restricted Global Certificates in the case of Registered Notes sold to QIBs in reliance on Rule 144A,

in each case as specified in the Final Terms.

Each Note represented by an Unrestricted Global Certificate will be registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, registered in the name of Cede & Co., as nominee for DTC, if such Unrestricted Global Certificate will be held for the benefit of Euroclear and/or Clearstream through DTC and/or any other relevant clearing system and the relevant Unrestricted Global Certificate will be deposited on or about the issue date with the common depository or such other nominee or custodian.

Each Note represented by a Restricted Global Certificate will be registered in the name of Cede & Co. (or such other entity as is specified in the Final Terms), as nominee for DTC, and the relevant Restricted Global Certificate will be deposited on or

	about the issue date with the DTC Custodian. Beneficial interests in Notes represented by a Restricted Global Certificate may only be held through DTC at any time.
Redemption	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed at par on such dates and in such manner as may be specified in the Final Terms.
Optional Redemption	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders of the Notes (the “ Noteholders ”) to the extent (if at all) specified in the Final Terms.
Interest	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series as specified in the Final Terms.
Denominations	<p>The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as specified in the Final Terms (the “Specified Denomination”), subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. The minimum denomination of each Note shall be U.S.\$200,000 (or, if the Notes are denominated in a currency other than U.S.\$, the equivalent amount in such currency as at the date of the issue of the Notes).</p> <p>Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 (“FSMA”) will have a minimum denomination of at least £100,000 (or its equivalent in another currency). See “<i>Subscription and Sale</i>”.</p>
Negative Pledge	The Notes will have the benefit of a negative pledge, as described in Condition 6 (<i>Negative Pledge</i>).
Cross Acceleration	The Notes will have the benefit of a cross-acceleration clause, as described in Condition 14.3 (<i>Cross-acceleration of the Issuer</i>).
Meetings of Noteholders	<p>The Conditions contain a “collective action” clause, which permits defined majorities to bind all Noteholders, as described in Condition 18 (<i>Meeting of Noteholders; Written Resolutions; Electronic Consents</i>).</p> <p>If the Issuer issues future debt securities, which contain collective action clauses in substantially the same form as the collective action clause in the Conditions, Notes would be capable of aggregation for voting purposes with any such future debt securities, thereby allowing “cross-series” modifications to the terms and conditions of all affected series of Notes (even, in some circumstances, where majorities in certain Series did not vote in favour of the modifications being voted on).</p> <p>See “<i>Risk Factors—Risks relating to the Notes and the Market Generally—The Conditions contain provisions which may permit</i>”.</p>

the amendment or modification of the Notes without the consent of all Noteholders”.

Taxation All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by Saudi Arabia in accordance with Condition 13 (*Taxation*). In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 13 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.

Enforcement of Notes in

Global Form In the case of Global Notes and Global Certificates, individual investors’ rights against the Issuer will be governed by a deed of covenant dated on or about 22 September 2017 (the “**Deed of Covenant**”), a copy of which will be available for inspection at the specified office of the Fiscal Agent.

Ratings The rating of certain Series of Notes to be issued under the Programme may be specified in the Final Terms.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

Notes issued under the Programme may be rated or unrated. Where a Tranche is rated, the applicable rating(s) will be specified in the Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (a) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (b) issued by a credit rating agency which is not established in the EEA but will be endorsed by a credit rating agency which is established in the EEA and registered under the CRA Regulation or (c) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will also be disclosed in the relevant Final Terms. The list of credit rating agencies registered and/or certified under the CRA Regulation is available on the ESMA website:

<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>
(last updated 1 December 2015).

Selling Restrictions and

Transfer Restrictions For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the EEA, the United Kingdom, Saudi Arabia, the State of Qatar (including the Qatar Financial Centre), the Kingdom of Bahrain, the United Arab Emirates, the Dubai International Financial Centre, Japan, Hong Kong, Korea, Singapore, Malaysia, State of Kuwait, Switzerland, Indonesia, Brunei, Italy and such other restrictions as may be required in connection with the offering and sale of the Notes. See “*Subscription and Sale*”.

There are restrictions on the transfer of Notes sold pursuant to Regulation S and Rule 144A. See “*Transfer Restrictions*” below.

In the case of Bearer Notes, the Final Terms will specify whether United States Treasury Regulations §1.163-5(c)(2)(i)(C) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Internal Revenue Code of 1986, as amended (the “**TEFRA C Rules**”) or United States Treasury Regulations §1.163-5(c)(2)(i)(D) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Internal Revenue Code of 1986, as amended (the “**TEFRA D Rules**”) are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Governing Law English law.

Waiver of Immunity Saudi Arabia has waived irrevocably, to the fullest extent permitted by law: (i) any immunity from suit, attachment or execution to which it might otherwise be entitled by virtue of its sovereign status under the State Immunity Act 1978 of the United Kingdom or otherwise in any Dispute which may be instituted pursuant to Condition 23.2 (*Agreement to arbitrate*) in any arbitration having its seat in London, England; and (ii) any immunity from attachment or execution to which it might otherwise be entitled by virtue of its sovereign status in any other jurisdiction in an action to enforce an arbitral award properly obtained in England and Wales as referred to in paragraph (i) above.

Saudi Arabia’s waiver of sovereign immunity constitutes a limited and specific waiver and, notwithstanding anything to the contrary in the Conditions, such waiver of immunity does not constitute a waiver of immunity in respect of (i) present or future “premises of the mission” as defined in the Vienna Convention on Diplomatic Relations signed in 1961; (ii) “consular premises” as defined in the Vienna Convention on Consular Relations signed in 1963; (iii) any other property or assets used solely or mainly for governmental or public purposes in Saudi Arabia or elsewhere; (iv) military property or military assets or property or assets of Saudi Arabia related thereto; (v) rights or immunities or property held by individuals or by entities, agencies, or instrumentalities distinct from Saudi Arabia itself (regardless of their relationship to Saudi Arabia); or (vi) other procedural or substantive rights enjoyed by Saudi Arabia by virtue of its sovereign status besides immunity from suit, attachment, and execution.

RISK FACTORS

The purchase of Notes involves risks and is suitable only for, and should be made only by, investors that are fully familiar with Saudi Arabia in general and that have such other knowledge and experience in financial and business matters as may enable them to evaluate the risks and the merits of an investment in the Notes. Prior to making an investment decision, prospective investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information set forth herein and, in particular, the risk factors set forth below. Prospective purchasers of Notes should make such inquiries as they think appropriate regarding the Notes and Saudi Arabia without relying on Saudi Arabia or the Dealers.

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which the Issuer believes are material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME

Saudi Arabia's economy has been, and may continue to be, adversely affected by the current low oil price environment

The oil sector is a significant contributor to Saudi Arabia's economy and oil revenues account for a majority of the Government's total revenues and export earnings. The oil sector accounted for 44.0 per cent. and 43.2 per cent. of Saudi Arabia's real GDP and 24.5 per cent. and 26.6 per cent. of Saudi Arabia's nominal GDP in the years ended 31 December 2016 and 2015, respectively, while oil revenues accounted for 64.2 per cent. and 72.9 per cent. of total Government revenues in the fiscal years 2016 and 2015, respectively. Oil exports accounted for 74.2 per cent. and 75.1 per cent. of Saudi Arabia's total exports by value in the years ended 31 December 2016 and 2015, respectively. See "*Economy of Saudi Arabia*".

As oil is Saudi Arabia's most important export, any change in oil prices affects various macroeconomic and other indicators, including, but not limited to, GDP, Government revenues, balance of payments and foreign trade. International oil prices have fluctuated significantly over the past two decades, and may remain volatile in the future. More recently, international oil prices have witnessed a significant decline since mid-2014, with the OPEC Reference Basket price (a weighted average of prices per barrel for petroleum blends produced by the OPEC countries) declining from a monthly average of U.S.\$107.89 in June 2014 to a monthly average of U.S.\$26.50 in January 2016, before partially recovering to a monthly average of U.S.\$49.60 in August 2017. The price per barrel of Arabian Light Crude Oil (which is produced by Saudi Arabia and constitutes part of the OPEC Reference Basket) has also moved in line with these trends.

As a result of the decrease in Government revenues occasioned by the recent decline in oil prices, in the fiscal year 2014, the Government recorded an actual budget deficit equivalent to 2.3 per cent. of Saudi Arabia's nominal GDP for the year ended 31 December 2014, its first deficit since 2009. The Government's actual budget deficit for the fiscal year 2015 increased to 14.9 per cent. of Saudi Arabia's nominal GDP for the year ended 31 December 2015. The Government's actual budget deficit for the fiscal year 2016 decreased to 12.8 per cent. of Saudi Arabia's nominal GDP for the year ending 31 December 2016. The Ministry of Finance has estimated that Saudi Arabia's budget deficit for the fiscal year 2017 will be SAR 198.0 billion (U.S.\$52.8 billion). See "*Public Finance*".

In order to finance these budget deficits, the Government has utilised a portion of its reserve assets and incurred additional indebtedness, and may continue to do so in the future, to the extent necessary. The

Government's reserve assets amounted to SAR 1,877.7 billion (U.S.\$500.7 billion) as at 30 June 2017, a decrease of 6.5 per cent. compared to reserve assets of SAR 2,009.2 billion (U.S.\$535.8 billion) as at 31 December 2016, which itself was a decrease of 13.1 per cent. compared to reserve assets of SAR 2,311.6 billion (U.S.\$616.4 billion) as at 31 December 2015, which in turn represented a decrease of 15.8 per cent. compared to reserve assets of SAR 2,746.3 billion (U.S.\$732.4 billion) as at 31 December 2014. Any further decline in SAMA's foreign exchange reserves and/or any further domestic borrowing by the Government to finance its deficit, which results in foreign exchange outflows, could have a tightening effect on liquidity and credit expansion unless Government spending is adjusted to offset the impact. See "*Monetary and Financial System—Reserve Assets*".

In July 2015, Saudi Arabia resumed issuing SAR denominated bonds to government agencies and local banks in the domestic market for the first time since 2007, issuing SAR 98.0 billion (U.S.\$26.1 billion) of local bonds in the domestic market in the year ended 31 December 2015 and a further SAR 97.0 billion (U.S.\$25.9 billion) of local bonds in the domestic market in the year ended 31 December 2016. In July 2017, Saudi Arabia (acting through the Ministry of Finance) established a Saudi Riyal denominated sukuk programme (the "**Sukuk Programme**") to allow the issuance of sukuk in the domestic market. Saudi Arabia issued an aggregate of SAR 17.0 billion (U.S.\$ 4.5 billion), SAR 13.0 billion (U.S.\$ 3.5 billion) and SAR 7.0 billion (U.S.\$1.9 billion) of sukuk under the Sukuk Programme in July 2017, August 2017 and September 2017 respectively.

Saudi Arabia has also raised external indebtedness. In May 2016, Saudi Arabia borrowed U.S.\$10 billion under a five-year term loan facility extended by a syndicate of commercial banks. On 10 October 2016, Saudi Arabia (acting through the Ministry of Finance) established this Programme and on 26 October 2016 issued an aggregate of U.S.\$17.5 billion of notes under this Programme. On 4 April 2017, Saudi Arabia (acting through the Ministry of Finance) established a Trust Certificate Issuance programme (the "**Trust Certificate Issuance Programme**") and on 20 April 2017 issued an aggregate of U.S.\$9 billion of trust certificates under the Trust Certificate Issuance Programme. See "*Indebtedness*".

Based on preliminary figures for 2016, Saudi Arabia's current account deficit was SAR 103.3 billion (U.S.\$27.5 billion), representing 4.3 per cent. of nominal GDP, in the year ended 31 December 2016, which followed a current account deficit of SAR 212.7 billion (U.S.\$56.7 billion), representing 8.7 per cent. of nominal GDP in the year ended 31 December 2015 and a current account surplus of SAR 276.6 billion (U.S.\$73.8 billion), representing 9.8 per cent. of nominal GDP, in the year ended 31 December 2014. The current account deficits in the years ended 31 December 2015 and 31 December 2016 were each principally attributable to a decline in Saudi Arabia's overall trade balance resulting from a decline in the value of Saudi Arabia's oil exports during these periods. See "*Balance of Payments and Foreign Trade*".

The current sustained low global oil prices as compared to 2014 can be attributed to a number of factors, including, but not limited to, a decline in demand for oil due to a worsening of global economic conditions, the increase in oil production by other producers and competition from alternative energy sources. In general, international prices for crude oil are also affected by the economic and political developments in oil producing regions, particularly the Middle East; prices and availability of new technologies; and the global climate and other relevant conditions. There can be no assurance that these factors, in combination with others, will not result in a prolonged or further decline in oil prices, which may continue to have an adverse effect on Saudi Arabia's GDP growth, Government revenues, balance of payments and foreign trade.

Furthermore, if Saudi Arabia increases its oil production in the future, there can be no assurance that Saudi Arabia's export earnings will also increase, to the extent that such increase in production is offset by any decline in international oil prices due to conditions in the global oil market. Conversely, if Saudi Arabia decreases its oil production in the future, this could result in a decline in Saudi Arabia's export earnings to the extent that such lower production is not offset by any increase in international oil prices due to conditions in the global oil market.

Potential investors should also note that many of Saudi Arabia's other economic sectors are in part dependent on the oil sector, and the above analysis does not take into account the indirect impact that a prolonged or further decline in oil prices may have on Saudi Arabia's economy. Sectors such as education, healthcare and

housing, may, indirectly, be adversely affected by lower levels of economic activity that may result from lower Government revenues from the oil sector.

There can be no assurance that the Government's fiscal consolidation measures will be successful or that the fiscal consolidation will not have an adverse economic impact

Following the deficits recorded by the Government in the fiscal years 2015 and 2014, respectively, the Government announced various economic, fiscal, and structural reforms in its budget for the fiscal year 2016, with the objective of consolidating and strengthening Saudi Arabia's public finances (see "*Public Finance*"). The measures announced by the Government to reduce its public expenditure and increase revenues include, among other things, a reduction in fuel, water and energy subsidies, enhanced approval requirements for certain new projects, the implementation of tax on undeveloped land in urban areas and a reduction in the growth of current expenditure through additional controls in respect of new hires in the public sector. The actual budget deficit in the fiscal year 2016 decreased by 14.9 per cent. to SAR 311.1 billion (U.S.\$83.0 billion) from SAR 365.4 billion (U.S.\$97.5 billion) in the fiscal year 2015. As at 30 June 2017, the Government recorded an actual budget deficit of SAR 72.7 billion (U.S.\$19.4 billion). However, there can be no assurance that such fiscal consolidation measures will be successful, that their implementation will be in line with originally envisaged timeframes, or that such measures will be sufficient to offset any unanticipated increases in Government spending beyond the budgeted expenditure. To the extent that the Government is unable to achieve the intended reduction in its overall expenditure, or its expenditure exceeds budgeted amounts, this could increase the demands on the general resources and finances of the Government and, in combination with the reduction in Government revenue from the oil sector, adversely affect Saudi Arabia's public finances and economic condition, including its fiscal consolidation measures.

A number of current and planned major projects in Saudi Arabia rely on contracts awarded by various Government departments, as well as direct capital expenditure by the Government. The Government's public investments in key sectors such as transportation, construction, health, education and housing has increased significantly in recent years, and investment in these areas supports the Government's development goals and economic diversification efforts. To the extent that fiscal consolidation impacts public sector investment in respect of major projects in key sectors of the economy, this could also have a material adverse effect on Saudi Arabia's GDP growth and economic condition.

There can be no assurance that the Government's efforts to diversify Saudi Arabia's economy will be successful

While the oil sector contributes to a significant portion of Saudi Arabia's economy (see "*—Saudi Arabia's economy may be adversely affected by the current low oil price environment*" above), in recent years the Government has invested heavily in diversifying Saudi Arabia's economy to reduce its reliance on oil revenues (see "*Economy of Saudi Arabia—Economic Policy—Diversification of the Economy*"). The Government has implemented an ongoing series of five-year development plans (the "**Development Plans**") in order to achieve several socio-economic objectives, one of which is the diversification of Saudi Arabia's economic base and sources of national income (see "*Overview of Saudi Arabia—Development Plans*"). In light of the current low oil price environment, the objective of economic diversification in Saudi Arabia has taken on greater significance for the Government, and the Government has in recent years announced various measures aimed at, among other things, achieving increased diversification of Saudi Arabia's economy, including a budgeted SAR 268.4 billion (U.S.\$71.6 billion) expenditure as part of the National Transformation Programme 2020 ("**NTP 2020**") (see "*Overview of Saudi Arabia—Strategy of Saudi Arabia—Vision 2030*").

Based on preliminary figures for 2016, Saudi Arabia's non-oil sector contributed 74.1 per cent. to Saudi Arabia's total nominal GDP in the year ended 31 December 2016, compared to 72.1 per cent. and 57.0 per cent. in the years ended 31 December 2015 and 2014, respectively. The contribution of the non-oil sector to Government revenues was 35.8 per cent., 27.1 per cent. and 12.5 per cent. in the fiscal years 2016, 2015 and 2014, respectively. Non-oil exports accounted for 25.8 per cent., 24.9 per cent. and 16.9 per cent. of Saudi Arabia's total exports by value in the years ended 31 December 2016, 2015 and 2014, respectively. While

the contribution of the non-oil sector to Saudi Arabia's economy is gradually increasing on the basis of recent trends, oil exports and oil-related revenues still constitute a high proportion of Saudi Arabia's total export earnings and Government revenues, respectively. There can be no assurance that these trends will continue in the future or that they will continue to a sufficient extent to achieve effective and adequate diversification of the economy. In addition, the recent increase in the contribution of the non-oil sector to Government revenues and total exports can also be partially attributed to the decline in global oil prices since mid-2014 and the consequent significant decrease in Government revenues and export earnings attributable to the oil sector.

Furthermore, there can be no assurance that the Government will be able to successfully implement Vision 2030 or the NTP 2020 in their current form, or that their implementation will be in line with the timelines originally set out. Any amendment to the scope or timing of the implementation of the objectives of Vision 2030 or the NTP 2020, in whole or in part, may result in the Government being unable to achieve the diversification of the economy and its sources of revenue to the required extent. See "*—Overview of Saudi Arabia—Vision 2030*". Additionally, to the extent that a prolonged or further decline in oil prices has an adverse impact on Government revenues, this may in turn adversely impact the Government's ability to invest in the diversification of Saudi Arabia's economy. A failure to diversify Saudi Arabia's economy may result in its economy remaining susceptible to the risks associated with the oil sector, and any downturn in the oil sector could result in a slowdown of the entire economy, which, in turn, could have a material adverse effect on Saudi Arabia's GDP growth and financial condition.

The Government's efforts to diversify Saudi Arabia's economy and effect structural changes may have undesirable effects

Through Vision 2030, the Government is seeking to implement far-reaching reforms of Saudi Arabia's economy and society. Some of the measures envisaged include the greater participation of Saudi citizens in the private sector, a decrease in certain subsidies historically available to the fuel and energy sectors, as well as the imposition of new taxes and administrative fees. The implementation of these and other similar measures may be a lengthy and complex process, and there can be no assurance that these measures will not have unexpected or undesirable consequences in Saudi Arabia. The implementation of these and other similar measures, in whole or in part, may have a disruptive effect and consequently may have an adverse effect on Saudi Arabia's economic and financial condition.

Saudi Arabia is located in a region that has been subject to ongoing political and security concerns

Saudi Arabia is located in a region that is strategically important and parts of this region have been subject to political and security concerns, especially in recent years. Several countries in the region are currently subject to armed conflicts and/or social and political unrest, including conflicts or disturbances in Yemen, Syria, Libya and Iraq, as well as the multinational conflict with 'Da'esh' (also referred to as the 'Islamic State'). In some instances, the recent and ongoing conflicts are a continuation of the significant political and military upheaval experienced by certain regional countries from 2011 onwards, commonly referred to as the 'Arab Spring', which gave rise to several instances of regime change and increased political uncertainty across the region. In addition, tensions have persisted between Saudi Arabia and Iran, as exemplified in January 2016 by Saudi Arabia recalling its ambassador to Iran. Furthermore, in March 2015, a coalition of countries, led by Saudi Arabia and supported by the international community, commenced military action against the Al-Houthi rebels in Yemen. Although the coalition scaled back its military operations in Yemen in March 2016 and a ceasefire was declared in April 2016, the conflict in Yemen is not yet fully resolved, military operations continue at a reduced scale and there can be no assurance that the conflict in Yemen will not continue or re-escalate.

These geopolitical events may contribute to instability in the Middle East and surrounding regions (that may or may not directly involve Saudi Arabia) and may have a material adverse effect on Saudi Arabia's attractiveness for foreign investment and capital, its ability to engage in international trade and, subsequently, its economy and financial condition. Furthermore, such geopolitical events may also contribute to increased defence spending, which could in turn have an adverse impact on Saudi Arabia's fiscal position or the budget available for other projects.

On 5 June 2017, three GCC countries – Saudi Arabia, the UAE and Bahrain – as well as Egypt and Yemen – severed diplomatic ties with Qatar, cut trade and transport links and imposed sanctions on Qatar. The stated rationale for such actions was Qatar’s support of terrorist and extremist organisations and Qatar’s interference in the internal affairs of other countries. There can be no assurance as to when diplomatic relations will be restored or air, land and sea connections reopened with Qatar.

Saudi Arabia has experienced terrorist attacks and other disturbances in the past

Saudi Arabia has experienced occasional terrorist attacks and other disturbances in recent years, including incidents in Jeddah, Medina and Qatif in July 2016. There can be no assurance that extremists or terrorist groups will not attempt to target Saudi Arabia or commit or attempt to commit violent activities in the future. Any occurrences or escalation of terrorist incidents or other disturbances in Saudi Arabia could have an adverse impact on Saudi Arabia’s economic and financial condition.

Global financial conditions have had, and similar events in the future may have, an impact on Saudi Arabia’s economic and financial condition

Saudi Arabia’s economy may be adversely affected by worsening global economic conditions and external shocks, including the continuing impact of the global financial crisis of 2008-9 and those that could be caused by future significant economic difficulties of its major regional trading partners or by more general “contagion” effects, which could have a material adverse effect on Saudi Arabia’s economic growth. In a referendum held in June 2016, voters in United Kingdom voted to exit the European Union. The results of the referendum led to a significant depreciation of the pound sterling against other major currencies and created volatility on most major stock exchanges around the world. To the extent that such economic uncertainty continues or the process of the United Kingdom’s expected exit from the European Union causes further economic uncertainty and disruption in the global financial markets, this may have adverse consequences for the global economy. No assurance can be given that a further global economic downturn or financial crisis will not occur and, to the extent that further instability in the global financial markets occurs, it is likely that this would have an adverse effect on the Saudi Arabian financial sector and economy.

Saudi Arabia’s sovereign credit rating may be downgraded in the future

Saudi Arabia has been assigned the following credit ratings: A1 (stable outlook) by Moody’s and A+ (stable outlook) by Fitch. The current credit ratings assigned to Saudi Arabia by Moody’s and Fitch are a result of a downgrade by each of these credit ratings agencies from, in the case of Moody’s, Aa3 to the current A1 in May 2016 and, in the case of Fitch, from AA– to the current A+ in March 2017. Furthermore, in February 2016, S&P, which rates Saudi Arabia on an unsolicited basis, cut Saudi Arabia’s foreign and local currency credit ratings by two levels from A+ (negative) to A- (stable). For each of the downgraded ratings mentioned above, the relevant ratings agency cited a fall in oil prices having led to a material deterioration in Saudi Arabia’s credit profile and the expectation of an increased Government budget deficit as among the reasons for the downgrade.

Ratings are an important factor in establishing the financial strength of debt issuers and are intended to measure an issuer’s ability to repay its obligations based upon criteria established by the rating agencies. Any further downgrade in Saudi Arabia’s sovereign credit rating, or in the credit ratings of instruments issued, insured or guaranteed by related institutions or agencies, could negatively affect the price of the Notes. On 17 May 2016, Moody’s downgraded two Government-related issuers in Saudi Arabia, namely Saudi Electricity Company (“SEC”) and Saudi Telecom Company (“STC”). To the extent that major Government-related institutions or agencies are subject to further downgrades in the future, this may adversely affect the finances of the Government to the extent that the Government provides explicit or implicit guarantees or credit support for the indebtedness of those entities, or to the extent that such entities contribute to Government revenues.

Any further decline in Saudi Arabia’s credit rating could have a material adverse effect on its cost of borrowing and could adversely affect its ability to access debt capital markets or other sources of liquidity.

The credit ratings included or referred to in this Base Prospectus will be treated for the purposes of the CRA Regulation as having been issued by Fitch and Moody's. Each of Fitch and Moody's is established in the European Union and is registered under the CRA Regulation. Each of these agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the CRA Regulation.

A credit rating is not a recommendation to buy, sell or hold the Notes. Credit ratings are subject to revisions or withdrawal at any time by the assigning rating agency. Saudi Arabia cannot be certain that a credit rating will remain for any given period of time or that a credit rating will not be downgraded or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant. A suspension, downgrade or withdrawal at any time of the credit rating assigned to Saudi Arabia may adversely affect the market price of the Notes.

Saudi Arabia faces certain demographic pressures

The total unemployment rate in Saudi Arabia for Saudi nationals as at 31 December 2016 was 12.3 per cent., comprising an unemployment rate of 5.9 per cent. among Saudi males and 34.5 per cent. among Saudi females, compared to an unemployment rate of 11.5 per cent. as at 31 December 2015, comprising an unemployment rate of 5.3 per cent. among Saudi males and 33.8 per cent. among Saudi females. This represents a high overall unemployment rate for Saudi nationals, and demonstrates considerable gender variation. Saudi nationals in the age group from 25 to 39 years constituted 55.8 per cent. of the Saudi labour force as at 31 March 2017 (see "*Overview of Saudi Arabia—Employment*"). In the meantime, the population of Saudi Arabia grew at a rate of 2.5 per cent. in 2016, following a growth rate of 2.4 per cent. in each of 2015 and 2014, respectively. According to population estimates published by GASTAT, as at 31 July 2017 just over half of the Saudi population were under the age of 30 and 30.4 per cent. of the Saudi population were under the age of 15 (see "*Overview of Saudi Arabia—Population and Demographics*").

In light of Saudi Arabia's growing population, one of the key issues that the Government is seeking to address is the accommodation of Saudi nationals in the job market, in particular in the private sector. The Government has, over the past few years, increased expenditure on education and training, and has introduced various initiatives to educate and motivate young Saudi nationals to join the workforce. While this has resulted in an increasing number of Saudi university graduates entering the job market, there can be no assurance that Saudi Arabia's economy will be able to provide sufficient skilled labour opportunities for Saudi nationals holding higher education degrees. As a result, Saudi Arabia may face increased unemployment rates for Saudi nationals, which could negatively affect Saudi Arabia's economy.

As a further consequence of its growing population, constraints have arisen in the availability of housing in Saudi Arabia, and the situation has been exacerbated by the high prices of housing in Saudi Arabia's major cities. There can be no assurance that a sufficient number of housing projects will become available over the next few years, or that the Government's fiscal consolidation measures will not have a negative impact on the Government's ability to implement new housing projects (see "*—There can be no assurance that the Government's fiscal consolidation measures will be successful or that the fiscal consolidation will not have an adverse economic impact*"). Failure by the Government to address constraints in the availability of housing at affordable prices could have a material adverse effect on Saudi Arabia's social, economic and financial condition.

Investing in securities involving emerging markets such as Saudi Arabia generally involves a higher degree of risk

Investing in securities involving emerging markets, such as Saudi Arabia, generally involves a higher degree of risk than investments in securities of issuers from more developed countries. Generally, investments in emerging markets are only suitable for sophisticated investors who fully appreciate, and are familiar with, the significance of the risks involved in investing in emerging markets.

Saudi Arabia's economy is susceptible to future adverse effects similar to those suffered by other emerging market countries. In addition, as a result of "contagion", Saudi Arabia could be adversely

affected by negative economic or financial developments in other emerging market countries, which could in turn adversely affect the trading price of the Notes. Key factors affecting the environment include the timing and size of increases in interest rates in the United States, further evidence of an economic slowdown in China, geopolitical tensions in the Middle East and in the Korean peninsula and other similar significant global events.

Accordingly, there can be no assurance that the market for securities bearing emerging market risk, such as the Notes, will not be affected negatively by events elsewhere, especially in other emerging markets.

Information on hydrocarbon reserves is based on estimates that have not been reviewed by an independent consultant for the purposes of this offering

The information on oil, gas and other reserves contained in this Base Prospectus is based on figures published by the Ministry of Energy, Industry and Mineral Resources as at 31 December 2016, an annual review of reserves compiled by The Saudi Arabian Oil Company (“**Saudi Aramco**”) as at 31 December 2016, figures published by the Saudi Arabian Monetary Authority (“**SAMA**”) and the 2017 Annual Statistical Bulletin published by OPEC. Neither the Government nor the Dealers have engaged an independent consultant or any other person to conduct a review of Saudi Arabia’s hydrocarbon reserves in connection with this offering. Potential investors should also note that the methodology used to calculate the reserves figures in each of the sources mentioned above may differ from the methodology used by other hydrocarbon producers and may also differ from the standards of reserves measurement prescribed by the U.S. Securities and Exchange Commission.

Reserves valuation is a subjective process of estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact manner. The accuracy of any reserve estimate depends on the quality and reliability of available data, engineering and geological interpretations and subjective judgment. Additionally, estimates may be revised based on subsequent results of drilling, testing and production. The proportion of reserves that can ultimately be produced, the rate of production and the costs of developing the fields are difficult to estimate and, therefore, the reserve estimates may differ materially from the ultimately recoverable quantities of crude oil and natural gas.

Reliability of statistical information

Statistics contained in this Base Prospectus, including those in relation to GDP, balance of payments, revenues and expenditure, indebtedness of the Government and oil reserves and production figures have been obtained from, among others, GASTAT, SAMA, the Ministry of Finance, the Ministry of Economy and Planning and Saudi Aramco (see “*Presentation of Statistical and Other Information*”). Such statistics, and the component data on which they are based, may not have been compiled in the same manner as data provided by similar sources in other jurisdictions. Similar statistics may be obtainable from other sources, although the underlying assumptions, methodology and consequently the resulting data may vary from source to source. There may also be material variances between preliminary or estimated statistical data set forth in this Base Prospectus and actual results, and between the statistical data set forth in this Base Prospectus and corresponding data previously published, or published in the future, by or on behalf of Saudi Arabia.

No assurance can be given that any such statistical information, where it differs from that provided by other sources, is more accurate or reliable. Where specified, certain statistical information has been estimated based on information currently available and should not be relied upon as definitive or final. Such information may be subject to future adjustment. In addition, in certain cases, the information is not available for recent periods and, accordingly, has not been updated. The information for past periods should not be viewed as indicative of current circumstances, future periods or periods not presented.

A slowdown in the economies of Saudi Arabia's key trading partners could adversely affect Saudi Arabia's economy

Saudi Arabia has strong trading relationships with many countries, particularly major oil-importing economies such as China, the United States, Japan, South Korea, India and a number of states of the European Union (see “*Balance of Payments and Foreign Trade—Foreign Trade*”). To the extent that there is a slowdown in the economies of any of these countries, this may have a negative impact on Saudi Arabia's foreign trade and balance of payments, which could have a material adverse effect on Saudi Arabia's economic and financial condition.

In particular, the United States was Saudi Arabia's biggest trading partner in terms of imports and its third biggest trading partner in terms of exports in the year ended 31 December 2016, accounting for SAR 77.7 billion (U.S.\$20.7 billion), or 14.8 per cent., of Saudi Arabia's total imports and SAR 66.1 billion (U.S.\$17.6 billion), or 9.6 per cent., of Saudi Arabia's total exports in that year, while China was Saudi Arabia's second biggest trade partner in terms of imports and its biggest trading partner in terms of exports in the year ended 31 December 2016, accounting for SAR 75.3 billion (U.S.\$20.1 billion), or 14.3 per cent., of Saudi Arabia's total imports and SAR 79.9 billion (U.S.\$21.3 billion), or 11.6 per cent., of Saudi Arabia's total exports in that year. (see “*Overview of Saudi Arabia—Foreign Relations and International Organisations*”).

Any sustained market and economic downturn or geopolitical uncertainties in the United States, China or any of Saudi Arabia's other key trading partners may exacerbate the risks relating to Saudi Arabia's trade with those countries. If an economic downturn occurs or continues in the United States, China or any of Saudi Arabia's other key trading partners, this may have a negative impact on Saudi Arabia's foreign trade and balance of payments, which could have a material adverse effect on Saudi Arabia's economic and financial condition.

There can be no assurance that the Government will not reconsider Saudi Arabia's exchange rate policy

The Saudi riyal has been pegged to the U.S. dollar since 1986 and it continues to be the policy of the Government and SAMA to maintain the currency peg at its existing level (see “*Monetary and Financial System*”). There can be no assurance that future unanticipated events, including an increase in the rate of decline of the Government's reserve assets, will not lead the Government to reconsider its exchange rate policy.

Any change to the existing exchange rate policy that results in a significant depreciation of the Saudi riyal against the U.S. dollar or other major currencies could lead to an increase in the cost of Saudi Arabia's imports, which could offset any increase in export revenues. Saudi Arabia relies on imports for the majority of its food and other consumer items, and any consequential increase in the price of food, medicine or other household items could contribute to higher inflation and have a material adverse effect on Saudi Arabia's social, economic and financial condition.

Furthermore, any change to the current exchange rate policy could increase the burden of servicing Saudi Arabia's external debt and also result in damage to investor confidence, resulting in outflows of capital and market volatility, each of which could have a material adverse effect on Saudi Arabia's economic and financial condition.

The legal system in Saudi Arabia continues to develop and this, and certain aspects of the laws of Saudi Arabia may create an uncertain environment for investment and business activity

The courts and adjudicatory bodies in Saudi Arabia have a wide discretion as to how laws and regulations are applied to a particular set of circumstances. There is no doctrine of binding precedent in the courts of Saudi Arabia, decisions of the Saudi Arabian courts and adjudicatory bodies are not routinely published and there is no comprehensive up-to-date reporting of judicial decisions. In some circumstances, it may not be possible to obtain the legal remedies provided under the laws and regulations of Saudi Arabia in a timely manner. As a result of these and other factors, the outcome of any legal disputes in Saudi Arabia may be uncertain.

In Saudi Arabia, contractual provisions, including those governed by foreign laws, for the charging and payment of interest (or commission) have been enforced by adjudicatory bodies. However, a court or adjudicatory body in Saudi Arabia applying a strict interpretation of the *Shari'ah* may not enforce such contractual provisions and the future consistency of Saudi courts or adjudicatory bodies regarding the payment of interest (which may include interest payments on the Notes) cannot be predicted.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

Risks related to the structure of a particular issue of Notes

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for investors. Set out below is a description of the most common such features.

Notes subject to optional redemption by the Issuer. If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may elect to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market in, and the market value of, the Notes since the Issuer may be expected to convert the rate when it is likely to result in a lower overall cost of borrowing for the Issuer. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same Reference Rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

Risks related to the Notes generally

The Conditions contain provisions which may permit the amendment or modification of the Notes without the consent of all Noteholders

The Conditions contain provisions regarding amendments, modifications and waivers, commonly referred to as “collective action” clauses. Such clauses permit defined majorities to bind all Noteholders, including

Noteholders who did not vote and Noteholders who voted in a manner contrary to the majority. The relevant provisions also permit, in relation to reserved matters, multiple Series of Notes to be aggregated for voting purposes (provided that each such Series also contains the collective action clauses in the terms and conditions of the relevant Notes).

The Issuer expects that all Series of Notes issued under the Programme will include such collective action clauses, thereby giving the Issuer the ability to request modifications or actions in respect of reserved matters across multiple Series of Notes. This means that a defined majority of the holders of such Series of Notes (when taken in the aggregate only, in some circumstances, and/or individually) would be able to bind all Noteholders in all the relevant aggregated Series.

Any modification or actions relating to reserved matters, including in respect of payments and other important terms, may be made to a single Series of Notes by a resolution passed by at least 75 per cent. of the Noteholders present in person or represented by proxy at a meeting of Noteholders or with the written consent of the holders of 75 per cent. of the aggregate nominal amount outstanding of such Notes, and to multiple Series of Notes with the consent of both (i) the holders of 66⅔ per cent. of the aggregate nominal amount outstanding of all Series of Notes being aggregated and (ii) the holders of 50 per cent. in aggregate nominal amount outstanding of each Series of Notes being aggregated. In addition, under certain circumstances, including the satisfaction of the Uniformly Applicable Condition in the Conditions, any such modification or action relating to reserved matters may be made to multiple Series of Notes with the consent of 75 per cent. of the aggregate nominal amount outstanding of all Series of Notes being aggregated only, without requiring a particular percentage of the holders in any individual affected Series of Notes to vote in favour of any proposed modification or action. Any modification or action proposed by the Issuer may, at the option of the Issuer, be made in respect of some Series of Notes only and, for the avoidance of doubt, the provisions may be used for different groups of two or more Series of Notes simultaneously. At the time of any proposed modification or action, the Issuer will be obliged, *inter alia*, to specify which method or methods of aggregation will be used by the Issuer.

There is a risk therefore that the terms and conditions of a Series of Notes may be amended, modified or waived in circumstances whereby the Noteholders voting in favour of an amendment, modification or waiver may be Noteholders of a different Series of Notes and as such, less than 75 per cent. of the Noteholders of the relevant Series (such as the Notes) would have voted in favour of such amendment, modification or waiver. In addition, there is a risk that the provisions allowing for aggregation across multiple Series of Notes may make the Notes less attractive to purchasers in the secondary market on the occurrence of an Event of Default or in a distress situation. Further, any such amendment, modification or waiver in relation to any Notes may adversely affect their trading price.

In the future, the Issuer may issue debt securities which contain collective action clauses in the same form as the collective action clauses in the Conditions. If this occurs, then this could mean that any Series of Notes issued under the Programme would be capable of aggregation with any such future debt securities.

The Conditions restrict the ability of an individual holder to declare an event of default, and permit a majority of holders to rescind a declaration of such a default

The Notes contain a provision which, if an Event of Default occurs, permits the holders of at least 25 per cent. in aggregate nominal amount of the outstanding Notes to declare all the Notes to be immediately due and payable by providing notice in writing to the Issuer, whereupon the Notes shall become immediately due and payable, at their nominal amount with accrued interest, without further action or formality.

The Conditions also contain a provision permitting the holders of at least 50 per cent. in aggregate nominal amount of the outstanding Notes to notify the Issuer to the effect that the Event of Default or Events of Default giving rise to any above-mentioned declaration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn. The Issuer shall give notice thereof to the Noteholders, whereupon the relevant declaration shall be withdrawn and shall have no further effect.

The value of the Notes could be adversely affected by a change in English law or administrative practice

The Conditions are governed by English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus nor whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if Definitive Notes are subsequently issued

The Conditions of the Notes do not permit the sale or transfer of Notes in such circumstances as would result in amounts being held by a holder which are lower than the minimum Specified Denomination (as defined in the Conditions). However, in the event that a holder holds a principal amount of less than the minimum Specified Denomination, such holder would need to purchase an additional amount of Notes such that it holds an amount equal to at least the minimum Specified Denomination to be able to trade such Notes. Noteholders should be aware that Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

If a Noteholder holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time, such Noteholder may not receive a Definitive Note in respect of such holding (should Definitive Notes be issued) and would need to purchase a principal amount of Notes such that its holding amounts to at least a Specified Denomination in order to be eligible to receive a Definitive Note.

If Definitive Notes are issued, holders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Holders of Notes held through DTC, Euroclear and Clearstream must rely on procedures of those clearing systems to effect transfers of Notes, receive payments in respect of Notes and vote at meetings of Noteholders

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depository for Euroclear and Clearstream or may be deposited with a nominee for DTC (each as defined under “*Form of the Notes*”). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holder of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Transferability of the Notes may be limited under applicable securities laws

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or any other jurisdiction. Notes issued under the Programme may not be offered, sold or otherwise transferred in the United States or to, or for the account or benefit of, a U.S. person other than to persons that are QIBs. Each purchaser of Notes will be deemed, by its acceptance of such Notes, to have made certain representations and agreements intended by the Issuer to restrict transfers of Notes as described

under “*Subscription and Sale*” and “*Transfer Restrictions*”. It is the obligation of each purchaser of Notes to ensure that its offers and sales of Notes comply with all applicable securities laws.

In addition, if at any time the Issuer determines that any owner of Notes, or any account on behalf of which an owner of Notes purchased its Notes, is a person that is required to be a QIB, the Issuer may compel that such owner’s Notes be sold or transferred to a person designated by or acceptable to the Issuer.

The Notes may not be suitable as an investment for all investors

Potential investors must determine the suitability of an investment in the Notes in each Series in the light of their own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact that such Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect such investor’s investment and ability to bear the applicable risks.

Risks related to the market generally

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes

Notes issued under the Programme will (unless they are to be consolidated into a single Series with any Notes previously issued) be new securities which may not be widely distributed and for which there is currently no active trading market. Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for the Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of the Notes.

Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes

One or more independent credit rating agencies may assign credit ratings to Saudi Arabia. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the relevant rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such

general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (“ESMA”) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Risks relating to enforcement in Saudi Arabia

Investors may experience difficulty in enforcing foreign judgments in Saudi Arabia

The Issuer is a sovereign state and a substantial portion of the assets of the Issuer are therefore located outside the United States and the United Kingdom. As a result, it may not be possible for investors to effect service of process within the United States and/or the United Kingdom upon the Issuer or to enforce against it in the United States courts or courts located in the United Kingdom judgments obtained in United States courts or courts located in the United Kingdom, respectively, including judgments predicated upon the civil liability provisions of the securities laws of the United States or the securities laws of any state or territory within the United States.

A substantial part of the Issuer’s assets are located in Saudi Arabia. In the absence of a treaty for the reciprocal enforcement of foreign judgments, a court or adjudicatory body in Saudi Arabia is unlikely to enforce a United States or English judgment without re-examining the merits of the claim. Investors may have difficulties in enforcing any United States or English judgments against the Issuer in the courts of Saudi Arabia. In addition, the courts of Saudi Arabia may decline to enforce a foreign judgment if certain criteria are not met, including, but not limited to, compliance with the public policy of Saudi Arabia. Furthermore, a court or adjudicatory body in Saudi Arabia may not observe the choice by the parties of English law as the governing law of the Notes and may elect to apply the laws of Saudi Arabia instead.

Noteholders may only be able to enforce the Notes through arbitration before the London Court of International Arbitration (“LCIA”), and LCIA awards relating to disputes under the Notes and certain of the Transaction Documents may not be enforceable in Saudi Arabia

The payments under the Notes are dependent upon the Issuer making payments to investors in the manner contemplated under the Notes. If the Issuer fails to do so, it may be necessary to bring an action against the Issuer to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time consuming.

The Notes, the Agency Agreement, the Deed of Covenant (each as defined in “*Terms and Conditions of the Notes*”) and the Dealer Agreement (as defined in “*Subscription and Sale and Transfer and Selling Restrictions*”) are governed by English law and the parties to such documents have agreed to refer any unresolved dispute in relation to such documents to arbitration under the Arbitration Rules of the LCIA. Noteholders will therefore only have recourse to LCIA arbitration in order to enforce their contractual rights under the Notes, and will not have the right to bring proceedings relating to the Notes before the English courts.

Saudi Arabia is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the “**New York Convention**”). Any foreign arbitral award, including an LCIA award, should therefore be enforceable in Saudi Arabia in accordance with the terms of the New York Convention, subject to filing a legal action for recognition and enforcement of foreign arbitral awards with the Enforcement Departments of the General Courts. Under the New York Convention, Saudi Arabia has an obligation to recognise and enforce foreign arbitral awards unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the Saudi courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of Saudi Arabia. There can therefore be no assurance that the Saudi courts will enforce a foreign arbitral award in accordance with the terms of the New York Convention (or any other multilateral or bilateral enforcement convention).

There can be no assurance as to whether the waiver of immunity provided by Saudi Arabia will be valid and binding under the laws of Saudi Arabia

The Issuer has waived its rights in relation to sovereign immunity in respect of Notes issued under the Programme. However, there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by it under the Notes, the Agency Agreement, the Deed of Covenant and the Dealer Agreement are valid and binding under the laws of Saudi Arabia.

DOCUMENTS INCORPORATED BY REFERENCE

The Terms and Conditions of the Notes contained in the Base Prospectus dated 10 October 2016 (the “**2016 Terms and Conditions**”), pages 20 to 56 (inclusive) (an electronic copy of which is available at http://www.ise.ie/debt_documents/Base%20Prospectus_2281860f-284e-43b0-8a2c-156ba25ee47f.PDF) prepared by the Government in connection with the Programme, which have previously been published and have been filed with the Central Bank of Ireland, shall be incorporated in, and form part of, this Base Prospectus.

Copies of the documents incorporated by reference in this Base Prospectus can be obtained from the specified office of the Paying Agents for the time being.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

If at any time the Government shall be required to prepare a supplement to the Base Prospectus pursuant to Part 8, Paragraph 51 of the Prospectus Directive 2003/71/EC Regulations 2005 of the Republic of Ireland (S.I. No. 324 of 2005) (the “**Irish Prospectus Regulations**”), the Government will prepare and make available an appropriate amendment or supplement to this Base Prospectus or a further base prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the official list of the Irish Stock Exchange, shall constitute a supplemental base prospectus as required by Part 8, Paragraph 51 of the Irish Prospectus Regulations. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in any document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes which, as completed by the Final Terms and save for the text in italics, will be incorporated by reference into each Global Note and Global Certificate and endorsed upon each Definitive Note or Individual Note Certificate issued pursuant to the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Forms of the Notes” above.

1. Introduction

1.1 Programme

The Kingdom of Saudi Arabia, acting through The Ministry of Finance (the “**Issuer**”) has established a Global Medium Term Note Programme (the “**Programme**”) for the issuance of notes (the “**Notes**”).

1.2 Final Terms

Notes issued under the Programme are issued in series (each a “**Series**”), the Notes of each Series being interchangeable with all other Notes of that Series. Each Series may comprise one or more tranches (each a “**Tranche**”) of Notes issued on the same or different issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest). Each Tranche is the subject of final terms (which final terms in respect of any individual Tranche of Notes shall be referred to herein as, “**Final Terms**”). The terms and conditions applicable to a particular Tranche of Notes are these terms and conditions together with the applicable Final Terms (together, the “**Conditions**”). In the event of any inconsistency between these terms and conditions and the Final Terms, the Final Terms shall prevail. The Notes may be issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”), as specified in the applicable Final Terms.

1.3 Agency Agreement

The Notes are the subject of an amended and restated issue and paying agency agreement dated 22 September 2017, as amended or supplemented from time to time (the “**Agency Agreement**”) between the Issuer, HSBC Bank plc as fiscal agent (the “**Fiscal Agent**”, which expression includes any successor Fiscal Agent appointed from time to time in connection with the Notes), as regulation S transfer agent (the “**Reg S Transfer Agent**”, which expression includes any successor regulation S transfer agent appointed from time to time in connection with the Notes) and as regulation S registrar (the “**Reg S Registrar**”, which expression includes any successor regulation S registrar appointed from time to time in connection with the Notes), HSBC Bank USA, National Association as rule 144A paying agent (the “**Rule 144A Paying Agent**”, which expression includes any successor rule 144A paying agent appointed from time to time in connection with the Notes), as rule 144A transfer agent (the “**Rule 144A Transfer Agent**”, which expression includes any successor rule 144A transfer agent appointed from time to time in connection with the Notes, and together with the Reg S Transfer Agent, the “**Transfer Agents**”) and as rule 144A registrar (the “**Rule 144A Registrar**”, which expression includes any successor rule 144A registrar appointed from time to time in connection with the Notes, and together with the Reg S Registrar, the “**Registrars**”) and the paying agents named therein (together with the Fiscal Agent and the Rule 144A Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the “**Agents**” are to the Registrars, the Fiscal Agent, the Transfer Agents and the Paying Agents, and any reference to an “**Agent**” is to each one of them.

1.4 Deed of Covenant

The Notes are subject to, and the Registered Notes are constituted by, a deed of covenant dated 22 September 2017 (as amended and/or supplemented from time to time, the “**Deed of Covenant**”)

entered into by the Issuer for the benefit of the Noteholders and, if applicable, the Couponholders. The original of the Deed of Covenant is held by the Fiscal Agent.

1.5 The Notes

All subsequent references in these Conditions to “**Notes**” are to the Notes, which are the subject of the Final Terms. Copies of the Final Terms are available for inspection during normal business hours at the specified office of the Fiscal Agent, the initial specified office of which is set out in the Agency Agreement.

1.6 Overviews

Certain provisions of these Conditions are overviews of the Agency Agreement or the Deed of Covenant and are subject to their detailed provisions. The holders of the Notes (the “**Noteholders**”, which expression shall, where appropriate, be deemed to include holders of Bearer Notes or Registered Notes, and the holders of related interest coupons, if any (the “**Couponholders**” and the “**Coupons**” respectively), are bound by, and are deemed to have notice of all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices of the Paying Agents, or, if applicable, the Registrars, the initial Specified Offices of which are set out in the Agency Agreement.

2. DEFINITIONS AND INTERPRETATION

2.1 Definitions

In these Conditions, the following expressions have the following meanings:

“**Accrual Yield**” has the meaning given in the Final Terms;

“**Additional Business Centre(s)**” means the city or cities specified in the Final Terms;

“**Additional Financial Centre(s)**” means the city or cities specified in the Final Terms;

“**Business Day**” means:

- (a) in relation to any sum payable in euros, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (b) in relation to any sum payable in a currency other than euros, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

“**Business Day Convention**” in relation to any particular date, has the meaning given in the Final Terms and, if so specified in the Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

- (d) **“FRN Convention”, “Floating Rate Convention” or “Eurodollar Convention”** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided* that:
- (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day;
 - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) **“No Adjustment”** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“Calculation Agent” means the Fiscal Agent or such other Person specified in the Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s);

“Calculation Amount” has the meaning given in the Final Terms;

“Clearstream, Luxembourg” means Clearstream Banking, S.A.;

“Code” means the U.S. Internal Revenue Code of 1986, as amended;

“control” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity;

“Coupon Sheet” means, in respect of a Note, a coupon sheet relating to the Note;

“Day Count Fraction” means, in respect of the calculation of an amount for any period of time (the **“Calculation Period”**), such day count fraction as may be specified in these Conditions or the Final Terms and:

- (a) if **“Actual/Actual (ICMA)”** is so specified, means:
- (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of: (A) the actual number of days in such Regular Period; and (B) the number of Regular Periods in any year; and
 - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

- (b) if “**Actual/365**” or “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if “**30/360**”, “**360/360**” or “**Bond Basis**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1)] + [(D_2 - D_1)]}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30;

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (f) if “**30E/360**” or “**Eurobond Basis**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1)] + [(D_2 - D_1)]}{360}$$

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30; and

- (g) if “**30E/360 (ISDA)**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1)] + [(D_2 - D_1)]}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30,

provided, that in each such case, the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

“**DTC**” means The Depository Trust Company;

“**Early Redemption Amount**” has the meaning given to it in Condition 10.6 (*Early redemption amounts*);

“**Euroclear**” means Euroclear Bank SA/NV;

“**External Indebtedness**” means all obligations, and Guarantees in respect of obligations, for money borrowed or raised, including *Shari’ah* compliant financing, which is denominated or payable, or which at the option of the relevant creditor or holder thereof may be payable, in a currency other than the lawful currency of the Issuer;

“**Final Redemption Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in the Final Terms;

“**First Interest Payment Date**” has the meaning given in the Final Terms;

“**Fixed Coupon Amount**” has the meaning given in the Final Terms;

“**Guarantee**” means, in relation to any indebtedness of any Person, any obligation of another Person to pay such indebtedness including (without limitation): (a) any obligation to purchase such indebtedness; (b) any obligation to lend money, to purchase or subscribe for shares or other securities or to purchase assets or services in order to provide funds for the payment of such indebtedness; (c) any indemnity against the consequences of a default in the payment of such indebtedness; and (d) any other agreement to be responsible for such indebtedness or other like obligation;

“**Interest Amount**” means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period, as determined by the Calculation Agent;

“Interest Commencement Date” means the Issue Date of the Notes or such other date as may be specified as the interest commencement date in the Final Terms;

“Interest Determination Date” has the meaning given in the Final Terms;

“Interest Payment Date” means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the Final Terms and, if a Business Day Convention is specified in the Final Terms:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the First Interest Payment Date) or the previous Interest Payment Date (in any other case);

“Interest Period” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“ISDA Definitions” means the 2006 ISDA Definitions or such other ISDA Definitions as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the Final Terms) as published by the International Swaps and Derivatives Association, Inc.;

“Issue Date” has the meaning given in the Final Terms;

“Margin” has the meaning given in the Final Terms;

“Maturity Date” has the meaning given in the Final Terms;

“Maximum Redemption Amount” has the meaning given in the Final Terms;

“Minimum Redemption Amount” has the meaning given in the Final Terms;

“minimum Specified Denomination” means the minimum denomination of each Note, which shall not be less than U.S.\$200,000 (or, if the Notes are denominated in a currency other than U.S. Dollars, the equivalent amount in such currency as at the date of the issue of the Notes);

“Optional Redemption Amount (Call)” means, in respect of any Note, its principal amount or such other amount as may be specified in the Final Terms;

“Optional Redemption Amount (Put)” means, in respect of any Note, its principal amount or such other amount as may be specified in the Final Terms;

“Optional Redemption Date (Call)” has the meaning given in the Final Terms;

“Optional Redemption Date (Put)” has the meaning given in the Final Terms;

“Payment Business Day” means:

- (a) if the currency of payment is euros, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

- (b) if the currency of payment is not euros, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

“Permitted Security Interest” means:

- (a) any Security Interest upon property or assets incurred for the purpose of financing the acquisition or construction, improvement or repair of such property or asset or any renewal or extension of any such Security Interest, which is limited to the original property or asset covered thereby and which secures any renewal or extension of the original secured financing;
- (b) any Security Interest existing on any property or asset at the time of its acquisition and any renewal or extension of any such Security Interest which is limited to the original property or asset covered thereby and which secures any renewal or extension of the original secured financing;
- (c) any Security Interest in existence on 22 September 2017;
- (d) any Security Interest arising in the ordinary course of banking transactions and securing the Public External Indebtedness of the Issuer maturing not more than one year after the date on which it is originally incurred;
- (e) any Security Interest arising by operation of law or which arose pursuant to any order of attachment, distraint or similar legal process arising in connection with court proceedings so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings;
- (f) any Security Interest incurred for the purpose of financing all or part of the costs of the acquisition, construction, development, improvement, repair or expansion of any project (including costs such as escalation, interest during construction and financing and refinancing costs); *provided*, that the property over which such Security Interest is granted consists solely of the property, assets or revenues of such project (including, without limitation, royalties and other similar payments accruing to the Kingdom of Saudi Arabia generated by the relevant project); and
- (g) any Security Interest arising in connection with the incurrence of Public External Indebtedness as part of a Securitisation or any renewal or extension thereof.

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or any other juridical entity, including, without limitation, a public sector instrumentality, whether or not having separate legal personality;

“Principal Financial Centre” means, in relation to any currency, the principal financial centre for that currency *provided*, that:

- (a) in relation to euros, it means the principal financial centre of such member state of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected by the Issuer;

“Public External Indebtedness” means External Indebtedness that is in the form of, or represented by, any bond, debenture, note or other similar instrument and as of the date of its issue is, or is capable

of being, quoted, listed or ordinarily purchased and sold on any stock exchange, automated trading system or over-the-counter or other securities market;

“**public sector instrumentality**” means any department, ministry or agency of a state or any corporation, trust, financial institution or other entity controlled by such state;

“**Put Option Notice**” means a notice in the form available from the Specified Office of the Paying Agents, or in the case of Registered Notes, the Registrars, which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder, and as set out at Schedule 10 (*Form of Put Option Notice*) of the Agency Agreement;

“**Put Option Receipt**” means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder, substantially in the form set out at Schedule 11 (*Form of Put Option Receipt*) of the Agency Agreement;

“**QIBs**” means “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act;

“**Rate of Interest**” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the Final Terms;

“**Record Date**” means the fifteenth Relevant Banking Day before the due date for payment;

“**Redemption Amount**” means, as appropriate, the Final Redemption Amount, the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Redemption Amount or such other amount in the nature of a redemption amount as may be specified in the Final Terms;

“**Reference Banks**” means the four major banks selected by the Issuer (in consultation with the Calculation Agent) in the market that is most closely connected with the Reference Rate;

“**Reference Price**” has the meaning given in the Final Terms;

“**Reference Rate**” has the meaning given in the Final Terms;

“**Regular Period**” means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the First Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

“**Relevant Banking Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments generally in the place of presentation of the relevant Note or, as the case may be, Coupon or, in connection with the transfer of Registered Notes only, the place of the Specified Office of the relevant Registrar;

“**Relevant Date**” means, in relation to any payment, whichever is the later of: (a) the date on which the payment in question first becomes due; and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders in accordance with Condition 21 (*Notices*);

“**Relevant Financial Centre**” has the meaning given in the Final Terms;

“**Relevant Screen Page**” means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“**Relevant Time**” has the meaning given in the Final Terms;

“**Securities Act**” means the U.S. Securities Act of 1933, as amended;

“**Securitisation**” means any securitisation (*Shari’ah* compliant or otherwise) of existing or future assets and/or revenues, *provided* that (a) any Security Interest given by the Issuer in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation; (b) each Person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the principal source of repayment for the money advanced or payment of any other liability; and (c) there is no other recourse to the Issuer in respect of any default by any Person under the securitisation.

“**Security Interest**” means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance securing any obligation of any Person or any other type of arrangement having a similar effect over any assets or revenues of any Person;

“**Specified Currency**” has the meaning given in the Final Terms;

“**Specified Denomination(s)**” has the meaning given in the Final Terms;

“**Specified Office**” has the meaning given in the Agency Agreement;

“**Specified Period**” has the meaning given in the Final Terms;

“**Talon**” means a talon for further Coupons;

“**TARGET2**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

“**TARGET Settlement Day**” means any day on which TARGET2 is open for the settlement of payments in euros; and

“**Zero Coupon Note**” means a Note specified as such in the Final Terms.

2.2 Interpretation

In these Conditions:

- (a) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (b) if Talons are specified in the Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

- (c) if Talons are not specified in the Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (d) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (e) any reference to interest shall be deemed to include any additional amounts in respect of interest, which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (f) references to Notes being “**outstanding**” shall be construed in accordance with the Agency Agreement;
- (g) if an expression is stated in Condition 2.1 (*Definitions*) to have the meaning given in the Final Terms, but the Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes; and
- (h) any reference to the Agency Agreement or the Deed of Covenant shall be construed as a reference to the Agency Agreement or the Deed of Covenant, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. FORM, DENOMINATION AND TITLE

3.1 Notes in Bearer Form

Bearer Notes are issued in the Specified Currency and the Specified Denomination(s) with Coupons (and, if specified in the Final Terms, Talons) attached at the time of issue and may be held in holdings equal to the Specified Denomination, which shall not be less than the minimum Specified Denomination. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and vice versa. Except as set out below, title to Bearer Notes and Coupons will pass by delivery. The holder of any Bearer Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof), and no Person shall be liable for so treating such holder. All Definitive Notes (as defined in the Agency Agreement) will be serially numbered, with Coupons, if any, attached.

3.2 Notes in Registered Form

Registered Notes are issued in the Specified Currency and the Specified Denomination and may be held in holdings equal to the Specified Denomination, which shall not be less than the minimum Specified Denomination. The holder of each Registered Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Registered Note relating thereto (other than the endorsed form of transfer) or any previous loss or theft of such Registered Note), and no Person shall be liable for so treating such holder. Title to Registered Notes will pass registration of transfers in the register, which the Issuer shall procure to be kept by the Registrars, in accordance with the provisions of the Agency Agreement. All Individual Note Certificates (as defined in the Agency Agreement) will be numbered serially with an identity number which will be recorded in the register.

4. TRANSFERS OF REGISTERED NOTES

4.1 Transfers of Registered Notes

A Registered Note may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part only (*provided*, that such part and the remainder not transferred is not less than the Specified Denomination) upon the surrender of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the Specified Office of the relevant Registrar. In the case of a transfer of part only of a Registered Note, a new Registered Note will be issued to the transferee and a new Registered Note in respect of the balance not transferred will be issued to the transferor.

4.2 Issue of new Registered Notes

Each new Registered Note to be issued upon the transfer of a Registered Note will, within ten Relevant Banking Days of the day on which such Note was presented for transfer, be available for collection by each relevant holder at the Specified Office of the relevant Registrar or, at the option of the holder requesting such transfer, be mailed (by uninsured post at the risk of the holder(s) entitled thereto) to such address(es), as may be specified by such holder. For these purposes, a form of transfer received by the relevant Registrar or the Fiscal Agent after the Record Date in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the relevant Registrar or the Fiscal Agent until the day following the due date for such payment.

4.3 Charges for transfer or exchange

The issue of new Registered Notes on transfer will be effected without charge by or on behalf of the Issuer, the Fiscal Agent or the relevant Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity and/or security, as the Issuer, the Fiscal Agent or the relevant Registrar may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.

4.4 Closed Periods

Holders of Registered Notes may not require transfers of a Note to be registered during the period of 15 days ending on the due date for any redemption of or payment of principal or interest in respect of the Registered Notes.

4.5 Forced Transfer

If at any time the Issuer determines that any beneficial owner of Notes, or any account for which such owner purchased Notes, who is required to be a QIB as defined in Rule 144A is not a QIB, the Issuer may (a) compel such beneficial owner to sell its Notes to a person who is (i) a U.S. Person who is a QIB and that is, in each case, otherwise qualified to purchase such Notes in a transaction exempt from registration under the Securities Act or (ii) not a U.S. Person within the meaning of Regulation S under the Securities Act or (b) compel the beneficial owner to sell such Notes to the Issuer or an affiliate thereof at a price equal to the lesser of (x) the purchase price paid by the beneficial owner for such Notes, (y) 100 per cent. of the principal amount thereof and (z) the fair market value thereof. The Issuer has the right to refuse to honour the transfer of interests in a Restricted Global Certificate or any Restricted Notes (each as defined in the Agency Agreement) to a U.S. Person who is not a QIB.

5. STATUS

- (a) The Notes are the direct, unconditional and (subject to Condition 6 (*Negative Pledge*)), unsecured obligations of the Issuer, and rank and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness of the Issuer, from time to time outstanding; *provided*, further, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in

particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes, and vice versa.

- (b) The full faith and credit of the Issuer is pledged for the due and punctual payment of principal of, and interest on, the Notes and for the performance of all other obligations of the Issuer in respect of the Notes and the Deed of Covenant.

6. NEGATIVE PLEDGE

So long as any Note remains outstanding (as defined in the Agency Agreement), the Issuer will not create, incur, assume or permit to arise or subsist any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future assets or revenues to secure any Public External Indebtedness of the Issuer or any Guarantee by the Issuer of Public External Indebtedness of any other Person unless, at the same time or prior thereto, the obligations of the Issuer under the Notes and the Deed of Covenant are secured equally and rateably therewith or have the benefit of such other arrangements as may be approved by an Extraordinary Resolution of the Noteholders.

For the avoidance of doubt, any right or obligation granted directly or indirectly to holders of sukuk representing the credit of the Kingdom of Saudi Arabia or in respect of any other *Shari'ah* compliant financing, offering of certificates or other similar instruments (including, but not limited to, a *Shari'ah* compliant sale and Ijara (lease) financing) or by any other mechanism provided for and implemented in accordance with the applicable laws and regulations having an analogous effect (and howsoever documented) shall not of itself comprise a Security Interest or guarantee or indemnity for the purposes of this Condition 6 (*Negative Pledge*).

7. FIXED RATE NOTE PROVISIONS

7.1 Application

This Condition 7 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note provisions are specified in the Final Terms as being applicable.

7.2 Accrual of interest

The Notes bear interest on their outstanding principal amount from, and including, the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date in each year, subject as provided in Condition 11 (*Payments—Bearer Notes*) and Condition 12 (*Payments—Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7.2 (after as well as before judgment) until whichever is the earlier of: (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and (b) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

7.3 Fixed Coupon Amount

The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

7.4 Calculation of interest amount

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit

of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose, a “**sub-unit**” means, in the case of any currency other than U.S. Dollars, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of U.S. Dollars, means one cent.

8. FLOATING RATE NOTE PROVISIONS

8.1 Application

This Condition 8 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note provisions are specified in the Final Terms as being applicable.

8.2 Accrual of interest

The Notes bear interest on their outstanding principal amount from, and including, the Interest Commencement Date at the Rate of Interest, which shall be determined in the manner specified in the Final Terms, payable in arrear on each Interest Payment Date in each year, subject as provided in Condition 11 (*Payments—Bearer Notes*) and Condition 12 (*Payments—Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 8.2 (after as well as before judgment) until whichever is the earlier of: (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and (b) the day which is seven (7) days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

8.3 Screen Rate Determination

If Screen Rate Determination is specified in the Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (a) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (b) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (c) if, in the case of (a) above, such rate does not appear on that page or, in the case of (b) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (i) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (ii) determine the arithmetic mean of such quotations; and
- (d) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the

relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time, and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided* that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

8.4 **ISDA Determination**

If ISDA Determination is specified in the Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “ISDA Rate” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (a) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the Final Terms;
- (b) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the Final Terms; and
- (c) the relevant Reset Date (as defined in the ISDA Definitions) is either: (i) if the relevant Floating Rate Option is based on the London inter-bank offered rate (“**LIBOR**”) or on the Euro-zone inter-bank offered rate (“**EURIBOR**”) for a currency, the first day of that Interest Period; or (ii) in any other case, as specified in the Final Terms.

8.5 **Maximum or Minimum Rate of Interest**

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

8.6 **Calculation of Interest Amount**

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, determine the Rate of Interest for such Interest Period and calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “sub-unit” means, in the case of any currency other than U.S. Dollars, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of U.S. Dollars, means one cent.

8.7 **Calculation of other amounts**

If the Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the Final Terms.

8.8 **Publication**

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders in accordance with Condition 21 (*Notices*). The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

8.9 **Binding Determinations**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8.9 (*Binding Determinations*) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders, and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

9. **ZERO COUPON NOTE PROVISIONS**

9.1 **Application**

This Condition 9 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note provisions are specified in the Final Terms as being applicable.

9.2 **Late payment on Zero Coupon Notes**

If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (a) the Reference Price; and
- (b) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of: (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

10. **REDEMPTION AND PURCHASE**

10.1 **Scheduled redemption**

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments—Bearer Notes*) and Condition 12 (*Payments—Registered Notes*).

10.2 Redemption at the option of the Issuer

If the Call Option is specified in the Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

10.3 Partial redemption

If the Notes are to be redeemed in part only on any date in accordance with Condition 10.2 (*Redemption at the option of the Issuer*):

- (a) in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 10.2 (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes to be redeemed.

If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified; and

- (b) in the case of Registered Notes, the Notes shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts, subject always to compliance with all applicable laws and the requirements of any listing authority, stock exchange or quotation system on which the relevant Notes may be listed, traded or quoted.

In the case of the redemption of part only of a Registered Note, a new Registered Note in respect of the unredeemed balance shall be issued in accordance with Condition 4 (*Transfers of Registered Notes*) which shall apply as in the case of a transfer of Registered Notes as if such new Registered Note were in respect of the untransferred balance.

10.4 Redemption at the option of Noteholders

If the Put Option is specified in the Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10.4, the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit at the Specified Offices of any Paying Agent (in the case of Bearer Notes) or the relevant Registrar (in the case of Registered Notes) such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent or Registrar specifying the aggregate outstanding principal amount in respect of which such option is exercised. The Paying Agent or Registrar with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing holder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10.4, may be withdrawn; *provided* that if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent or Registrar, as the case may be, shall mail notification thereof to the depositing holder at such address as may have been given by such holder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing holder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent or

Registrar, as the case may be, in accordance with this Condition 10.4, the depositor of such Note, and not such Paying Agent, shall be deemed to be the holder of such Note for all purposes.

The Issuer shall redeem the Notes in respect of which Put Option Receipts have been issued on the Optional Redemption Date (Put), unless previously redeemed. Payment in respect of any Note so delivered will be made:

- (a) if the Note is in definitive form and held outside Euroclear, Clearstream, Luxembourg and DTC and if the holder duly specified a bank account in the Put Option Notice to which payment is to be made, on the Optional Redemption Date (Put) by transfer to that bank account and in every other case on or after the Optional Redemption Date (Put), in each case against presentation and surrender or (as the case may be) endorsement of such Put Option Receipt and, where appropriate, entry in the Register, at the Specified Office of any Paying Agent; or
- (b) if the Note is represented by a Global Note or Global Certificate (each as defined in the Agency Agreement) or is in definitive form and held through Euroclear or Clearstream, Luxembourg or DTC, in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC, as applicable.

The holder of a Note may not exercise such Put Option in respect of any Note which is the subject of an exercise by the Issuer of its Call Option.

In the case of the redemption of part only of a Registered Note, a new Registered Note in respect of the unredeemed balance shall be issued in accordance with Condition 4 (*Transfers of Registered Notes*) which shall apply in the case of a transfer of Registered Notes as if such new Registered Note were in respect of the untransferred balance.

As long as Bearer Notes issued in accordance with TEFRA D are represented by a Temporary Bearer Global Note, the option under this Condition 10.4 shall not be available unless the certification required under TEFRA D with respect to non-U.S. beneficial ownership has been received by the Issuer or any Paying Agent.

10.5 No other redemption

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 10.1 (*Scheduled redemption*) to 10.4 (*Redemption at the option of Noteholders*) above.

10.6 Early redemption amounts

For the purpose of Condition 14 (*Events of Default*), each Note will be redeemed at an amount (the “**Early Redemption Amount**”), calculated as follows:

- (a) in the case of a Note (other than a Zero Coupon Note), at the amount specified as the Early Redemption Amount in the applicable Final Terms or, if no such amount is so specified in the applicable Final Terms, at the Final Redemption Amount thereof; or
- (b) in the case of a Zero Coupon Note, at an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 10.6 or, if none is so specified, a Day Count Fraction of 30E/360.

10.7 **Purchase**

The Issuer and any public sector instrumentality of the Kingdom of Saudi Arabia may at any time purchase Notes (*provided* that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise and at any price. Such Notes may be held, resold (*provided* that such resale is outside the United States (as defined in Regulation S under the Securities Act) or, in the case of any Notes resold pursuant to Rule 144 under the Securities Act, is only made to a Person reasonably believed to be a QIB) or, at the discretion of the holder thereof, surrendered for cancellation and, upon surrender thereof, all such Notes will be cancelled forthwith. Any Notes so purchased, while held by, or on behalf of, any Person (including but not limited to the Issuer) for the benefit of the Issuer or any public sector instrumentality of the Kingdom of Saudi Arabia, in each case as beneficial owner, shall not entitle the holder to vote at any meeting of Noteholders and shall not be deemed to be outstanding for the purposes of meetings of Noteholders or for the purposes of any Written Resolution or for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 18 (*Meetings of Noteholders; Written Resolutions; Electronic Consents*).

10.8 **Cancellation**

All Notes surrendered for cancellation in accordance with Condition 10.7 (*Purchase*) above will be cancelled and may not be reissued or resold, and the obligations of the Issuer in respect of any such Notes shall be discharged. For so long as the Notes are listed on the Irish Stock Exchange, and the rules of such exchange so require, the Issuer shall promptly inform such exchange of the cancellation of any Notes under this Condition 10.8.

11. **PAYMENTS—BEARER NOTES**

This Condition 11 (*Payments—Bearer Notes*) applies in relation to Bearer Notes only.

11.1 **Principal**

Payments of principal shall be made only against presentation and (*provided* that payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by transfer to an account denominated in that currency (or, if that currency is euros, any other account to which euros may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

11.2 **Interest**

Payments of interest shall, subject to Condition 11.8 (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided* that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 11.1 (*Principal*).

11.3 **Payments in New York City**

If payments of principal or interest will be made in U.S. dollars, then such payment may be made at the Specified Office of a Paying Agent in New York City only if: (a) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the principal and interest on the Bearer Notes in U.S. Dollars; (b) payment of the full amount of such principal and interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars; and (c) payment is permitted by applicable United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

11.4 **Payments subject to fiscal laws**

All payments of principal and interest in respect the Bearer Notes are subject in all cases to: (a) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*); and (b) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

11.5 **Deductions for unmatured Coupons**

If the Final Terms specifies that the Fixed Rate Note provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:

- (a) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided* that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
- (b) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (i) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; *provided* that where this sub-paragraph (i) would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (ii) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided* that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in Condition 11.1 (*Principal*) above against presentation and (*provided* that payment is made in full) surrender of the relevant missing Coupons.

11.6 **Unmatured Coupons void**

If the Final Terms specifies that this Condition 11.6 is applicable or that the Floating Rate Note provisions are applicable, on the due date for final redemption of any Bearer Note or early redemption in whole of such Bearer Note pursuant to Condition 10.2 (*Redemption at the option of the Issuer*), Condition 10.4 (*Redemption at the option of Noteholders*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

11.7 **Payments on business days**

If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of

the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

11.8 Payments other than in respect of matured Coupons

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 11.3 (Payments in New York City) above).

11.9 Partial payments

If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

11.10 Exchange of Talons

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Bearer Note shall become void and no Coupon will be delivered in respect of such Talon.

12. PAYMENTS—REGISTERED NOTES

This Condition 12 (*Payments—Registered Notes*) applies in relation to Registered Notes only.

12.1 Redemption Amount

Payments of the Redemption Amount (together with accrued interest) due in respect of Registered Notes shall be made in the currency in which such amount is due against presentation, and save in the case of partial payment of the Redemption Amount, surrender of the relevant Registered Notes at the Specified Office of the relevant Registrar. If the due date for payment of the Redemption Amount of any Registered Note is not a business day (as defined below), then the Noteholder will not be entitled to payment until the next business day, and from such day and thereafter will be entitled to payment by transfer to a designated account on any day which is a Relevant Banking Day, business day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Conditions, in which event interest shall continue to accrue as provided in these Conditions.

12.2 Principal and interest

Payments of principal and interest shall be made to a designated account denominated in the relevant currency on the relevant due date for payment by transfer to such account. If the due date for any such payment is not a business day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located, then the Noteholder will not be entitled to payment thereof until the first day thereafter which is a business day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is subsequent failure to pay in accordance with these Conditions, in which event interest shall continue to accrue as provided in these Conditions.

12.3 Payments subject to fiscal laws

All payments of principal and interest in respect of the Registered Notes are subject in all cases to: (a) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*); and (b) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Registered Noteholders in respect of such payments.

In this Condition 12 (*Payments—Registered Notes*), “**business day**” means:

- (a) any day which is in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) in the case of surrender of a Registered Note, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the place in which the Registered Note is surrendered.

13. TAXATION

All payments of principal and interest in respect of the Notes and the Coupons by, or on behalf of, the Issuer shall be made free and clear of, and without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Saudi Arabia or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- (a) by or on behalf of a holder, that would not have been payable or due but for the holder being liable for such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the Kingdom of Saudi Arabia, or any political subdivision or any authority thereof or therein having power to tax, other than the mere acquisition or holding of any Note or Coupon or the enforcement or receipt of payment under or in respect of any Note or Coupon;
- (b) more than 30 days after the Relevant Date, except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days;
- (c) where such withholding or deduction is required pursuant to Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto; or
- (d) any combination of items (a) through (c) above.

14. EVENTS OF DEFAULT

If any one or more of the following events (each an “**Event of Default**”) occurs and is continuing with respect to a Series of Notes:

14.1 **Non-payment**

the Issuer fails to pay any amount of principal, premium, if any, or interest in respect of any of the Notes of such Series when due and payable and such failure continues for a period of 30 days; or

14.2 **Breach of other obligations**

the Issuer defaults in the performance or observance of, or compliance with any of its other obligations or undertakings in respect of the Notes of such Series, and either such default is not capable of remedy or such default (if capable of remedy) continues unremedied for 60 days after written notice to remedy such default, addressed to the Issuer by any Noteholder or Couponholder of such Series, has been delivered to the Issuer and to the Specified Office of the Fiscal Agent; or

14.3 **Cross-acceleration of the Issuer**

- (a) any other Public External Indebtedness of the Issuer becomes due and payable prior to its stated maturity by reason of default;
- (b) any such Public External Indebtedness is not paid at maturity thereof; or
- (c) any Guarantee given by the Issuer of Public External Indebtedness of any other Person is not honoured when due and called upon,

and, in the case of either sub-paragraph (b) or (c) above, such failure continues beyond any applicable grace period, *provided* that the amount of Public External Indebtedness referred to in sub-paragraph (a) above and/or (b) and/or the amount payable under any Guarantee referred to in sub-paragraph (c) above, as applicable, either alone or when aggregated with all other Public External Indebtedness in respect of which such an event shall have occurred and be continuing shall be more than U.S.\$150,000,000 (or its equivalent in any other currency or currencies); or

14.4 **Moratorium**

the Issuer shall have declared a general moratorium on the payment of principal of, or interest on, all or any part of its Public External Indebtedness; or

14.5 **Unlawfulness**

for any reason whatsoever, the obligations under the Notes of such Series or the Agency Agreement become unlawful or are declared by a court of competent jurisdiction to be no longer binding on, or no longer enforceable against, the Issuer; or

14.6 **Validity**

the Issuer or any of its political sub-divisions on behalf of the Issuer contest the validity of such Series of the Notes, then the holders of at least 25 per cent. in aggregate principal amount of the outstanding Notes of such Series may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all the Notes of such Series to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Redemption Amount, together (if applicable) with accrued interest to the date of payment without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Issuer.

If the Issuer receives notice in writing from holders of at least 50 per cent. in aggregate principal amount of the relevant Series of outstanding Notes to the effect that the Event of Default or Events of Default giving rise to any above-mentioned declaration of acceleration is or are cured following any such declaration and that such Noteholders wish the relevant declaration to be withdrawn, the Issuer shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon the relevant declaration shall be withdrawn and shall have no further effect but without prejudice to any rights or obligations that may have arisen before the Issuer gives such notice (whether pursuant to these

Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

15. PRESCRIPTION

Claims against the Issuer for principal in respect of Notes shall be prescribed and become void unless made within ten years of the appropriate Relevant Date. Claims against the Issuer for interest or Coupons in respect of Notes shall become void unless made within five years of the appropriate Relevant Date.

Any money paid by the Issuer to the Fiscal Agent for payment due under any Note that remains unclaimed at the end of two years after the due date for payment of such Note will be repaid to the Issuer, and the holder of such Note shall thereafter look only to the Issuer for payment.

16. REPLACEMENT OF NOTES AND COUPONS

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system) (in the case of Bearer Notes or Coupons) or the relevant Registrar (in the case of Registered Notes), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

17. AGENTS

17.1 Obligations of Agents

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents, the Calculation Agent, the Transfer Agents and the Registrars act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders, and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.

17.2 Maintenance of Agents

The initial Fiscal Agent, Transfer Agents and Registrars and their initial Specified Offices are listed in the Agency Agreement. The initial Calculation Agent (if any) is specified in the Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Fiscal Agent), the Registrars, the Transfer Agents or the Calculation Agent and to appoint any successor Fiscal Agent, Paying Agent, Registrar, Transfer Agent or Calculation Agent; *provided* that:

- (a) the Issuer shall at all times maintain a Fiscal Agent;
- (b) the Issuer shall at all times maintain, in the case of Registered Notes, a Registrar;
- (c) if a Calculation Agent is specified in the Final Terms, the Issuer shall at all times maintain a Calculation Agent;
- (d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent (which may be the Fiscal Agent) and a Registrar (for Registered Notes) each with a Specified Office in the place required by such competent authority, stock exchange and/or quotation system; and

- (e) in the circumstances described in Condition 11.3 (*Payments in New York City*), a Paying Agent with a Specified Office in New York City.

Notice of any change in the Paying Agents, the Registrars, the Transfer Agents, the Calculation Agent or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 21 (*Notices*).

18. MEETINGS OF NOTEHOLDERS; WRITTEN RESOLUTIONS; ELECTRONIC CONSENTS

18.1 Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions

- (a) The Issuer may convene a meeting of the Noteholders at any time in respect of the Notes in accordance with the provisions of the Agency Agreement. The Issuer will determine the time and place of the meeting and will notify the Noteholders of the time, place and purpose of the meeting not less than 21 and not more than 45 calendar days before the meeting.
- (b) The Issuer will convene a meeting of Noteholders if the holders of at least 10 per cent. in principal amount of the outstanding Notes (as defined in the Agency Agreement and described in Condition 18.9 (*Notes controlled by the Issuer*)) have delivered a written request to the Issuer (with a copy to the Fiscal Agent) setting out the purpose of the meeting. The Issuer will notify the Noteholders (with a copy to the Fiscal Agent) within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 calendar days after the date on which such notification is given.
- (c) The Issuer will set the procedures governing the conduct of any meeting in accordance with the Agency Agreement. If the Agency Agreement does not include such procedures, or additional procedures are required, the Issuer will prescribe such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.
- (d) The notice convening any meeting will specify, *inter alia*:
 - (i) the date, time and location of the meeting;
 - (ii) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;
 - (iii) the record date for the meeting, which shall be no more than five business days before the date of the meeting;
 - (iv) the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;
 - (v) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;
 - (vi) whether Condition 18.2 (*Modification of this Series of Notes only*), Condition 18.3 (*Multiple Series Aggregation—Single limb voting*), or Condition 18.4 (*Multiple Series Aggregation—Two limb voting*) shall apply and, if relevant, in relation to which other series of debt securities it applies;
 - (vii) if the proposed modification or action relates to two or more series of debt securities issued by it and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;

- (viii) such information as is required to be provided by the Issuer in accordance with Condition 18.6 (*Information*);
 - (ix) the identity of the Aggregation Agent (as described in Condition 19 (*Aggregation Agent; Aggregation Procedures*)) and the Calculation Agent, if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 18.7 (*Claims Valuation*); and
 - (x) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.
- (e) In addition, the Agency Agreement contains provisions relating to Written Resolutions and Electronic Consents. All information to be provided pursuant to this Condition 18.1 shall also be provided, *mutatis mutandis*, in respect of Written Resolutions and Electronic Consents.
 - (f) A “**record date**” in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.
 - (g) An “**Extraordinary Resolution**” means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.
 - (h) A “**Written Resolution**” means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.
 - (i) Any reference to “**debt securities**” means any notes (including the Notes), bonds, debentures or other debt securities (which for these purposes shall be deemed to include any sukuk representing the credit of the Kingdom of Saudi Arabia or any other similar instruments) issued directly or indirectly by the Issuer in one or more series with an original stated maturity of more than one year.
 - (j) “**Debt Securities Capable of Aggregation**” means those debt securities which include or incorporate by reference this Condition 18 and Condition 19 (*Aggregation Agent; Aggregation Procedures*) or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

18.2 Modification of this Series of Notes only

- (a) Any modification of any provision of, or any action in respect of, these Conditions, the Agency Agreement and/or the Deed of Covenant in respect of the Notes may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.
- (b) A “**Single Series Extraordinary Resolution**” means a resolution passed at a meeting of Noteholders duly convened and held in accordance with the procedures prescribed by the Issuer pursuant to Condition 18.1 (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) by a majority of:
 - (i) in the case of a Reserved Matter, at least 75 per cent. of the Noteholders present in person or represented by proxy; or

- (ii) in the case of a matter other than a Reserved Matter, more than 50 per cent. of the Noteholders present in person or represented by proxy.
- (c) A “**Single Series Written Resolution**” means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:
 - (i) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the outstanding Notes; or
 - (ii) in the case of a matter other than a Reserved Matter, more than 50 per cent. of the aggregate principal amount of the outstanding Notes.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

- (d) Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be, and on all Couponholders.

18.3 Multiple Series Aggregation—Single limb voting

- (a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, *provided* that the Uniformly Applicable condition is satisfied.
- (b) A “**Multiple Series Single Limb Extraordinary Resolution**” means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer pursuant to Condition 18.1 (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).
- (c) A “**Multiple Series Single Limb Written Resolution**” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of debt securities.
- (d) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be, and on all Couponholders and couponholders of each other affected series of Debt Securities Capable of Aggregation.

- (e) The “**Uniformly Applicable**” condition will be satisfied if:
 - (i) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (A) the same new instrument or other consideration or (B) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or
 - (ii) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to the different currency of issuance).
- (f) It is understood that a proposal under paragraph (a) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).
- (g) Any modification or action proposed under paragraph (a) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 18.3 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

18.4 Multiple Series Aggregation—Two limb voting

- (a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.
- (b) A “**Multiple Series Two Limb Extraordinary Resolution**” means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer pursuant to Condition 18.1 (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of:
 - (i) at least 66⅔ per cent. of the aggregate principal amount of the outstanding debt securities of affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
 - (ii) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).
- (c) A “**Multiple Series Two Limb Written Resolution**” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with

the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:

- (i) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all the affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
- (ii) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

- (d) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be, and on all Couponholders and couponholders of each other affected series of Debt Securities Capable of Aggregation.
- (e) Any modification or action proposed under paragraph (a) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 18.4 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

18.5 Reserved Matters

In these Conditions, “**Reserved Matter**” means any proposal:

- (a) to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;
- (b) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;
- (c) to change the majority required to pass an Extraordinary Resolution, a Written Resolution, an Electronic Consent or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;
- (d) to change this definition, or the definition of “Extraordinary Resolution”, “Single Series Extraordinary Resolution”, “Multiple Series Single Limb Extraordinary Resolution”, “Multiple Series Two Limb Extraordinary Resolution”, “Written Resolution”, “Single Series Written Resolution”, “Multiple Series Single Limb Written Resolution” or “Multiple Series Two Limb Written Resolution”;
- (e) to change the definition of “debt securities” or “Debt Securities Capable of Aggregation”;
- (f) to change the definition of “Uniformly Applicable”;

- (g) to change the definition of “outstanding” or to modify the provisions of Condition 18.9 (*Notes controlled by the Issuer*);
- (h) to change the legal ranking of the Notes;
- (i) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, set out in Condition 14 (*Events of Default*);
- (j) to change the law governing the Notes, the courts to the jurisdiction of which the Issuer has submitted in the Notes, any of the arrangements specified in the Notes to enable proceedings to be taken or the Issuer’s waiver of immunity, in respect of actions or proceedings brought by any Noteholder, set out in Condition 23 (*Governing Law and Jurisdiction*);
- (k) to impose any condition on or otherwise change the Issuer’s obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;
- (l) to modify the provisions of this Condition 18.5;
- (m) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security;
- (n) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Conditions in connection with any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer or any other person, which would result in the Conditions as so modified being less favourable to the Noteholders which are subject to the Conditions as so modified than:
 - (i) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or substitution or conversion; or
 - (ii) if more than one series of other obligations or debt securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount; or
- (o) to approve the substitution of any person for the Issuer (or any previous substitute) as principal obligor under the Notes and the Deed of Covenant.

18.6 Information

Prior to or on the date that the Issuer proposes any Extraordinary Resolution, Written Resolution or Electronic Consent pursuant to Condition 18.2 (*Modification of this Series of Notes only*), Condition 18.3 (*Multiple Series Aggregation—Single limb voting*), or Condition 18.4 (*Multiple Series Aggregation—Two limb voting*), the Issuer shall publish in accordance with Condition 19.8 (*Manner of Publication*) (with a copy to the Fiscal Agent) the following information:

- (a) a description of the Issuer’s economic and financial circumstances which are, in the Issuer’s opinion, relevant to the request for any potential modification or action and a description of the Issuer’s existing debts;
- (b) if the Issuer shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement and where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;

- (c) a description of the Issuer's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and
- (d) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Noteholders in paragraph (d)(vii) of Condition 18.1 (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*).

18.7 **Claims Valuation**

For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with Condition 18.3 (*Multiple Series Aggregation—Single limb voting*) and Condition 18.4 (*Multiple Series Aggregation—Two limb voting*), the Issuer may appoint a Calculation Agent. The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the par value of the Notes and such affected series of debt securities will be calculated. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

18.8 **Manifest error, etc.**

The Notes, these Conditions and the provisions of the Agency Agreement may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature or it is not materially prejudicial to the interests of the Noteholders.

18.9 **Notes controlled by the Issuer**

For the purposes of: (i) determining the right to attend and vote at any meeting of Noteholders, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution; (ii) Condition 18 (*Meetings of Noteholders; Written Resolutions; Electronic Consents*); and (iii) Condition 14 (*Events of Default*), any Notes which are for the time being held by, or on behalf of, any Person (including but not limited to the Issuer) for the benefit of the Issuer or any public sector instrumentality of the Kingdom of Saudi Arabia, in each case as beneficial owner, shall be disregarded and be deemed not to remain outstanding.

A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any meeting of Noteholders, or in connection with any Written Resolution or Electronic Consent, the Issuer shall provide to the Fiscal Agent a copy of the certificate prepared pursuant to Condition 19.5 (*Certificate*), which includes information on the total number of Notes which are for the time being held by, or on behalf of, any Person (including but not limited to the Issuer) for the benefit of the Issuer or any public sector instrumentality of the Kingdom of Saudi Arabia, in each case as beneficial owner, and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders or the right to sign, or authorise the signature of, any Written Resolution or vote in respect of any Electronic Consent. The Fiscal Agent shall make any such certificate available for inspection during

normal business hours at its Specified Office and, upon reasonable request, will allow copies of such certificate to be taken.

18.10 Publication

The Issuer shall publish all Extraordinary Resolutions, Written Resolutions and Electronic Consents which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 19.8 (*Manner of Publication*).

18.11 Exchange and Conversion

Any Extraordinary Resolutions, Written Resolutions or Electronic Consents which have been duly passed and which modify any provision of, or action in respect of, the Conditions may be implemented at the Issuer's option by way of a mandatory exchange or conversion of the Notes and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Noteholders at the time notification is given to the Noteholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Noteholders and Couponholders.

18.12 Written Resolutions and Electronic Consents

A Written Resolution may be contained in one document or in several documents in like form, each signed by or on behalf of one or more of the Noteholders.

For so long as any Notes are in the form of a Global Note or Global Certificate held on behalf of one or more of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system (the "**relevant clearing system(s)**"), then the approval of a resolution proposed by the Issuer given by way of electronic consent communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures:

- (a) by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders; or
- (b) (where such holders have been given at least 21 days' notice of such resolution) by or on behalf of:
 - (i) in respect of a proposal pursuant to Condition 18.2 (*Modification of this Series of Notes only*), the persons holding at least 75 per cent. of the aggregate principal amount of the outstanding Notes in the case of a Reserved Matter or more than 50 per cent. of the aggregate principal amount of the outstanding Notes, in the case of a matter other than a Reserved Matter;
 - (ii) in respect of a proposal Condition 18.3 (*Multiple Series Aggregation—Single limb voting*), the persons holding at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); or
 - (iii) in respect of a proposal pursuant to Condition 18.4 (*Multiple Series Aggregation—Two limb voting*), (x) the persons holding at least 66⅔ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and (y) the persons holding more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually),

(in the case of (i), (ii) and (iii), each an "**Electronic Consent**") shall, for all purposes (including Reserved Matters) take effect as (A) a Single Series Extraordinary Resolution (in the case of (i) above), (B) a Multiple Series Single Limb Extraordinary Resolution (in the case of (ii)

above) or (C) a Multiple Series Two Limb Extraordinary Resolution (in the case of (iii) above), as applicable.

The notice given to Noteholders shall specify, in sufficient detail to enable Noteholders (in the case of a proposal pursuant to Condition 18.2 (*Modification of this Series of Notes only*) or holders of each affected Series of Debt Securities capable of Aggregation (in the case of a proposal pursuant to Condition 18.3 (*Multiple Series Aggregation—Single Limb Voting*) or Condition 18.4 (*Multiple Series Aggregation—Two Limb Voting*)) to give their consents in relation to the proposed resolution, the method by which their consents may be given (including, where applicable, blocking of their accounts in the relevant clearing system(s)) and the time and date (the “**Relevant Consent Date**”) by which they must be received in order for such consents to be validly given, in each case subject to and in accordance with the operating rules and procedures of the relevant clearing system(s).

If, on the Relevant Consent Date on which the consents in respect of an Electronic Consent are first counted, such consents do not represent the required proportion for approval, the resolution shall, if the party proposing such resolution (the “**Proposer**”) so determines, be deemed to be defeated. Alternatively, the Proposer may give a further notice to Noteholders (in the case of a proposal pursuant to Condition 18.2 (*Modification of this Series of Notes only*) or holders of each affected Series of Debt Securities capable of Aggregation (in the case of a proposal pursuant to Condition 18.3 (*Multiple Series Aggregation—Single Limb Voting*) or Condition 18.4 (*Multiple Series Aggregation—Two Limb Voting*)) that the resolution will be proposed again on such date and for such period as shall be agreed with the Issuer (unless the Issuer is the Proposer). Such notice must inform Noteholders (in the case of a proposal pursuant to Condition 18.2 (*Modification of this Series of Notes only*) or holders of each affected Series of Debt Securities capable of Aggregation (in the case of a proposal pursuant to Condition 18.3 (*Multiple Series Aggregation—Single Limb Voting*) or Condition 18.4 (*Multiple Series Aggregation—Two Limb Voting*)) that insufficient consents were received in relation to the original resolution and the information specified in the previous paragraph. For the purpose of such further notice, references to Relevant Consent Date shall be construed accordingly.

An Electronic Consent may only be used in relation to a resolution proposed by the Issuer which is not then the subject of a meeting that has been validly convened above, unless that meeting is or shall be cancelled or dissolved.

Where Electronic Consent has not been sought, for the purposes of determining whether a Written Resolution has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer (a) by accountholders in the relevant clearing system(s) with entitlements to any Global Note or Global Certificate and/or (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, the relevant clearing system(s) and, in the case of (b) above, the relevant clearing system(s) and the accountholder identified by the relevant clearing system(s). Any such certificate or other document (i) shall be conclusive and binding for all purposes and (ii) may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear’s EUCLID or Clearstream, Luxembourg’s CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

All information to be provided pursuant to paragraph (d) of Condition 18.1 (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) shall also be provided, *mutatis mutandis*, in respect of Written Resolutions and Electronic Consents.

A Written Resolution and/or Electronic Consent (i) shall take effect as an Extraordinary Resolution and (ii) will be binding on all Noteholders and Couponholders, whether or not they participated in

such Written Resolution and/or Electronic Consent, even if the relevant consent or instruction proves to be defective.

19. AGGREGATION AGENT; AGGREGATION PROCEDURES

19.1 Appointment

The Issuer will appoint an Aggregation Agent to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions or the Agency Agreement in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

19.2 Extraordinary Resolutions

If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

19.3 Written Resolutions

If a Written Resolution has been proposed under the Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

19.4 Electronic Consents

If approval of a resolution proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, is proposed to be given by way of Electronic Consent, the Aggregation Agent will, as soon as reasonably practicable after the relevant Electronic Consent has been given, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have consented to the resolution by way of Electronic Consent such that the resolution is approved. If so, the Aggregation Agent will determine that the resolution has been duly approved.

19.5 Certificate

For the purposes of Condition 19.2 (*Extraordinary Resolutions*) and Condition 19.3 (*Written Resolutions*) and Condition 19.4 (*Electronic Consents*), the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 18.2 (*Modification of this Series of Notes only*), Condition 18.3 (*Multiple Series Aggregation—Single limb voting*), or Condition 18.4 (*Multiple Series Aggregation—Two limb voting*), as applicable, and, with respect to a Written

Resolution, the date arranged for the signing of the Written Resolution and, with respect to an Electronic Consent, the date arranged for voting on the Electronic Consent.

The certificate shall:

- (a) list the total principal amount of Notes and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and
- (b) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of Condition 18.9 (*Notes controlled by the Issuer*) on the record date identifying the Noteholders and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

19.6 Notification

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 19 to be notified to the Fiscal Agent and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

19.7 Binding nature of determinations; no liability

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 19 by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent and the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

19.8 Manner of publication

The Issuer will publish all notices and other matters required to be published pursuant to the Agency Agreement including any matters required to be published pursuant to Condition 14 (*Events of Default*), Condition 17 (*Agents*), Condition 18 (*Meeting of Noteholders; Written Resolutions; Electronic Consents*) and this Condition 19:

- (a) through Euroclear, Clearstream, Luxembourg, DTC and/or any other clearing system in which the Notes are held;
- (b) in such other places and in such other manner as may be required by applicable law or regulation; and
- (c) in such other places and in such other manner as may be customary.

20. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the amount and the first payment of interest) so as to form a single Series with the Notes, *provided* that, unless the further notes are fungible with the Notes for U.S. federal income tax purposes, such further notes will be issued with a separate CUSIP and ISIN. The Agency Agreement contains provisions for convening a single meeting of the Noteholders of a particular Series and the holders of Notes of other Series. Notwithstanding the foregoing, in the case of Bearer Notes that are issued under the TEFRA D Rules and are initially represented by interests in a

Temporary Bearer Global Note exchangeable for Permanent Bearer Global Note or Definitive Notes, consolidation of further notes to form a single Series with the Notes will occur only upon certification of non-U.S. beneficial ownership and exchange of interests in the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note, and such further notes shall have a separate CUSIP and/or ISIN, as applicable while they are in Temporary Bearer Global Note form.

21. NOTICES

21.1 Notices to Noteholders while Notes are held in Global Form

So long as any Notes are evidenced by a Global Note or Global Certificate and such Global Note or Global Certificate is held by or on behalf of DTC, Euroclear or Clearstream, Luxembourg, notices to Holders may be given by delivery of such notice to the relevant clearing systems for communication by them to entitled account holders; *provided* that, so long as the Notes are listed on any stock exchange, notice will also be published or otherwise given in accordance with the rules of such stock exchange. In respect of Notes listed on the Official List of the Irish Stock Exchange, notice will be published on the website of the Irish Stock Exchange, being www.ise.ie.

21.2 Notices to Holders of Individual Note Certificates

Notices to Holders of Individual Note Certificates will be deemed to be validly given if sent by first class mail (or the equivalent) or (if posted to an overseas address) by airmail to the Noteholders of those Notes at their respective addresses as recorded in the Register for those Notes, and will be deemed to have been validly given on the fourth day after the date of mailing as provided above or, if posted from a country other than that of the addressee, on the fifth day after the date of such mailing. In respect of Individual Note Certificates listed on the Official List of the Irish Stock Exchange, notice will be published on the website of the Irish Stock Exchange, being www.ise.ie.

21.3 Notices to Holders of Definitive Notes

Notices to Holders of Definitive Notes shall be given by publication in a leading English-language daily newspaper published in London, *provided* that, so long as the Notes are listed on any stock exchange, notice will also be published or otherwise given in accordance with the rules of such stock exchange. In respect of Definitive Notes listed on the Official List of the Irish Stock Exchange, notice will be published on the website of the Irish Stock Exchange, being www.ise.ie. Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Definitive Notes in bearer form in accordance with this Condition 21.

22. ROUNDING

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions): (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.); (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up); (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount; and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency (with 0.005 being rounded upwards).

23. GOVERNING LAW AND JURISDICTION

23.1 Governing law

The Agency Agreement, the Deed of Covenant, the Notes and the Coupons and any non-contractual obligations arising out of, or in connection with, the Agency Agreement, the Deed of Covenant, the

Notes (including the remaining provisions of this Condition 23) and the Coupons, are and shall be governed by, and construed in accordance with, English law.

23.2 Agreement to arbitrate

Any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Notes and/or the Coupons (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a “**Dispute**”) shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration (“**LCIA**”) (the “**Rules**”), which Rules (as amended from time to time) are incorporated by reference into this Condition 23. In relation to any such arbitration:

- (a) the arbitral tribunal shall consist of three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions;
- (b) the claimant(s) and the respondent(s) shall each nominate one arbitrator within 15 days from receipt by the Registrar of the LCIA of the Response to the Request for arbitration as defined in the Rules, and the chairman of the arbitral tribunal shall be nominated by the two party-nominated arbitrators within 15 days of the last of their appointments. If the chairman of the arbitral tribunal is not so nominated, he shall be chosen by the LCIA;
- (c) the seat of arbitration shall be London, England;
- (d) the language of the arbitration shall be English;
- (e) the claimant(s) and the respondent(s) undertake to waive any right of application to determine a preliminary point of law under section 45 of the Arbitration Act 1996 of the United Kingdom; and
- (f) without prejudice to the powers of the arbitrators provided under the Rules, statute or otherwise, the arbitrators shall have the power at any time, following the written request (with reasons) of any party at any time, and after due consideration of any written and/or oral response(s) to such request made within such time periods as the arbitral tribunal shall determine, to make an award in favour of the claimant(s) (or the respondent(s) if a counterclaim) in respect of any claims (or counterclaims), if it appears to the arbitral tribunal that there is no reasonably arguable defence to those claims (or counterclaims), either at all or except as to the amount of any damages or other sum to be awarded.

23.3 Waiver of immunity

The Kingdom of Saudi Arabia hereby waives irrevocably, to the fullest extent permitted by law:

- (a) any immunity from suit, attachment or execution to which it might otherwise be entitled by virtue of its sovereign status under the State Immunity Act 1978 of the United Kingdom or otherwise in any Dispute which may be instituted pursuant to Condition 23.2 (*Agreement to arbitrate*) in any arbitration having its seat in London, England; and
- (b) any immunity from attachment or execution to which it might otherwise be entitled by virtue of its sovereign status in any other jurisdiction in an action to enforce an arbitral award properly obtained in England and Wales as referred to in paragraph (a) above.

Notwithstanding anything to the contrary in the Conditions, such waiver of immunity shall not be deemed or interpreted to include any waiver of immunity in respect of (i) present or future “premises of the mission” as defined in the Vienna Convention on Diplomatic Relations signed in 1961; (ii) “consular premises” as defined in the Vienna Convention on Consular Relations signed in 1963; (iii) any other property or assets used solely or mainly for governmental or public purposes in the

Kingdom of Saudi Arabia or elsewhere; (iv) military property or military assets or property or assets of the Kingdom of Saudi Arabia related thereto; (v) rights or immunities or property held by individuals or by entities, agencies, or instrumentalities distinct from the Kingdom of Saudi Arabia itself (regardless of their relationship to the Kingdom of Saudi Arabia); or (vi) other procedural or substantive rights enjoyed by the Kingdom of Saudi Arabia by virtue of its sovereign status besides immunity from suit, attachment, and execution. Without prejudice to the generality of the above, none of the provisions of this Condition 23.3 (*Waiver of Immunity*) shall apply to actions brought under the United States federal securities law or any securities laws of any state thereof.

24. RIGHTS OF THIRD PARTIES

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any remedy or right of any person which exists or is available apart from that Act.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme. The text referring to the Prospectus Directive only relates to the Notes in respect of which a prospectus is required to be prepared under the Prospectus Directive and should otherwise be disregarded.

Final Terms dated [●]

THE KINGDOM OF SAUDI ARABIA

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the
Global Medium Term Note Programme

PART A—CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 22 September 2017 [and the supplement[s] to the Base Prospectus dated [insert date of supplements]] [which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of Directive 2003/71/EC, as amended, including by Directive 2010/73/EU (the “**Prospectus Directive**”).]

[This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented].]

[Terms used herein shall be deemed to be defined as such for the purposes of the 2016 Terms and Conditions, which are incorporated by reference in the Base Prospectus dated 22 September 2017.]

[This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 22 September 2017 [and the supplements] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “**Base Prospectus**”), including the 2016 Terms and Conditions, which are incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus.]

The Base Prospectus [as so supplemented] is available for viewing [in accordance with Article 14 of the Prospectus Directive] on the website of the Irish Stock Exchange (www.ise.ie) and during normal business hours at the office of the Fiscal Agent at 8 Canada Square, London, E14 5HQ, United Kingdom.

1. [(i) Series Number: [●]]
[(ii) Tranche Number: [●]]
[(iii) Date on which the Notes become fungible: [Not Applicable/The Notes shall be consolidated and form a single series with the existing tranche(s) of the Series on [the Issue Date]/[Insert date].]
2. Specified Currency or Currencies: [●]
3. Aggregate Nominal Amount:
[(i) Series: [●]]
[(ii) Tranche: [●]]

4. Issue Price: per cent. of the Aggregate Nominal Amount
 plus accrued interest from
- (i) Specified Denominations:
- (ii) Calculation Amount:
5. (i) Issue Date:
- (ii) Interest Commencement Date: /[Issue Date]/[Not Applicable]
6. Maturity Date:
7. Interest Basis: per cent. Fixed Rate]
 [+/-] per cent. Floating Rate]
 Zero Coupon]
8. Redemption/Payment Basis: [For Fixed Rate Notes and Floating Rate Notes]
Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.]/ [For Zero Coupon Notes]
9. Change of Interest or Redemption/Payment Basis: [Applicable]/[Not Applicable]
10. Put/Call Options: [Investor Put]
 [Issuer Call]
 [Not Applicable]
11. [Date approval for issuance of Notes obtained:

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

12. **Fixed Rate Note Provisions** [Applicable]/[Not Applicable]
- (i) Rate[(s)] of Interest: per cent. *per annum* [payable [annually]/[semi-annually]/[quarterly]/[monthly] in arrear]
- (ii) Interest Payment Date(s): [[, ,] and in each year]
- [(iii) First Interest Payment Date: [Issue Date]/
- (iv) Fixed Coupon Amount[(s)]: per Calculation Amount
- (v) Broken Amount(s): per Calculation Amount, payable on the Interest Payment Date falling [in]/[on] /[Not Applicable]
- (vi) Day Count Fraction: [360/360]/[Actual/Actual (ICMA)]
- [(vii) Determination Dates in each year]/[Not Applicable]
13. **Floating Rate Note Provisions** [Applicable]/[Not Applicable]
- (i) Interest Period(s):
- (ii) Specified Period:
- (iii) Specified Interest Payment Dates:

- (iv) First Interest Payment Date: [Issue Date]/[●]
- (v) Business Day Convention: [Floating Rate Convention]/[Following Business Day Convention]/[Modified Following Business Day Convention]/[Preceding Business Day Convention]/[No Adjustment]
- (vi) Additional Business Centre(s): [●]/[Not Applicable]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination]/[ISDA Determination]
- (viii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent): [[●] shall be the Calculation Agent]
- (ix) Screen Rate Determination:
- Reference Rate: [LIBOR]/[EURIBOR]
 - Interest Determination Date(s): [●]
 - Relevant Screen Page: [●]
 - Relevant Time: [●]
 - Relevant Financial Centre: [●]
- (x) ISDA Determination:
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
- (xi) Margin(s): [+/-] [●] per cent. per annum
- (xii) Minimum Rate of Interest: [●] per cent. per annum
- (xiv) Day Count Fraction: [Actual/Actual (ISDA)]
[Actual/365 (Fixed)]
[Actual/365]
[Actual/360]
[30/360]
[30E/360]
[30E/360 (ISDA)]
14. **Zero Coupon Note Provisions** [Applicable]/[Not Applicable]
- (i) Accrual Yield: [●] per cent. per annum
- (ii) Reference Price: [●]

- (iii) Day Count Fraction in relation to Early Redemption Amount: [Actual/365]
 [Actual/360]
 [30/360]
 [30E/360]

PROVISIONS RELATING TO REDEMPTION

15. **Call Option** [Applicable]/[Not Applicable]
 (if not applicable, delete the remaining sub-paragraphs of this paragraph)
 (this paragraph and sub-paragraphs may be repeated for issues with more than one call option)
- (i) Optional Redemption Date(s): [●]/[Any date from and including [●] to but excluding [●]]
- (ii) Optional Redemption Amount(s) of each Note: [●] per Calculation Amount
- (iii) If redeemable in part: [Applicable]/[Not Applicable]
 (if not applicable, delete the remaining sub-paragraphs of this paragraph)
- (a) Minimum Redemption Amount: [●] per Calculation Amount
- (b) Maximum Redemption Amount: [●] per Calculation Amount
16. **Put Option** [Applicable]/[Not Applicable]
 (if not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note: [●] per Calculation Amount
17. **Final Redemption Amount of each Note** [100 per cent. of their nominal amount]/[●] per Calculation Amount
18. **Early Redemption Amount of each Note payable on an event of default** [100 per cent. of their nominal amount]/[●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

19. **Form of Notes:** [Bearer Notes:]
 [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on [●] days' notice]/[at any time]/[in the limited circumstances specified in the Permanent Bearer Global Note]]
 [Temporary Bearer Global Note exchangeable for Definitive Notes on [●] days' notice]

[Permanent Bearer Global Note exchangeable for Definitive Notes [on] days' notice]/[at any time]/[in the limited circumstances specified in the Permanent Bearer Global Note]]

[Registered Notes:]

[Individual Note Certificates]

[Unrestricted Global Certificate exchangeable for unrestricted Individual Note Certificates [on] days' notice]/[at any time]/[in the limited circumstances described in the Unrestricted Global Certificate]]

[Restricted Global Certificate exchangeable for Restricted Individual Note Certificates [on] days' notice]/[at any time]/[in the limited circumstances described in the Restricted Global Certificate]]

[Unrestricted Global Certificate registered in the name of a nominee for [DTC]/[a common depository for Euroclear and Clearstream, Luxembourg]

[Restricted Global Certificate registered in the name of a nominee for [DTC]]

20. **Additional Financial Centre(s):** /[Not Applicable]

21. **Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):** [Yes]/[No]

Signed on behalf of
THE KINGDOM OF SAUDI ARABIA
acting through **THE MINISTRY OF FINANCE**

By:
Duly Authorised

PART B—OTHER INFORMATION

1. LISTING

- (i) Listing: /other (specify)/None
- (ii) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Regulated Market of the Stock Exchange]/ with effect from .]/[Not applicable.]
- (ii) Estimate of total expenses related to admission to trading:

2. [RATINGS]

Ratings: The Notes to be issued have been rated:

[Moody's:

[Fitch:

[[Other]:

Option 1 – CRA established in the EEA and registered under the CRA Regulation

is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the “CRA Regulation”). appears on the latest update of the list of registered credit rating agencies (as of [insert date of most recent list]) on the ESMA website:

<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>

Option 2 – CRA not established in the EEA but relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation

is not established in the EEA but the rating it has given to the Notes is endorsed by , which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the “CRA Regulation”). [Insert legal name of particular credit rating agency entity providing rating] appears on the latest update of the list of registered credit rating agencies (as of [insert date of most recent list]) on the ESMA website:

<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>

Option 3 – CRA is not established in the EEA and relevant rating is not endorsed under the CRA Regulation but CRA is certified under the CRA Regulation

is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the “CRA Regulation”).

Option 4 – CRA neither established in the EEA nor certified under the CRA Regulation and relevant rating is not endorsed under the CRA Regulation

[●] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”) and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

In general, European regulated investors are restricted from using a rating for regulator purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

Option 5 – Not Applicable

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no Person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business for which they may receive fees.]

4. [YIELD

Indication of yield: [●][Not Applicable]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

(N.B. Fixed Rate Notes only)

5. U.S. SELLING RESTRICTIONS

[TEFRA C]/[TEFRA D]/[TEFRA rules not applicable]

6. OPERATIONAL INFORMATION

CUSIP: [●] [Not Applicable]

ISIN: [●]

Common Code: [●]

Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg and the relevant addresses and identification numbers): [Not Applicable/give name(s), address(es) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [●]

Name and address of Calculation Agent (if any), if different from Fiscal Agent: [●]

7. DISTRIBUTION

(i) Method of distribution: [Syndicated/Non-syndicated]

(ii) If syndicated, names of Managers: [Not Applicable/●]

(iii) Date of Subscription Agreement: [●]

(iv) Stabilisation Manager(s) (if any): [Not Applicable/●]

(v) If non-syndicated, name of relevant Dealer: [Not Applicable/●]

(vi) U.S. Selling Restrictions: [Reg. S Compliance Category 2]; [Rule 144A]; [TEFRA C/TEFRA D/TEFRA not applicable]

(vi) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

8. THIRD PARTY INFORMATION

[[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading]/[Not Applicable]

FORM OF THE NOTES

The Notes will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act.

Bearer Notes

Each Tranche of Bearer Notes will initially be issued in the form of a temporary bearer global note (a “**Temporary Bearer Global Note**”) or, if so specified in the applicable Final Terms, a permanent bearer global note (a “**Permanent Bearer Global Note**”) and, together with a Temporary Bearer Global Note, each a “**Bearer Global Note**”) which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depository for Euroclear and Clearstream. Any Notes issued in compliance with the TEFRA D Rules (as defined below) must be initially represented by a Temporary Bearer Global Note.

Bearer Notes will only be delivered outside the United States and its possessions. While any Bearer Note issued in accordance with §1.163-5(c)(2)(i)(D) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Internal Revenue Code of 1986, as amended (the “**TEFRA D Rules**”) is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note outside the United States and its possessions and only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Bearer Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream and Euroclear and/or Clearstream, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent. Any reference in this section to the relevant clearing system(s) shall mean the clearing and/or settlement systems specified in the applicable Final Terms.

In the case of each Tranche of Bearer Notes, the Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Internal Revenue Code of 1986, as amended (the “**TEFRA C Rules**”) or TEFRA D Rules are applicable in relation to the Notes, or if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Bearer Global Note exchangeable for Permanent Bearer Global Note

If the Final Terms specifies the form of Notes as being “Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note”, then the Notes will initially be in the form of a Temporary Bearer Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Bearer Global Note, without interest coupons, not earlier than 40 days after the issue date (the “**Exchange Date**”) of the relevant Tranche of Notes upon certification as to non-U.S. beneficial ownership. The holder will not be entitled to collect any payments under the Temporary Bearer Global Note after the Exchange Date unless exchange for interests in the Permanent Bearer Global Note is improperly withheld or refused after such holder duly makes an exchange request. In addition, as discussed above, payments in respect of the Temporary Bearer Global Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Bearer Global Note is to be exchanged for an interest in a Permanent Bearer Global Note, the Issuer shall procure prior to such exchange (in the case of first exchange) the delivery of a Permanent Bearer Global Note, duly authenticated to the bearer of the Temporary Bearer Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Notes represented by the Permanent Bearer Global Note in accordance with its terms against:

- (a) presentation and (in the case of final exchange) presentation and surrender of the Temporary Bearer Global Note to or to the order of the Fiscal Agent; and
- (b) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership, within seven days of the bearer requesting such exchange.

The principal amount of Notes represented by the Permanent Bearer Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership provided, however, that in no circumstances shall the principal amount of Notes represented by the Permanent Bearer Global Note exceed the initial principal amount of Notes represented by the Temporary Bearer Global Note.

If:

- (a) the Permanent Bearer Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of the Temporary Bearer Global Note has requested exchange of an interest in the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note; or
- (b) the Temporary Bearer Global Bearer Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of the Temporary Bearer Global Note has occurred and the bearer has satisfied the conditions of payment (including the conditions described above) and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Bearer Global Note in accordance with the terms of the Temporary Bearer Global Note on the due date for payment,

then the Temporary Bearer Global Note (including the obligation to deliver a Permanent Bearer Global Note) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Bearer Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Bearer Global Note or others may have under a deed of covenant dated 22 September 2017 (the “**Deed of Covenant**”) executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream and/or any other relevant clearing system as being entitled to an interest in a Temporary Bearer Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Bearer Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream and/or any other relevant clearing system.

Temporary Bearer Global Note exchangeable for Definitive Notes

If the Final Terms specify the form of Notes as being “Temporary Bearer Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Bearer Global Note which will be exchangeable, in whole but not in part, for Bearer Notes in definitive form (“**Definitive Notes**”) not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the Final Terms specify the form of Notes as being “Temporary Bearer Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Bearer Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Bearer Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Temporary Bearer Global Note to the bearer of the

Temporary Bearer Global Note against the surrender of the Temporary Bearer Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

Permanent Bearer Global Note exchangeable for Definitive Notes

If the Final Terms specify the form of Notes as being “Permanent Bearer Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Permanent Bearer Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (a) on the expiry of such period of notice as may be specified in the Final Terms; or
- (b) at any time, if so specified in the Final Terms; or
- (c) if the Final Terms specifies “in the limited circumstances described in the Permanent Bearer Global Note”, then if either of the following events occurs:
 - (i) Euroclear or Clearstream or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so; or
 - (ii) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

The options described in paragraphs (a) and (b) above should not be expressed to be applicable under the heading “**Form of Notes**” in the Final Terms if the relevant Notes are in denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount. Furthermore, Notes should not be issued which have such denominations if such Notes are to be represented on issue by a Temporary Bearer Global Note exchangeable for Definitive Notes.

Whenever the Permanent Bearer Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Bearer Global Note to the bearer of the Permanent Bearer Global Note against the surrender of the Permanent Bearer Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Bearer Global Note for Definitive Notes; or
- (b) the Permanent Bearer Global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of the Permanent Bearer Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer thereof in accordance with the terms of the Permanent Bearer Global Note on the due date for payment,

then the Permanent Bearer Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Bearer Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Bearer Global Note or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream and/or any other relevant clearing system as being entitled to an interest in a Permanent Bearer Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Bearer Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream and/or any other relevant clearing system.

If the Final Terms specifies the form of Notes as being “Permanent Bearer Global Note exchangeable for Definitive Notes”, such Permanent Bearer Global Note and any Definitive Notes issued upon exchange may only be issued in the Specified Denomination.

Registered Notes

Each Tranche of Notes in registered form (“**Registered Notes**”) will be represented by either:

- (a) one or more unrestricted global certificates (“**Unrestricted Global Certificate(s)**”) in the case of Registered Notes sold outside the United States to non-U.S. Persons in reliance on Regulation S (“**Unrestricted Registered Notes**”) and/or one or more restricted global note certificates (“**Restricted Global Certificate(s)**”) in the case of Registered Notes sold to QIBs in reliance on Rule 144A (“**Restricted Registered Notes**”); or
- (b) individual note certificates in registered form (“**Individual Note Certificates**”),

in each case as specified in the Final Terms, and references in this Base Prospectus to “**Global Certificates**” shall be construed as a reference to Unrestricted Global Certificates and/or Restricted Global Certificates.

Each Note represented by an Unrestricted Global Certificate will be registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream registered in the name of Cede & Co. as nominee for DTC if such Unrestricted Global Certificate will be held for the benefit of Euroclear and/or Clearstream through DTC and/or any other relevant clearing system and the relevant Unrestricted Global Certificate will be deposited on or about the issue date with the common depository or such other nominee or custodian.

Each Note represented by a Restricted Global Certificate will be registered in the name of Cede & Co. (or such other entity as is specified in the Final Terms) as nominee for DTC and the relevant Restricted Global Certificate will be deposited on or about the issue date with the custodian for DTC (the “**DTC Custodian**”). Beneficial interests in Notes represented by a Restricted Global Certificate may only be held through DTC at any time.

If the Final Terms specifies the form of Notes as being “Individual Note Certificates”, then the Notes will at all times be represented by Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

Global Certificate exchangeable for Individual Note Certificates

If the Final Terms specifies the form of Notes as being “Global Certificate exchangeable for Individual Note Certificates”, then the Notes will initially be represented by one or more Global Certificates each of which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (a) on the expiry of such period of notice as may be specified in the Final Terms; or
- (b) at any time, if so specified in the Final Terms; or
- (c) if the Final Terms specifies “in the limited circumstances described in the Global Certificate”, then:
 - (i) in the case of any Global Certificate held by or on behalf of DTC, if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Global Certificate or DTC ceases to be a “clearing agency” registered under the U.S. Securities Exchange Act of 1934 (the “**Exchange Act**”) or if at any time DTC is no longer eligible to act as such, and the relevant Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC;
 - (ii) in the case of any Unrestricted Global Certificate held by or on behalf of Euroclear, Clearstream or any other relevant clearing system, if Euroclear, Clearstream or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; and

(iii) in any case, if any of the circumstances described in Condition 14 (*Events of Default*) occurs.

The options described in paragraphs (a) and (b) above should not be expressed to be applicable under the heading “*Form of Notes*” in the Final Terms if the relevant Notes are in denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount. Furthermore, Notes should not be issued which have such denominations if such Notes are to be represented on issue by one or more Global Certificates exchangeable for Individual Note Certificates.

Whenever a Global Certificate is to be exchanged for Individual Note Certificates, each person having an interest in a Global Note Certificate must provide the relevant Registrar (through the relevant clearing system) with such information as the Issuer and the relevant Registrar may require to complete and deliver Individual Note Certificates (including the name and address of each person in which the Notes represented by the Individual Note Certificates are to be registered and the principal amount of each such person’s holding). In addition, whenever a Restricted Global Certificate is to be exchanged for Individual Note Certificates, each person having an interest in the Restricted Global Certificate must provide the relevant Registrar (through the relevant clearing system) with a certificate given by or on behalf of the holder of each beneficial interest in the Restricted Global Certificate stating either (i) that such holder is not transferring its interest at the time of such exchange or (ii) that the transfer or exchange of such interest has been made in compliance with the transfer restrictions applicable to the Notes and that the person transferring such interest reasonably believes that the person acquiring such interest is a QIB and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A. Individual Note Certificates issued in exchange for interests in the Restricted Global Certificate will bear the legends and be subject to the transfer restrictions set out under “*Transfer Restrictions*”.

Any such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the relevant Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

- (a) Individual Note Certificates have not been issued and delivered by 5.00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Certificate; or
- (b) any of the Notes evidenced by the Global Certificate has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Certificate on the due date for payment in accordance with the terms of the Global Certificate,

then the Global Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such date (in the case of (b) above) and the holder will have no further rights thereunder (but without prejudice to the rights which the holder or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream (or any other relevant clearing system) as being entitled to interests in the Notes will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Certificate became void, they had been the registered holders of Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear, Clearstream or any other relevant clearing system (as the case may be).

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” and the provisions of the Final Terms which complete those terms and conditions.

Each Global Note contains provisions that apply to the Notes that they represent, some of which modify the Conditions. The following is a summary of those provisions:

Payments

Subject to the restrictions described under “*Bearer Notes*”, payments in respect of a Global Note or Global Certificate will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Certificate to or to the order of any Fiscal Agent or Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note or Global Certificate, the Issuer shall procure that the payment is noted in a schedule thereto.

Payment Business Day

In the case of a Global Note or Global Certificate, this shall be, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre, or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Payment Record Date

Each payment in respect of a Global Certificate will be made to the person shown as the holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the “**Record Date**”) where “**Clearing System Business Day**” means a day on which each clearing system for which the Global Registered Note is being held is open for business.

Exercise of put option

In order to exercise the option contained in Condition 10.4 (*Redemption and Purchase—Redemption at the option of Noteholders*), the bearer of a Permanent Bearer Global Note or the holder of a Global Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to any Paying Agent or Registrar specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option

In connection with an exercise of the option contained in Condition 10.2 (*Redemption and Purchase—Redemption at the option of the Issuer*) in relation to only some of the Notes, a Permanent Bearer Global Note or Global Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream (to be reflected in the records of Euroclear and Clearstream as either a pool factor or a reduction in principal amount, at their discretion).

Notices

Notwithstanding Condition 21 (*Notices*), while all the Notes are represented by a Permanent Bearer Global Note (or by a Permanent Bearer Global Note and/or a Temporary Bearer Global Note) or a Global Certificate and the relevant Note or Notes is/are deposited with a common depositary, a custodian or nominee for

Euroclear and/or Clearstream and/or DTC and/or any other relevant clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream and/or DTC and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 21 (*Notices*) on the date of delivery to Euroclear and/or Clearstream and/or DTC and/or any other relevant clearing system.

Clearing System Accountholders

Each of the persons shown in the records of Euroclear and/or Clearstream and/or DTC and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Certificate (each an “**Accountholder**”) must look solely to Euroclear and/or Clearstream and/or DTC and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the Issuer to the bearer of such Global Note or the holder of a Global Certificate and in relation to all other rights arising under the Global Note or Global Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note or Global Certificate will be determined by the respective rules and procedures of Euroclear, Clearstream, DTC and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note or the holder of the Global Certificate.

Legend concerning U.S. persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Bearer Notes in global form, the Bearer Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the U.S. Internal Revenue Code of 1986.”

The sections referred to in such legend provide that a U.S. person who holds a Bearer Note, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Note, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Rights under Deed of Covenant

Under the Deed of Covenant, persons shown in the records of DTC, Euroclear and/or Clearstream and/or any other relevant clearing system as being entitled to an interest in a Temporary Bearer Global Note or a Permanent Bearer Global Note which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Bearer Global Note or Permanent Bearer Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of DTC, Euroclear and/or Clearstream and/or any other relevant clearing system.

USE OF PROCEEDS

The Issuer intends to use the proceeds from each issuance of Notes for its general domestic budgetary purposes.

OVERVIEW OF SAUDI ARABIA

Geography and Area

Saudi Arabia comprises a land area of approximately 2,150,000 square km and is located in the Arabian Peninsula, a peninsula of south-west Asia situated north-east of Africa. Saudi Arabia has coastlines on the Red Sea to the west and the Arabian Gulf to the east. It is bordered in the north and north-east by Jordan and Iraq, in the east by Kuwait, Qatar and the United Arab Emirates, in the south-east by Oman, in the south by Yemen, and is connected to Bahrain by the King Fahd Causeway. Saudi Arabia is the largest country in the Cooperation Council for the Arab States of the Gulf (also known as the Gulf Cooperation Council, or the “GCC”).



Source: General Commission for Survey, Kingdom of Saudi Arabia

The capital city of Saudi Arabia is Riyadh. Saudi Arabia has undergone rapid urbanisation in recent decades, and over 80 per cent. of the population of Saudi Arabia currently lives in cities, with approximately half the population of Saudi Arabia being concentrated in the six largest cities of Riyadh, Jeddah, Makkah, Medina, Ta'if and Dammam. Makkah, the birthplace of the Prophet Muhammad (peace be upon him (“PBUH”)), is home to the Grand Mosque (*al-masjid al-haram*), which surrounds Islam’s holiest site (*al-ka’bah*), which is the direction of Muslim prayer. Medina, the burial place of the Prophet Muhammad (PBUH), is home to the Prophet’s Mosque (*al-masjid an-nabawi*), and is Islam’s second-holiest city after Makkah.

Saudi Arabia has a desert climate with high daytime temperatures and a sharp temperature drop at night. Annual rainfall is very low. The southwest province of Asir is mountainous, and contains Mount Sawda, which, at just over 3,000 metres, is the highest point in Saudi Arabia. In the west of Saudi Arabia, a

geological exposure known as the Arabian-Nubian Shield contains various precious and basic metals such as gold, silver, copper, zinc, lead, tin, aluminium and iron and, mainly in the east of Saudi Arabia, extensive sedimentary formations contain various industrial minerals. Saudi Arabia's deeper sedimentary formations in the eastern part of the country contain most of its proven and recoverable oil reserves.

Population and Demographics

The population of Saudi Arabia is estimated by GASTAT to be 32.6 million as at 31 July 2017, representing growth of 2.6 per cent. as compared to 31.8 million as at 31 July 2016. Saudi nationals comprised 20.4 million, or 62.6 per cent. of the total population, and non-Saudi nationals comprised 12.2 million, or 37.4 per cent. of the total population as at 31 July 2017. Saudi Arabia has a young population, with just over half of Saudi nationals being under the age of 30 and 30.4 per cent. under the age of 15. The following table sets forth Saudi Arabia's population estimates as at 31 July 2017, 2016, 2015, 2014 and 2013, respectively.

	As at 31 July				
	2017	2016	2015	2014	2013
Saudi nationals	20,427,357	20,081,582	20,774,906	20,437,797	20,076,358]
<i>Male</i>	10,404,282	10,231,364	10,571,443	10,404,751	10,225,700
<i>Female</i>	10,023,075	9,850,218	10,203,463	10,033,046	9,850,658
Non-Saudi nationals	12,185,284	11,705,998	10,241,093	9,862,878	9,525,171
<i>Male</i>	8,341,564	8,028,355	7,080,706	6,875,129	6,664,129
<i>Female</i>	3,843,720	3,677,643	3,160,387	2,987,749	2,861,042
Total population	32,612,641	31,787,580	31,015,999	30,300,675	29,601,529
Population growth (annual %)	2.6	2.5	2.4	2.4	2.4

Source: GASTAT

The non-Saudi portion of Saudi Arabia's total population comprises expatriates from neighbouring states as well as significant numbers of expatriates from Asia (mostly from India, Pakistan, Bangladesh, Indonesia, and the Philippines), Europe, the Americas and other countries around the world. The official language of Saudi Arabia is Arabic, although English is widely spoken.

Government and Political System

Saudi Arabia is a monarchy with a political system rooted in the traditions and culture of Islam. The Custodian of the Two Holy Mosques, the King of Saudi Arabia (the "**King**"), is both the head of state and the head of the Government. Royal Decree number A/90 dated 1 March 1992 (the "**Basic Law of Governance**") provides that the Holy Quran and Sunnah (the teachings of the Prophet Muhammad (PBUH)) form the primary sources of law in Saudi Arabia. The Basic Law of Governance specifies that the King must be chosen from among the sons of the founding King, the Late King Abdulaziz bin Abdul Rahman Al Saud ("**King Abdulaziz**"), and their male descendants. In 2006, the Allegiance Council (*hay'at al-bay'ah*) was established, comprising: (a) the surviving sons of King Abdulaziz; (b) one son of each deceased/incapacitated son of King Abdulaziz; and (c) one son of the incumbent King and one son of the incumbent Crown Prince, both appointed by the incumbent King, to determine which member of the royal family will be the next King and the next Crown Prince. The current King, Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud, acceded to the throne on 23 January 2015. The current Crown Prince is His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al Saud, who also holds the positions of Deputy Prime Minister, Minister of Defence, Chairman of the Council for Economic and Development Affairs and Chairman of the Council for Political and Security Affairs.

Saudi Arabia is divided into 13 provinces, each of which has a governor and a provincial council. The provincial councils are empowered to determine the development needs of their respective provinces, make recommendations and request appropriations in the annual budget. Saudi Arabia's 13 provinces comprise Riyadh, Makkah, Medina, the Eastern Province, Asir, Al-Baha, Tabuk, Al-Qassim, Ha'il, Al-Jouf, the Northern Borders, Jizan and Najran. These provinces are further divided into 118 governorates, which are in turn sub-divided into municipalities. Pursuant to the Law of Regulation of Municipalities and Rural Areas,

issued by Royal Decree No. 5/M in 2003, the term of each municipal council is two years and half of the members of any municipal council must be chosen by elections, while the other half are appointed by the Minister of Municipal and Rural Affairs. In 2015, women were allowed to stand for election to, and vote for the members of, the municipal councils.

Council of Ministers (majlis al-wuzara)

The King also holds the position of Prime Minister and presides over the Council of Ministers (*majlis al-wuzara*), which was established by Royal Decree in 1953, and currently comprises the First Deputy Prime Minister, the Second Deputy Prime Minister, 19 Ministers with portfolios and eight Ministers of State. The Council of Ministers is selected by the King and is responsible for, among other things, executive and administrative matters such as foreign and domestic policy, defence, finance, health and education. The King and executive officials at the national, provincial and local levels also hold regular meetings, which are open to members of the public and where members of the public may discuss issues and raise grievances.

In 1974, in accordance with the Law of the Council of Ministers, the Bureau of Experts (formerly known as the Department of Experts) was established to assist the Council of Ministers. The Bureau of Experts is responsible for, among other things, reviewing and studying cases referred to it by the Council of Ministers and its sub-committees, drafting new laws, proposing amendments to existing laws and drafting forms for High Orders, Royal Decrees and Council of Ministers Resolutions, which are then presented to the Council of Ministers for approval.

Consultative Council (majlis al-shura)

In 1992, in conjunction with the promulgation of the Basic Law of Governance, the Law of Provinces (addressing the designation and administration of Saudi Arabia's provinces) and the Law of the Consultative Council (*majlis al-shura*) were introduced. The Consultative Council comprises 150 members, of which at least 20 per cent. must be females. The Chairman, Vice Chairman and General Secretary of the Consultative Council are appointed or removed by the King. The Consultative Council has the authority to draft, review and debate legislation, which is then presented to the Council of Ministers for approval. Legislation approved by the Council of Ministers only acquires the force of law once the King has issued his approval by way of a Royal Decree. However, the Council of Ministers or the relevant government ministry or authority may be delegated the power to enact further executive regulations that govern the implementation of such legislation.

Council for Political and Security Affairs and Council for Economic and Development Affairs

In January 2015, a Royal Order was issued consolidating 12 existing Government councils and commissions under two new councils: (i) the Council for Political and Security Affairs (the "CPSA"); and (ii) the Council for Economic and Development Affairs (the "CEDA"). The formation of the CPSA and the CEDA is intended to promote greater efficiency and productivity in the various branches of the Government and enhance coordination between Government entities, thereby leading to swift decision-making and execution of proposals.

Council for Political and Security Affairs

The CPSA was established in January 2015 and its mandate is to oversee all aspects of Saudi Arabia's political and security affairs, both internally and externally. The CPSA is chaired by the Crown Prince, His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al Saud and its members currently include: the Chairman, the Minister of Interior, the Minister of National Guard, the Minister of Defence, the Minister of Islamic Affairs, Call and Guidance, the Minister of Culture and Information, the Minister of Foreign Affairs, the Minister of Finance, Ministers of State, the Head of the Presidency of National Security, the Counsel of the National Security Center and the Chief of General Intelligence.

Council for Economic and Development Affairs

The CEDA is intended to consolidate a number of relevant governmental institutions in one central organisation to provide a uniform direction for Saudi Arabia's economic growth and development. The CEDA is chaired by the Crown Prince, His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al Saud and its members currently include: the Chairman, the Minister of Justice, the Minister of Finance, the Minister of Energy, Industry and Mineral Resources, the Minister of Labour and Social Development, the Minister of Housing, the Minister of Hajj and Umrah, the Minister of Economy and Planning, the Minister of Commerce and Investment, the Minister of Transportation, the Minister of Communication and Information Technology, the Minister of Municipal and Rural Affairs, the Minister of Health, the Minister of Civil Service, the Minister of Culture and Media, the Minister of Environment, Water & Agriculture, the Minister of Education, four Ministers of State, the Secretary General of the Ministerial Fiscal Committee, the Head of the Bureau of Experts and two other senior officials of the Government. The CEDA is responsible for, among other matters, the implementation and monitoring of Vision 2030 (see "*—Strategy of Saudi Arabia—Vision 2030*").

Recent Restructuring of the Government

As part of the Government's continuing efforts to effect structural reforms in Saudi Arabia's economy and society as envisaged by Vision 2030, and in furtherance of the Government's stated aims of streamlining the functioning of the public sector and aligning its operations more closely with the Government's strategic aims and objectives (see "*Overview of Saudi Arabia—Strategy of Saudi Arabia—Vision 2030*"), the King, through a number of Royal Orders issued in May 2016, implemented numerous changes in the structure of the Government and the allocation of roles and responsibilities between the various Governmental ministries and departments. Some of the significant reforms included:

- the creation of the new Ministry of Energy, Industry and Mineral Resources, which effectively replaces the former Ministry of Petroleum and Mineral Resources but will also now be responsible for all matters relating to energy as well as the industrial development of Saudi Arabia, including the development of the National Industrial Cluster Development Programme as contemplated by Vision 2030;
- the creation of the new Ministry of Environment, Water & Agriculture (the "MEWA"), which effectively replaces, both, the former Ministry of Water and Electricity, with electricity now being part of the newly created Ministry of Energy, Industry and Mineral Resources mentioned above, as well as the Ministry of Agriculture;
- the creation of the new Ministry of Commerce and Investment, which effectively replaces the former Ministry of Commerce and Industry, with industry now being part of the Ministry of Energy, Industry and Mineral Resources mentioned above;
- the combination of the former Ministry of Labour and Ministry of Social Affairs into a single Ministry of Labour and Social Development;
- the creation of two new bodies, the General Authority for Culture and the General Authority for Entertainment, which shall respectively be responsible for promoting the cultural and entertainment-related goals set out in Vision 2030; and
- the former Ministry of Hajj has now been renamed as the Ministry of Hajj and Umrah, while the former Ministry of Islamic Affairs, Endowments, Call and Guidance has been renamed as the Ministry of Islamic Affairs, Call and Guidance.

In addition to the changes described above, a number of other Government institutions, including those related to education and sporting activities, have been created or restructured.

In April 2017, the National Security Center was established pursuant to Royal Decree. The National Security Center is headed by the Counsel of National Security and reports directly to the Royal Court.

In July 2017, a restructuring of the Ministry of the Interior, through a number of Royal Orders, was announced. Such restructuring will result in the establishment of a new government body named the Presidency of National Security that reports directly to the President of the Council of Ministers and to which all departments relevant to national security are expected to be transferred from the beginning of 2018.

Legal and Judicial System

Saudi law is derived from the Basic Law of Governance and legislation enacted in various forms, the most common of which are Royal Orders, Royal Decrees, High Orders, Council of Ministers resolutions, ministerial resolutions and ministerial circulars having the force of law.

Saudi Arabia follows a civil law system. Saudi Arabia's judicial system comprises the general courts, which have general jurisdiction over most civil and criminal cases, and specialised courts covering certain specific areas of law, including a system of administrative courts known as the Board of Grievances, a Specialised Criminal Court, and various adjudicatory or quasi-judicial committees with special jurisdiction over such matters as banking transactions, securities regulation, intellectual property, labour disputes, tax, electricity industry disputes and medical malpractice.

In 2007, the Government announced a restructuring of the judicial system, including the establishment of courts of appeal and a supreme court, as well as the merger of most special adjudicatory committees into the general courts, though exceptions were made for certain adjudicatory committees. The committees that are exempted from the 2007 reforms include the Banking Disputes Committee, the Committee for the Enforcement of the Banking Control Law and the Committee for Resolution of Insurance Disputes and Violations, each of which operates under the aegis of SAMA; the Committee for the Resolution of Securities Disputes, which operates under the aegis of the CMA; and the Committee for Resolution of Custom Duties Disputes. The 2007 reforms also proposed the transfer of jurisdiction over commercial disputes from the Board of Grievances to the general courts. As part of the ongoing restructuring of the judicial system, personal status courts, courts of appeal and a supreme court have already been established; however, disputes of a commercial nature currently remain subject to the jurisdiction of the Board of Grievances.

The Board of Grievances has exclusive jurisdiction to supervise insolvency and bankruptcy proceedings relating to commercial entities and hear claims against Government bodies. Before March 2012, the Board of Grievances also had exclusive jurisdiction to consider the enforcement of foreign judgments and arbitral awards; however, with the enactment of the Enforcement Law in March 2012, this jurisdiction has been transferred to newly-created "Enforcement Departments" staffed by specialised "enforcement judges". The Enforcement Departments may, at their discretion, enforce all or any part of a foreign judgment or arbitral award, subject to certain conditions, which include compliance of such judgment or award with public policy in Saudi Arabia. See "*Risk Factors—Investors may experience difficulty enforcing foreign judgments in Saudi Arabia*" and "*Risk Factors—Arbitration awards relating to disputes under certain of the Transaction Documents may not be enforceable in Saudi Arabia*".

In June 2017, a Royal Order was issued changing the name of the Bureau of Investigation and Public Prosecution to the Public Prosecution and establishing it as an independent government body that reports directly to the King, headed by a general prosecutor.

Foreign Relations and International Organisations

Saudi Arabia's Position in the International Community

As the only Arab nation member of the Group of Twenty (also known as the G-20), an international forum for the governments of 20 major economies, and a founding member of several major international organisations, including the UN and OPEC, Saudi Arabia plays an important role in the global economy and international trade and diplomatic relations. Furthermore, as a founding member of the GCC, the Muslim World League, the Organisation of Islamic Cooperation (the "OIC") and the Islamic Development Bank (each of which is headquartered in Saudi Arabia) as well as the Arab League, Saudi Arabia has also assumed a leadership position among both Arab countries and the broader Muslim world. As the world's largest oil producer (accounting for 13.9 per cent. of the world's total oil production) and the world's largest oil

exporter (accounting for 16.9 per cent. of the world's total oil exports by volume) in the year ended 31 December 2016, according to OPEC's 2017 Annual Statistical Bulletin, Saudi Arabia occupies a central position in OPEC and the world oil markets.

Saudi Arabia is also a member of the IMF, the African Development Bank Group, the Asian Infrastructure Investment Bank and the European Bank for Restructuring and Development (the "**EBRD**"). The EBRD's mandate has recently been expanded to invest and promote private initiatives in certain Arab countries in the Middle East and North Africa region.

Saudi Arabia joined the World Bank Group in 1957, and is one of the larger shareholders of the World Bank among its 189 member countries. In recognition of its contributions to the global economy and international development, Saudi Arabia achieved the status of a 'single-country constituency' on the World Bank's Executive Board (the "**Board**") in 1986. Saudi Arabia is represented at World Bank meetings by its executive director and engages in direct consultations and negotiations with other executive offices with the aim of achieving the World Bank's primary objective of reducing global poverty. From time to time, Saudi Arabia's executive director has served as the chair of the Board's standing committees, and several of the past Saudi executive directors have served as dean of the Board.

Saudi Arabia acceded as a member of the WTO in November 2005, as a result of which the Government has implemented various structural reforms in order to create a more liberal trade regime and business-friendly environment. In addition to the WTO, Saudi Arabia is party to a number of multilateral business and trade related agreements, including the Convention Establishing the Multilateral Investment Guarantee Agency; the Inter-Arab Investment Guarantee Corporation; the UN Guiding Principles on Business and Human Rights; and the Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Saudi Arabia is also party to a number of trade and economic agreements aimed at promoting trade and economic development, including the Arab Economic Unity Agreement; the Arab League Investment Agreement; the League of Arab States Investment and the Agreement on Promotion, Protection and Guarantee of Investments among the Member States of the OIC.

Saudi Arabia plays a key role in the international fight against terrorism. Saudi Arabia is a member and an active participant in a number of international organisations and treaties pertaining to anti-money laundering ("**AML**") and combatting the financing of terrorism ("**CFT**"). For details, see "*Monetary and Financial System—Anti-Money Laundering and Combatting the Financing of Terrorism*". In December 2015, the Government announced the establishment of an intergovernmental military alliance of 34 countries based at a joint command centre in Riyadh, the primary objective of which is to combat terrorist organisations, including Da'esh, in line with UN and OIC initiatives on counter-terrorism.

Saudi Arabia is also a member of the International Chamber of Commerce, the World Intellectual Property Organisation, the Greater Arab Free Trade Area, the International Organisation of Securities Commissions and the Organisation for the Prohibition of Chemical Weapons.

Saudi Arabia has entered into bilateral economic, trade and technical cooperation agreements with 36 countries, which aim to develop economic, trade and technical cooperation and to enable the free inflow of goods, capital, and services and the free movement of individuals and investment between the contracting countries. Saudi Arabia has also entered into Avoidance of Double Taxation Agreements with 34 countries.

In addition, Saudi Arabia contributes significant amounts of development aid to other countries and institutions, including through the Saudi Fund for Development (the "**SFD**"). The SFD extends loans and credit support for the development of a range of projects in many developing countries, particularly in Asia and Africa, with a particular focus on the social infrastructure, agriculture, energy and industry sectors. See "*Balance of Payments and Foreign Trade—Contributions to International Development Institutions and Developing Countries*".

Relations with Gulf Cooperation Council and other Arab countries

The GCC was established on 25 May 1981, comprising Saudi Arabia, Bahrain, Kuwait, Oman, Qatar and the UAE, with the aim of promoting cooperation between the member countries and achieving coordination and

integration across a range of diverse fields. The Secretariat General of the GCC is located in Riyadh, Saudi Arabia. An agreement to achieve economic unification between the countries of the GCC was signed on 11 November 1981 which led, on 1 January 2008, to the creation of a common market in the GCC region. In January 2015 the common market was further integrated, providing for full equality among GCC citizens in government and private sector employment, social insurance and retirement coverage, real estate ownership, capital movement, access to education, health and other social services in all member states. In the year ended 31 December 2016, the GCC countries, as a whole, accounted for SAR 41.0 billion (U.S.\$10.9 billion), or 7.8 per cent., of Saudi Arabia's total imports and SAR 80.6 billion (U.S.\$21.5 billion), or 11.7 per cent., of Saudi Arabia's total exports.

In December 2008, Saudi Arabia, Bahrain, Qatar and Kuwait approved a monetary union agreement (the "**Monetary Union Agreement**") and a statute relating to the new Gulf Monetary Council (the "**Monetary Council Statute**"), which set forth the legal and institutional framework for a proposed monetary union of the relevant member states. The Monetary Union Agreement was ratified and came into force on 27 February 2010, while the Monetary Council Statute became effective on 27 March 2010. The Gulf Monetary Council, which was established in Riyadh, held its inaugural meeting on 30 March 2010. The primary strategic aim of the Gulf Monetary Council is to improve the efficiency of financial services, lower transaction costs and increase transparency in the prices of goods and services, and an essential part of this strategy is the establishment of a GCC central bank followed by a common currency for the countries that have acceded to the Monetary Union Agreement. See "*Monetary and Financial System—GCC Monetary Union*".

In addition to the creation of a common market and a closer economic and social union, the member states of the GCC cooperate on the development of a shared security strategy (see "*Risk Factors—Saudi Arabia is located in a region that has been subject to ongoing political and security concerns*").

Saudi Arabia also maintains strong diplomatic and economic relationships with the other Arab countries outside the GCC. In the year ended 31 December 2016, Arab League countries outside the GCC (comprising Jordan, Iraq, Yemen, Lebanon, Egypt, Syria, Morocco and Sudan) accounted for SAR 16.9 billion (U.S.\$4.5 billion), or 3.2 per cent., of Saudi Arabia's total imports and SAR 32.1 billion (U.S.\$8.56 billion), or 4.7 per cent., of Saudi Arabia's total exports. A number of Arab countries, particularly Egypt, Sudan and Yemen, have also been major beneficiaries of the SFD.

On 5 June 2017, three GCC countries – Saudi Arabia, the UAE and Bahrain – as well as Egypt and Yemen – severed diplomatic ties with Qatar, cut trade and transport links and imposed sanctions on Qatar. The stated rationale for such actions was Qatar's support of terrorist and extremist organisations and Qatar's interference in the internal affairs of other countries. There can be no assurance as to when diplomatic relations will be restored or air, land and sea connections reopened with Qatar.

Relations with other countries and the European Union

Outside the GCC, Saudi Arabia has strong trading and diplomatic relationships with many countries, particularly major economies such as the United States, China, Japan, South Korea, India and a number of states of the European Union including the United Kingdom, Germany and France.

United States

Saudi Arabia and the United States have enjoyed a strong relationship for over 80 years. U.S. businesses have been involved in Saudi Arabia's oil industry since 1933, when Standard Oil of California ("**Socal**"), the predecessor company to Chevron Corporation, won an exploration concession in eastern Saudi Arabia, which was undertaken by its wholly-owned subsidiary, the California Arabian Standard Oil Company ("**CASOC**"). The predecessor companies to Texaco, Exxon and Mobil each subsequently acquired stakes in CASOC, which was renamed as the Arabian American Oil Company ("**Aramco**") in 1948. Although Saudi Arabia completed its buyout of Aramco by 1980, U.S. energy companies continued to maintain extensive business interests in Saudi Arabia and, over time, the relationship between Saudi Arabia and the United States has expanded to a deep commercial alliance extending beyond the hydrocarbons industry to most other sectors of Saudi Arabia's economy, and at present a large number of major U.S. companies, including, among others, General Electric, Honeywell, Bechtel, 3M, Microsoft, The Dow Chemical Company and

Alcoa Inc., have a presence, or are conducting business, in Saudi Arabia across a diverse range of economic sectors. The U.S. Export-Import Bank plays an active role in support of U.S. businesses' investments in Saudi Arabia.

In addition to economic ties, Saudi Arabia and the United States have had a long tradition of sharing common concerns for regional and global security, oil exports and imports and sustainable development. Saudi Arabia has been a key ally of the United States in the Middle East region for the past several decades. Saudi Arabia and the United States are also strong partners in respect of issues of national security and counterterrorism and the defence forces of the two countries regularly participate in joint exercises to advance shared interests in regional security. Furthermore, the two countries have a long history of technical and educational cooperation and support and the Government sponsors a number of scholarship programmes pursuant to which a large number of Saudi citizens receive education and vocational training in the United States (see "*—Education*" below).

On 20 May 2017, the current President of the United States, President Donald J. Trump, made an official visit to Saudi Arabia at the request of King Salman bin Abdulaziz Al Saud. During the two-day visit, the two leaders reviewed the strategic relations between the United States and Saudi Arabia and announced their plan to form a Strategic Joint Consultative Group. It is intended that the Strategic Joint Consultative Group will meet at least once a year in order to strengthen the strategic partnership between the two countries and focus on identifying new areas of cooperation.

In the year ended 31 December 2016, the United States was Saudi Arabia's biggest trading partner in terms of imports and its third biggest trading partner in terms of exports, accounting for SAR 77.7 billion (U.S.\$20.7 billion), or 14.8 per cent., of Saudi Arabia's total imports and SAR 66.1 billion (billion), or 9.6 per cent., of Saudi Arabia's total exports for that year. Saudi Arabia is also the largest U.S. export market in the Middle East.

The courts of the United States may hear certain civil claims against a foreign state for injuries, death or damages as a result of tortious or other acts (inside or outside the U.S.). The U.S. federal courts have exclusive jurisdiction over certain claims against foreign states. Where such exclusive jurisdiction does not exist a foreign state may "remove" any suit brought against it in state courts to the U.S. federal courts.

China

Since the establishment of formal diplomatic relations between Saudi Arabia and China in 1990, economic and political ties between the two countries have developed rapidly. In the year ended 31 December 2016, China was Saudi Arabia's second biggest trading partner in terms of imports and its biggest trading partner in terms of exports, accounting for SAR 75.3 billion (U.S.\$20.1 billion), or 14.3 per cent., of Saudi Arabia's total imports and SAR 79.9 billion (U.S.\$21.3 billion), or 11.6 per cent., of Saudi Arabia's total exports. China's demand for energy has increased significantly over the past two decades as a consequence of its rapid economic growth, resulting in China becoming the world's leading importer of crude oil. As one of the world's leading oil exporters, Saudi Arabia is China's leading source of oil. Saudi Arabia has also become an increasingly important market for Chinese consumer goods, including electronics, textiles and food.

The economic ties between Saudi Arabia and China include significant investments by Saudi Arabia in Chinese oil refineries and, equally, the involvement of Chinese companies in the development of Saudi Arabia's own refineries and natural gas fields. Saudi Arabia has made a number of key investments in China, including through its state-owned companies Saudi Aramco and Saudi Basic Industries Corporation ("**SABIC**") (see "*Economy of Saudi Arabia*"). In January 2016, Saudi Aramco and China Petrochemicals Corporation ("**Sinopec**") also announced their entry into a framework agreement for strategic cooperation to further explore business opportunities in Saudi Arabia's oil and gas industry. Chinese companies have participated in various large-scale projects in Saudi Arabia's health, transportation and construction sectors, including the Haramain High-Speed Rail network connecting Makkah and Medina to King Abdulaziz International Airport and the King Abdullah Economic City. There is also an increasing number of Saudi students and professionals obtaining higher education and/or professional training in China.

Japan

In the year ended 31 December 2016, Japan was Saudi Arabia's fifth biggest trading partner in terms of imports and its second biggest trading partner in terms of exports, accounting for SAR 27.8 billion (U.S.\$7.4 billion), or 5.3 per cent., of Saudi Arabia's total imports and SAR 72.3 billion (U.S.\$19.3 billion), or 10.5 per cent., of Saudi Arabia's total exports. Saudi Arabia is the second largest export market for Japanese goods in the Gulf region and the leading market in terms of exports from the Gulf to Japan. Japanese companies, including leading industrial conglomerates like Sumitomo Corporation, have also made significant investments in Saudi Arabia's energy and refining sector. The Japan Bank for International Cooperation plays an important role in support of Japanese businesses and investments in Saudi Arabia, including in the energy and petrochemicals sectors.

Saudi Arabia and Japan also collaborate in the areas of civil nuclear cooperation, security and combatting terrorism. Given the close economic relationship between the two countries, Japan provides Saudi Arabia with technical expertise and cooperation, and regularly provides training for Saudi professionals in sectors such as communications, broadcasting, mining, and manufacturing. A number of Saudi students are currently studying in Japan under the Government's scholarship programme.

South Korea

Diplomatic relations between Saudi Arabia and South Korea were officially established in 1962, since which time the two countries have worked closely to develop their political, cultural and economic relations. A number of leading South Korean companies are represented in Saudi Arabia, and are engaged in major projects in sectors such as petrochemicals, desalinisation, power plants, industrial manufacturing and trading. In the year ended 31 December 2016, South Korea was Saudi Arabia's sixth biggest trading partner in terms of imports and its fifth biggest trading partner in terms of exports, accounting for SAR 23.3 billion (U.S.\$6.2 billion), or 4.4 per cent., of Saudi Arabia's total imports and SAR 57.4 billion (U.S.\$15.3 billion), or 8.3 per cent., of Saudi Arabia's total exports. Saudi Arabia is also South Korea's largest oil supplier, making up almost one-third of South Korea's total oil imports.

The Export-Import Bank of Korea and the Korea Export Insurance Corporation play an important part in the development of projects, and in supporting South Korean companies' investments, in Saudi Arabia. Saudi Arabia and South Korea are party to a number of bilateral agreements and committees, including the Saudi-Korea Joint Committee, which aims to promote economic cooperation between the two countries. Bilateral cooperation between Saudi Arabia and South Korea in the education sector includes exchange of students and cooperation between the universities of both countries.

India

In the year ended 31 December 2016, India was Saudi Arabia's seventh biggest trading partner in terms of imports and its fourth biggest trading partner in terms of exports, accounting for SAR 19.7 billion (U.S.\$5.2 billion), or 3.7 per cent., of Saudi Arabia's total imports and SAR 63.9 billion (U.S.\$17.0 billion), or 9.3 per cent., of Saudi Arabia's total exports. Saudi Arabia is India's largest supplier of crude oil, accounting for approximately one-fifth of its total requirements. Saudi Arabia is also home to approximately three million Indian expatriates, constituting the largest expatriate community in Saudi Arabia. Saudi Arabia and India entered into a strategic energy partnership in 2006, providing for a reliable and stable volume of crude oil supplies to India through long-term contracts. Major Indian exports to Saudi Arabia include agricultural products, electronic equipment, iron and steel, organic chemicals and consumer goods. A number of Indian companies have established a presence in Saudi Arabia in various sectors, including management and consultancy services, financial services, pharmaceuticals and software development.

Germany

Saudi Arabia is a major export market for Germany, principally in relation to cars and spare parts, pharmaceutical products, and engineering and technological services. In the year ended 31 December 2016, Germany was Saudi Arabia's third biggest trading partner in terms of imports, accounting for SAR 34.3 billion (U.S.\$9.2 billion), or 6.5 per cent., of Saudi Arabia's total imports. In the same year,

Germany also accounted for SAR 1.3 billion (U.S.\$0.3 billion) of exports from Saudi Arabia. The German-Saudi Arabian Liaison Office for Economic Affairs (GESALO), which was established in 1978, is the official representative of German industry and commerce in Saudi Arabia and works closely with the Government and the Saudi Arabian General Investment Authority (“SAGIA”) to further enhance economic ties between the two countries. Major German companies, including, among others, Linde, Siemens and BASF, have set up production facilities in Saudi Arabia and are active across diverse economic sectors in Saudi Arabia.

France

Diplomatic relations between Saudi Arabia and France were officially established in 1926, and the two countries enjoy a strong relationship based on economic relations and shared strategic interests. In the year ended 31 December 2016, France was Saudi Arabia’s eighth biggest trading partner in terms of imports and its fourteenth biggest trading partner in terms of exports, accounting for SAR 18.5 billion (U.S.\$4.9 billion), or 1.8 per cent., of Saudi Arabia’s total imports and SAR 12.6 billion (U.S.\$3.4 billion), or 1.8 per cent., of Saudi Arabia’s total exports. In October 2015, Saudi Arabia and France further strengthened their relationship by signing military, trade and economic cooperation agreements worth approximately EUR 10 billion, which cover a range of sectors including aerospace, construction and naval research.

United Kingdom

Diplomatic ties between the territory that now constitutes Saudi Arabia and the United Kingdom pre-date the formal inception of Saudi Arabia, including cooperation between the United Kingdom and King Abdulaziz in respect of the Treaty of Jeddah in 1927, which recognised Saudi Arabia’s territory. Since then, Saudi Arabia and the United Kingdom have maintained a broad alliance based on shared strategic interests, particularly in defence, security and trade, and a shared commitment to security and stability in the Middle East.

In the year ended 31 December 2016, the United Kingdom was Saudi Arabia’s tenth biggest trading partner in terms of imports, accounting for SAR 12.4 billion (U.S.\$3.3 billion), or 2.4 per cent., of Saudi Arabia’s total imports. In the same year, the United Kingdom also accounted for SAR 5.2 billion (U.S.\$1.4 billion) of exports from Saudi Arabia. A large number of British expatriates reside in Saudi Arabia and major British companies that conduct business in Saudi Arabia include Shell, GlaxoSmithKline, BAE Systems, Rolls Royce and Marks & Spencer. The British Government has also supported the United Kingdom’s involvement in large-scale projects in Saudi Arabia through its export credit agency, UK Export Finance.

A significant number of Saudi students obtain education and vocational training in the United Kingdom, and the Government has established a number of scholarship programmes with the aim of increasing the number of Saudi students in the United Kingdom. In the academic year 2015-16, there were 8,570 Saudi students studying in the United Kingdom according to the UK Higher Education Statistics Authority. The British Council, which has offices and teaching centres in Riyadh, Jeddah and Al-Khobar, promotes education, art, and social initiatives in Saudi Arabia.

European Union

The EU is an important trading partner for Saudi Arabia. Saudi Arabia’s petroleum exports are purchased by most of the EU states, and a number of EU petroleum companies are investors in Saudi Arabia’s economy. Saudi Arabia is also an important market for the import of EU industrial goods in areas such as machinery, chemicals, transportation and automotives. In the year ended 31 December 2016, EU countries, as a whole, accounted for SAR 136.6 billion (U.S.\$36.4 billion), or 26.0 per cent., of Saudi Arabia’s total imports and SAR 75.5 billion (U.S.\$21.7 billion), or 11.8 per cent., of Saudi Arabia’s total exports.

Saudi Arabia’s diplomatic and economic relationship with the EU is also framed within its membership of the GCC. The EU established bilateral relations with GCC countries through a cooperation agreement in 1988, which provides for annual joint councils/ministerial meetings between EU and GCC foreign ministers, and for joint cooperation committees at senior official level.

Employment

As at 31 December 2016, the total Saudi labour force was 13.6 million, of which 11.3 million, or 83.6 per cent., were male and 2.2 million, or 16.4 per cent., were female. Saudi nationals in the age group from 25 to 39 years constituted 55.8 per cent. of the Saudi labour force as at 31 March 2017.

The following table sets forth selected statistics relating to the labour force in Saudi Arabia as at 31 December 2016, 2015 and 2014, respectively.

	As at 31 December								
	2016			2015			2014		
	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total
Total labour force ⁽¹⁾ ..	5,877,677	7,690,746	13,568,423	5,623,115	6,541,717	12,164,832	5,577,489	6,161,814	11,739,303
Male	4,547,809	892,815	11,345,740	4,390,322	5,753,072	10,143,394	4,379,347	5,510,444	9,889,791
Female	1,329,868	6,797,931	2,222,683	1,232,793	788,645	2,021,438	1,198,142	651,370	1,849,512
Total employed persons	3,061,397	10,883,335	13,944,732	4,976,105	6,508,551	11,484,656	4,926,184	6,141,489	11,067,673
Male	2,042,114	9,893,532	11,935,646	4,159,744	5,735,735	9,895,479	4,120,467	5,496,822	9,617,289
Female	1,019,283	989,803	2,009,986	816,361	772,816	1,589,177	805,717	644,667	1,450,384
Total out of labour force ⁽²⁾	8,405,967	1,749,117	10,155,084	8,372,985	1,979,707	10,352,692	7,967,221	2,009,037	9,976,258
Male	2,571,475	277,404	2,848,879	2,540,309	383,761	2,924,070	2,368,601	390,129	2,758,730
Female	5,834,492	1,471,713	7,306,205	5,832,676	1,595,946	7,428,622	5,598,620	1,618,908	7,217,528
Total civil service employees	1,177,824	66,987	1,244,811	1,178,033	70,025	1,248,058	1,168,586	72,162	1,240,748
Male	703,671	33,895	737,566	709,256	35,064	744,320	717,629	36,125	753,754
Female	44,153	33,092	507,245	468,777	34,961	503,738	450,957	36,037	486,994
Total unemployment rate (%)	12.3	0.5	5.6	11.5	0.5	5.6	11.7	0.3	5.7
Male	5.9	0.4	2.6	5.3	0.3	2.4	5.9	0.2	2.8
Female	34.5	1.6	21.3	33.8	2.0	21.4	32.8	1.0	21.6

Source: GASTAT

Note:

(1) Excluding members of the military.

(2) The out of labour force figures for 2016 are as at 30 June 2016.

The following table sets forth a breakdown of the employees in Saudi Arabia's labour force by sector as at 31 December 2015, 2014 and 2013, respectively.

	As at 31 December								
	2015			2014			2013		
	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total
Public administration and defence	1,765,115	25,718	1,790,833	1,764,129	16,289	1,780,418	1,779,211	40,300	1,819,511
Wholesale and retail trade	232,756	1,357,520	1,590,276	278,459	1,328,182	1,606,641	268,696	1,409,062	1,677,758
Education	1,223,649	165,611	1,389,260	1,164,102	143,689	1,307,791	1,125,246	140,017	1,265,263
Construction	125,802	1,230,727	1,356,529	130,435	1,286,265	1,416,700	137,497	1,380,133	1,517,630
Household activities ..	6,599	1,076,334	1,082,933	7,331	845,997	853,328	2,901	927,545	930,446
Manufacturing	186,725	757,808	944,533	188,895	606,836	795,731	146,587	613,564	760,151
Agriculture	241,434	459,056	700,490	236,622	345,736	582,358	226,849	250,561	477,410
Health and social work	352,420	201,589	554,009	342,000	268,272	610,272	292,139	188,284	480,423
Other	841,605	1,234,188	2,075,793	814,211	1,300,223	2,114,434	738,001	1,062,530	1,800,531
Total	4,976,105	6,508,551	11,484,656	4,926,184	6,141,489	11,067,673	4,717,127	6,011,996	10,729,123

Source: GASTAT

The overall unemployment rate in Saudi Arabia (with respect to all nationalities) as at 31 December 2016 was 5.6 per cent., comprising an unemployment rate of 2.6 per cent. among males and 21.3 per cent. among females. The overall unemployment rate for Saudi nationals as at 31 December 2016 was 12.3 per cent., comprising an unemployment rate of 5.9 per cent. among Saudi males and 34.5 per cent. among Saudi females.

In light of the growing Saudi population, one of the Government's key objectives is to accommodate more Saudi citizens in the workforce and, over the past several years, the Government has been focused on taking measures to equip Saudi citizens with the skills required to become an effective part of the domestic workforce. These measures include the establishment of the Human Resources Development Fund in 2000, the key objective of which is to invest in the development of Saudi Arabia's workforce, particularly in the private sector. In cooperation with the GOSI, the Human Resources Development Fund and the General Organisation for Technical and Vocational Training, the Ministry of Labour and Social Development has formulated a strategy that is centred on five main strands: sustainable job creation in the private sector; skill development; managing the Saudi/expatriate balance; providing the fundamental mechanisms for a healthy labour market; and improving social protection. One of the initiatives that has been launched is "Women in Retail", a programme aimed at increasing the number of employed women in the economy, particularly in the retail sector. This initiative fits into a broader series of initiatives that have enabled Saudi Arabia to increase the employment of women over the past few years, particularly in the private sector where female employment growth is significantly outpacing male employment growth, and also to create opportunities for the high proportion of women completing higher education in Saudi Arabia (see "*Education*" below). This initiative, along with other initiatives, helped raise female employment in the private sector from 55,618 Saudi women as at 31 December 2010 to 550,651 as at 31 December 2016.

Vision 2030 also places great emphasis on providing Saudi citizens with the necessary training and skills required for becoming an effective part of the workforce, in particular increasing the participation of Saudi citizens in the private sector, and it is anticipated that further initiatives will be launched to further these aims.

Saudisation

In light of the Government's objective to better accommodate Saudi nationals in the work force, and in particular to encourage them to join the private sector, the Government has supported a number of initiatives to achieve these results, and towards this end the Ministry of Labour and Social Development has implemented the Saudi nationalisation scheme, or "*Saudisation*". Saudisation is intended to promote the employment of Saudi nationals in the private sector, which has traditionally been dominated by expatriate workers from Asia, Europe and other Arab countries. Current Saudisation requirements vary significantly depending on the relevant sector and the size of the employer. For example, entities engaging in wholesale and retail activities are required to maintain a Saudisation level of 10 to 25 per cent., depending on the size of the employer, whereas entities engaging in construction activities are required to maintain a Saudisation level of 5 to 7 per cent., depending on the size of the employer.

In June 2011, the former Ministry of Labour (now the Ministry of Labour and Social Development) introduced the *nitaqat* scheme, which categorises private businesses into four categories, depending on their Saudisation level and total number of employees. Under the *nitaqat* scheme, businesses receive incentives or penalties depending on the category that they belong to, particularly in relation to visa applications, transfers and renewals. The Ministry of Labour and Social Development has also introduced the *hafiz* programme for supporting Saudi job-seekers, which provides various employment channels to enable the private sector to hire qualified Saudi nationals. In 2015, the Labour Law was amended to enable the Ministry of Labour and Social Development to further encourage compliance by employers with the applicable Saudisation requirements.

Education

The education system in Saudi Arabia is under the jurisdiction of the Ministry of Education. According to figures published by SAMA, there were 5.4 million students enrolled in general education in Saudi Arabia during the academic year 2015/2016, comprising 2.8 million primary school students, 1.3 million intermediate school students, and 1.3 secondary school students. During the academic year 2015/2016, there were 28,393 schools in Saudi Arabia, of which 14,368 were boys' schools and 14,025 were girls' schools. During the academic year 2015/2016, there were 482,780 teachers at all levels of general education, of whom 229,044 were male and 253,736 were female.

During the academic year 2015/2016, there were 1.6 million students enrolled in higher education in Saudi Arabia, of whom 51.1 per cent. were male and 48.9 per cent. were female, and higher education institutes employed 79,784 teaching staff. During the academic year 2015/2016, the number of Saudi students studying overseas was 208,470, of which 85.3 per cent. were on a Government scholarship programme.

Total Government expenditure on education and training is budgeted at SAR 200.3 billion (U.S.\$53.4 billion) in the fiscal year 2017, a decline of 5.7 per cent. compared to actual expenditure of SAR 212.4 billion (U.S.\$56.6 billion) in the fiscal year 2016. See “*Public Finance*”.

In 2005, the Late King Abdullah bin Abdulaziz Al Saud launched the King Abdullah Scholarship Programme (the “**KASP**”), with the aim of increasing the number of Saudi students in the United States. The scope of the KASP was later broadened to cover a larger number of academic specialisations and countries, including the United Kingdom, Australia, and Canada. As at 31 December 2016, over 200,000 Saudi nationals have obtained degrees from more than 30 countries under KASP. In the Government’s budget for the fiscal year ending 2017, SAR16.5 billion (U.S.\$4.4 billion) was allocated to fund Saudi citizens living abroad for education purposes, including the scholars and their dependents and guardians.

King Abdullah University of Science and Technology (“**KAUST**”) was established in 2009 in the Western Region of Saudi Arabia as a private international graduate research university aiming to advance science and technology through interdisciplinary research, education and innovation. Students at KAUST conduct research to address challenges of global importance, including in the areas of water, food, energy and the environment. KAUST has formed partnerships with several prestigious educational institutions around the world, including Stanford, Berkeley, Cornell, Harvard and Caltech Universities in the United States, and Oxford University, Cambridge University and Imperial College in the United Kingdom.

Princess Nourah bint Abdulrahman University (“**PNU**”) is a public women’s university, with its principal campus located in Riyadh and smaller campuses in other cities, including Al-Kharj, Shagra and Huraymila. PNU offers a wide range of undergraduate and postgraduate academic programmes through its College of Humanities, College of Science, College of Medicine and College of Community. PNU was ranked in the top 100 universities in the Arab World for 2016 by QS World University Rankings.

Healthcare

Saudi Arabia has a national healthcare system in which the Government provides free healthcare services to its citizens through a number of Government agencies. There is also a growing role and increased participation from the private sector in the provision of healthcare services, and the participation of the private sector in the healthcare system is one of the key features of Vision 2030 and the NTP 2020 (see “—*Strategy of Saudi Arabia*” below). The Ministry of Health is responsible for the management, planning, financing and regulation of the healthcare sector in Saudi Arabia. The Ministry of Health also regulates healthcare related activities carried out by the private sector.

In April 2009, the Government approved a ten-year strategic healthcare plan for 2010 to 2020. The plan aimed to establish specialised treatment centres in each of the regions of Saudi Arabia, including the construction of four medical cities in the north, the south, the east and the west of Saudi Arabia, respectively, in addition to the existing King Fahd Medical City in the central region. Pursuant to the strategic plan, King Abdullah Medical City in Makkah has commenced operations, whilst Prince Mohamed Medical City in Al-Jouf, King Faisal Medical City in Abha and King Khalid Medical City in the Eastern Province are currently under construction. King Fahd Specialist Hospital in Dammam is currently serving as the tertiary care centre for the Eastern Province until the construction of King Khalid Medical City is completed.

The strategic healthcare plan also includes goals to improve the quality of healthcare services, increase the workforce in the healthcare industry, establish the Ministry of Health’s supervisory role and diversify the sources of healthcare funding. As it aims to increase healthcare capacity, the Government has also emphasised the provision of healthcare services by the private sector, by offering financial incentives to attract private-sector investment in its healthcare sector. Since 2009, various initiatives have been implemented as part of the strategic healthcare plan, including the development of a leadership programme for healthcare professionals, as well as the introduction of training programmes relating to medical risks. The

number of health care centres increased by 10.9 per cent. between 2009 and 2013, and the Government is continuing to focus on the development of a Saudi health workforce through the introduction of a number of medical, nursing and health schools, along with the development of a new scholarship programme to train Saudi medical staff abroad in leading institutions.

The Government's budgeted expenditure on health and social development for the fiscal year 2017 is SAR 120.4 billion (U.S.\$32.1 billion), or 13.5 per cent. of total budgeted Government expenditure, an increase of 2.0 per cent. compared to actual expenditure of SAR 118.0 billion (U.S.\$31.5 billion), or 14.2 per cent. of total Government expenditure, in the fiscal year 2016. In the fiscal year 2016, the Government's expenditure on health and social development increased by 32.9 per cent. as compared to SAR 88.8 billion (U.S.\$23.7 billion) in the fiscal year 2015.

According to data published by the Ministry of Health, as at 31 December 2016 there were 470 hospitals operating in Saudi Arabia, compared to 462 as at 31 December 2015. Of these, 274 were operated by the Ministry of Health, 44 by other Government entities and 152 by the private sector. As at 31 December 2016, there were 5,079 health centres and dispensaries in Saudi Arabia, compared to 4,952 as at 31 December 2015.

Environment

Saudi Arabia's sustained period of rapid economic growth over the past few decades has been accompanied by high rates of population growth and increasing pressure on the country's natural resources. The potentially adverse environmental impact of unregulated economic growth has been recognised in the Government's recent Development Plans, which have emphasised the importance of achieving sustainable development through the conservation and prudent management of its natural resources. The eighth, ninth and tenth Development Plans have focused on protecting the environment and developing suitable systems consistent with sustainable development.

Given the relative size and importance of the hydrocarbon sector in Saudi Arabia's economy and its potential impact on the environment, Saudi Aramco, as the principal entity responsible for managing Saudi Arabia's oil and gas assets, places a high priority on its sustainable development policies as well as on environmental performance enhancements across Saudi Arabia's entire hydrocarbon sector. For additional information in relation to Saudi Aramco's environmental policies, see *"Economy of Saudi Arabia—Oil and Gas—Environment"*.

As part of the recent restructuring of the Government, the MEWA was created (succeeding the former Ministry of Agriculture as well as the Ministry of Water and Electricity) with responsibility for, among other matters, protecting and improving the quality of the environment. The MEWA also supervises the General Authority of Meteorology and Environment and the Saudi Wildlife Authority ("SWA"). Environmental protection in Saudi Arabia is regulated under the General Environmental Law (the "**Environmental Law**"), enacted by Royal Decree No. M/34 dated 16 October 2001 and its implementing regulations. The Environmental Law operates as a general regulatory framework for the development and enforcement of domestic environmental rules and regulations.

The General Authority of Meteorology and Environment works in close cooperation and partnership with several other ministries and governmental institutions, such as the MEWA, particularly with respect to uses of rangelands, agricultural lands, water resources, wildlife and national parks, the Ministry of Energy, Industry and Mineral Resources, particularly with respect to the proper geographical location of industries to give due consideration to environmental aspects, the Ministry of Municipality and Rural Affairs, which carries out many activities pertaining to urban services, and the Royal Commission for Jubail and Yanbu (the "**RCJY**").

The SWA is responsible for the conservation and development of wildlife in Saudi Arabia. SWA currently manages 15 protected areas, covering about 85,000 square km, or approximately four per cent. of Saudi Arabia's land area. The SWA has also established two wildlife research centres: the Prince Saud al-Faisal Wildlife Research Centre and the King Khaled Wildlife Research Centre.

Strategy of Saudi Arabia

Vision 2030

In April 2016, the Government announced its new strategy, known as “Vision 2030”, which sets forth a comprehensive agenda of socio-economic reforms with the aim of achieving fundamental economic, social and structural changes in Saudi Arabia by the year 2030. Vision 2030 is based upon three fundamental existing strengths of Saudi Arabia: (i) its importance in the Arab and Islamic world; (ii) its leading investment capabilities; and (iii) its unique strategic geographical location with the ability to connect the three continents of Asia, Europe and Africa.

The key objectives of Vision 2030 include the diversification of Saudi Arabia’s economy and decreased reliance upon oil-related revenues through, among other measures, the transformation of Saudi Aramco from an oil-producing company into a global industrial conglomerate and the transformation of the Public Investment Fund (the “PIF”) into a sovereign wealth fund. The Government expects to transfer ownership of Saudi Aramco to the PIF, and the PIF will continue to assist the private sector with the establishment of capital intensive projects. In addition, Vision 2030 aims to reform Government services to increase transparency and accountability, as well as to expand the variety and scope of digital services offered by the Government in order to improve efficiency and reduce bureaucracy.

Vision 2030 focuses on three broad themes, each of which aims to capitalise on Saudi Arabia’s existing strengths in its society, culture, heritage and economy. The three themes highlighted in Vision 2030 are Societal Development, Economic Reform and Effective Governance.

The Council of Ministers has delegated to the CEDA the overall responsibility for establishing and monitoring the measures required for the effective implementation of Vision 2030, and the CEDA has in turn established an integrated governance model to implement detailed programmes to attain the desired results. For details on the several initiatives that have already been launched, or are anticipated to be launched in connection with the implementation of Vision 2030, see “—*Implementation of Vision 2030*” below. One of the key executive programmes that was launched in June 2016 in connection with the implementation of Vision 2030 is NTP 2020, which sets forth the objectives and detailed methodology, including clearly identified goals and targets, that are sought to be achieved in connection with the implementation of Vision 2030. For details on NTP 2020, see “—*The National Transformation Programme 2020*” below.

The Fiscal Balance Programme, launched in December 2016 in connection with the implementation of Vision 2030, is another key executive programme and sets forth objectives and measures aimed at achieving a balanced budget by 2020. In April 2017, CEDA, in connection with the implementation of Vision 2030, launched ten new executive programmes, which, in addition to the NTP 2020 and the Fiscal Balance Programmes, are known as the Vision 2030 realisation programmes (see “*Implementation of Vision 2030*” below).

Societal Development

This theme focuses on individual and societal development and aims to promote national unity and values. The various measures and objectives envisaged under this theme include the following:

- A significant increase in Saudi Arabia’s capacity to accommodate Umrah visitors, as well as the restoration and international registration of a number of national, Arab, Islamic and ancient cultural sites, which is intended to increase their visibility and accessibility to visitors.
- The development of cultural and entertainment activities within Saudi Arabia, with dedicated venues being established for this purpose.
- Recognition of the importance of youth development and the critical role that the family unit plays in such development. To this end, measures will be implemented which will seek to encourage parents to be actively engaged in school activities and the education of their children.
- An increase in the capability, efficiency and productivity of healthcare services in Saudi Arabia by promoting competition and transparency among providers. To achieve this goal, the Government

intends to introduce corporatisation into the healthcare sector by transferring the responsibility for healthcare provision to a network of public companies that will compete both with each other and with the private sector.

Economic Reform

This theme focuses on an ambitious programme of economic reform. The various measures envisaged under this theme include the following:

- Recognising the need for high quality education that is responsive to the needs of Saudi Arabia's economy. To this end, the Government has launched the National Labour Gateway (*taqat*), and intends to establish sector councils to determine the skills and knowledge required by each socio-economic sector, with the aim of equipping Saudi citizens with the skill-set required to become an effective part of the workforce, in particular the private sector, and thereby lowering Saudi Arabia's unemployment rate and encouraging women's participation in the workforce.
- While acknowledging that the oil and gas industry is an essential pillar of Saudi Arabia's economy, emphasising the need for economic diversification. This is expected to be achieved through various measures, including privatisation initiatives, the development of Saudi Arabia's investment vehicles and an emphasis on the manufacturing sector (including manufacturing of military equipment to meet a substantial portion of its defence needs).
- Establishing an authority for small and medium size enterprises to encourage young entrepreneurs and introduce business-friendly regulations, easier access to funding and to encourage a greater share of national procurement and Government bids.
- Targeting a significant increase in the contribution of the mining sector to Saudi Arabia's economy, through a number of measures, including implementation of structural reforms that will stimulate private sector investment in the mining industry.
- Envisaging the diversification of Saudi Arabia's sources of energy and implementing a legal and regulatory framework to encourage the private sector to invest in the renewable energy sector.
- Emphasising the development of the retail sector by attracting both domestic and international investors, as well as by easing restrictions on ownership and foreign investment and through encouraging financing of small retail enterprises to stimulate growth, thereby expanding the opportunities for e-commerce and the creation of additional employment opportunities in the retail sector. See "*—Economy of Saudi Arabia—Foreign Investment*".
- Promoting Saudi Arabia as a logistical hub by strengthening interconnectivity and economic integration of infrastructure, both domestically and internationally, and developing Saudi Arabia's telecommunications and information technology infrastructure.

Effective Governance

This theme focuses on building an effective, transparent and accountable Government, and the need for the Government to adopt world-class standards of transparency, efficiency and accountability. The various measures envisaged under this theme include the following:

- the regular review and publication of the Government's goals, plans and performance, with the aim of increasing transparency and enabling monitoring of progress through performance and project management programmes.
- the expansion of "smart" Government services such as interactive and online Government portals, with the aim of achieving global leadership in e-government.
- offering training programmes for Government employees and provision of ongoing professional development and training with the aim of increasing productivity.

- increasing the efficiency of Government spending. To this end, a comprehensive review of financial regulations across Government agencies is currently being undertaken.

Implementation of Vision 2030

The Government has already launched a number of programmes that seek generally to achieve the aims and objectives of Vision 2030, which include the following:

- *The Government Restructuring Programme:* This programme has, to date, included the consolidation of a number of existing Government ministries under two newly-formed councils, the CPSA and the CEDA, with the intention of promoting greater efficiency and productivity between the various branches of Government and greater coordination between the respective ministries (see “*Overview of Saudi Arabia—Government and Political System—Council for Security and Political Affairs and Council for Economic and Development Affairs*”). A restructuring of various Governmental ministries and departments has also taken place (see “*Overview of Saudi Arabia—Government and Political System—Recent Restructuring of the Government*”).
- *The Fiscal Balance Programme:* This programme involves reviewing Saudi Arabia’s existing capital expenditure, including the approval mechanisms relating to such expenditure, and its measurable economic impact. This programme envisages that further measures will be introduced with the aim of achieving economic diversification and fiscal consolidation. The Fiscal Balance Programme sets forth objectives and measures for the achievement of a balanced budget by 2020.
- *The National Transformation Programme:* This programme was launched by the Government in June 2016 and establishes strategic objectives that are based on Vision 2030 and addresses various challenges involved in the implementation of Vision 2030 in accordance with the specified methodology and targets. As a result of the launch of the Vision 2030 realisation programmes, the Government is re-examining the scope of the NTP 2020 in order to eliminate overlaps between the NTP 2020 and other programmes and ensure that the NTP 2020 continues to meet the overall objectives of Vision 2030. For further details in respect of NTP 2020, see “*—The National Transformation Programme 2020*” below.
- *The Regulations Review Programme:* This programme includes the review and update of several of Saudi Arabia’s existing laws and regulations, in order to ensure that they accord with Saudi Arabia’s stated goals and priorities. Such laws have included, among others, laws relating to companies, non-governmental organisations, fees on unused land and the General Authority for Endowments.
- *Enriching the Hajj and Umrah Experience Programme:* This programme aims to increase the number of people performing Hajj and Umrah including through the development of further infrastructure to support increased participation in Hajj and Umrah.
- *Lifestyle Improvement Programme:* This programme aims to increase participation in cultural, environmental and sporting activities.
- *National Companies Promotion Programme:* This programme aims to incentivise the growth and efficiency of a number of the most promising small and medium sized national companies and to create new job opportunities.
- *National Industrial Development Logistics Programme:* This programme aims to position Saudi Arabia as a logistics hub that benefits from its location at the intersection of three continents through improving infrastructure and developing logistics services.
- *The Housing Programme:* This programme aims to facilitate increased private home ownership through the development of the residential and construction sectors.

- *Public Investment Fund Programme:* This programme envisages the refinement of the PIF's investment capabilities, enabling it to manage a broader portfolio of assets with the aim of transforming the PIF into an active sovereign wealth fund (see "*Public Finance—Public Investment Fund*").
- *Strategic Partnerships Programme:* This programme aims to build and deepen strategic economic partnerships with selected countries that have the capacity to contribute to Vision 2030. It aims also to build partnerships in the Gulf Cooperation Council (GCC) and the region by facilitating the movement of people, goods and capital.
- *Financial Sector Development Programme:* This programme aims to increase the size, depth, and development of Saudi Arabia's capital markets, improve operators and users' experiences as well as the status of Saudi Arabian capital markets regionally, with the aim of making Saudi Arabia's capital markets the primary market in the Middle East and one of the most respected markets internationally. The programme aims to help create an advanced market that attracts local and foreign investors, which enables it to take on a pivotal role in developing the national economy and diversifying sources of income.
- *Privatisation Programme:* This programme aims to identify sectors suitable for privatisation and to implement a comprehensive privatisation programme.

In addition to the programmes outlined above, each of which have already been initiated and are at various stages of implementation, the Government is proposing to launch additional programmes that are intended to assist in achieving the aims of Vision 2030. These programmes include the Saudi Aramco Strategic Transformation Programme, a programme that envisages the transformation of Saudi Aramco from an oil-producing company into a global industrial conglomerate (see "*Economy of Saudi Arabia—Oil and Gas—Saudi Aramco*").

National Transformation Programme 2020

The NTP 2020 was launched in June 2016 across 24 governmental bodies operating in the economic and development sectors. At the time of its launch, the NTP 2020 included 16 ministries (including all the ministries represented in the CEDA) as well as eight governmental organisations closely connected with the overall objectives of Vision 2030 (such as the SCTH, the RCJY, SAGIA and the King Abdulaziz City for Science and Technology, among others).

NTP 2020 seeks to identify both the strategic objectives, as well as the challenges, involved in the implementation of Vision 2030, followed by the launch of specific initiatives and the attainment of well-defined goals to be achieved by each Government entity covered by NTP 2020. At the time of its commencement, a total of 543 initiatives (with 346 targets to be achieved) were approved for launch during 2016, and the NTP 2020 anticipated that the Government would spend approximately SAR 268.4 billion (U.S.\$71.6 billion) on these initiatives through to the year 2020. As a result of the launch of the Vision 2030 realisation programmes, the Government is re-examining the scope of the NTP 2020 in order to eliminate overlaps between the NTP 2020 and other programmes and ensure that the NTP 2020 continues to meet the overall objectives of Vision 2030.

One of the key features of NTP 2020 is maximising the private sector's participation in attaining the goals of NTP 2020, thereby reducing the costs to be borne by the Government and enhancing the financial and developmental returns from NTP 2020.

The CEDA has established procedures and processes for the transparent and effective implementation of the initiatives contained in NTP 2020, including comprehensive and ongoing performance measurement mechanisms to enable the supporting agencies, such as the newly created National Centre for Performance Measurement and the Delivery Unit, to evaluate performance and recommend adjustments and corrective action where required.

ECONOMY OF SAUDI ARABIA

Overview

According to the World Bank, Saudi Arabia had the twentieth largest economy in the world and the largest economy in the GCC region in the year ended 31 December 2016. Saudi Arabia's economy accounted for 47.5 per cent. of the combined nominal GDP of the GCC countries and 20.8 per cent. of the combined nominal GDP of the countries in the MENA region in the year ended 31 December 2016.

Based on preliminary figures for 2016, Saudi Arabia's real GDP (based on constant 2010 prices) was SAR 2,589.6 billion (U.S.\$690.5 billion) in the year ended 31 December 2016, representing growth of 1.7 per cent. in real terms as compared to real GDP of SAR 2,545.2 billion (U.S.\$678.7 billion) in the year ended 31 December 2015, which itself represented growth of 4.1 per cent. in real terms as compared to real GDP of SAR 2,444.8 billion (U.S.\$652.0 billion) in the year ended 31 December 2014. Saudi Arabia's nominal GDP was SAR 2,424.1 billion (U.S.\$646.4 billion) in the year ended 31 December 2016, as compared to nominal GDP of SAR 2,453.5 billion (U.S.\$654.3 billion) in the year ended 31 December 2015, and compared to nominal GDP of SAR 2,836.3 billion (U.S.\$756.4 billion) in the year ended 31 December 2014. According to data published by the World Federation of Exchanges as at 30 June 2017, the Saudi Stock Exchange (Tadawul) Company (the "Tadawul") is the largest stock exchange in the MENA region in terms of market capitalisation, and is also one of the most diversified.

According to OPEC's 2017 Annual Statistical Bulletin, Saudi Arabia possessed the world's second largest proven oil reserves (accounting for 17.8 per cent. of the world's total oil reserves) as at 31 December 2016, and was the world's largest oil producer (accounting for 13.9 per cent. of the world's total oil production) and the world's largest oil exporter (accounting for 16.9 per cent. of the world's total oil exports by volume) in the year ended 31 December 2016. At Saudi Arabia's current production levels of 10.5 million bpd on average in the year ended 31 December 2016, and without taking into consideration the discovery of additional reserves or developments in the oil production process, Saudi Arabia's oil reserves of 266.2 billion barrels will last for approximately another 70 years. Since oil was first discovered in Saudi Arabia in 1938, Saudi Arabia's economy has expanded rapidly, principally due to the revenues generated from the export of crude oil and related products. While the oil industry has historically dominated, and continues to be the largest part of, Saudi Arabia's economy, for the past several years Saudi Arabia has also been concentrating on the diversification of its economy. These efforts have gained special importance in light of the onset in mid-2014 of the current low oil price environment. Based on preliminary figures for 2016, the non-oil sector of the economy contributed 74.1 per cent. and 72.1 per cent. to Saudi Arabia's nominal GDP in the years ended 31 December 2016 and 2015, respectively, and grew by 0.2 per cent. and 3.2 per cent. in real terms in the same time periods, with part of such growth being attributable to growth of 0.1 per cent. and 3.4 per cent. in real terms in the non-oil private sector in the years ended 31 December 2016 and 2015, respectively. Furthermore, the prioritisation by the Government of the non-oil private sector, which is a key element of the Government's economic diversification policy, resulted in the non-oil private sector contributing 50.6 per cent. and 49.5 per cent. to the nominal GDP of Saudi Arabia for the years ended 31 December 2016 and 2015, respectively.

The following table sets forth selected economic indicators for Saudi Arabia as at, and for each of the years ended, 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	As at, and for the year ended, 31 December				
	2016	2015	2014	2013	2012
	<i>(SAR billions, unless otherwise indicated)</i>				
Population (millions) ⁽¹⁾	31.79	31.02	30.30	29.60	28.89
GDP at current prices	2,424.1	2,453.5	2,836.3	2,799.9	2,759.9
GDP at constant prices (2010=100)	2,589.6	2,545.2	2,444.8	2,358.7	2,296.7
Oil sector GDP at current prices	601.1	659.7	1,197.4	1,290.8	1,376.6
Oil sector GDP at constant prices (2010=100)	1,140.0	1,098.7	1,043.7	1,022.4	1,039.4
Inflation rate (%)	3.5	2.2	2.7	3.5	2.9
Aggregate money supply (M3)	1,787.4	1,773.3	1,729.4	1,545.2	1,393.8
Total Government revenues ⁽²⁾	519.4	612.7	1,044.4	1,156.4	1,247.4
Oil sector revenues ⁽²⁾	333.7	446.4	913.3	1,035.0	1,114.8
Total Government expenditures ⁽²⁾	830.5(3)	978.1	1,109.9	976.0	873.3
Budget surplus/(deficit) ⁽²⁾	(311.1)	(365.4)	(65.5)	180.3	374.1
Ratio of budget surplus/(deficit)					
to nominal GDP (%)	(12.8)	(14.9)	(2.3)	6.4	13.6
Current account surplus/(deficit)	(103.3)	(212.7)	276.6	507.9	617.9
Ratio of current account surplus/(deficit)					
to nominal GDP (%)	(4.3)	(8.7)	9.8	18.1	22.4
Closing price of Tadawul All-Share Index	7,210.4	6,912	8,333	8,536	6,801
Ratio of public debt to nominal GDP (%).....	13.1	5.8	1.6	2.2	3.0
Per capita GDP at current prices (U.S.\$).....	20,336	21,095	24,962	25,223	25,471
Per capita GDP at constant prices (U.S.\$) (2010=100)	21,724	21,883	21,516	21,248	21,196

Source: SAMA, GASTAT

Notes:

- (1) Population estimates are as at 31 July in each respective year.
- (2) Government budget data is in respect of the 12-month period ended on 30 December of each respective year.
- (3) This figure excludes an expenditure amount of SAR 105.0 billion (U.S.\$28.0 billion) relating to settling due payment from prior years, including late due payments, and expenditure funded by the surplus.

The oil sector continues to constitute the largest portion of Saudi Arabia's economy. Saudi Aramco, the state-owned oil company of Saudi Arabia, is the principal producer of oil and natural gas in Saudi Arabia. According to figures published by the Ministry of Energy, Industry and Mineral Resources, Saudi Arabia's crude oil and condensate reserves stood at 266.2 billion barrels as at 31 December 2016. The oil sector accounted for 44.0 per cent. and 43.2 per cent. of Saudi Arabia's real GDP and 24.8 per cent. and 26.9 per cent. of Saudi Arabia's nominal GDP in the years ended 31 December 2016 and 2015, respectively, while oil revenues accounted for 64.2 per cent. and 72.9 per cent. of total Government revenues in the fiscal years 2016 and 2015, respectively. Oil exports accounted for 74.2 per cent. of Saudi Arabia's total export earnings in the year ended 31 December 2016.

The following table sets forth the yearly average OPEC Reference Basket price (a weighted average of prices per barrel for petroleum blends produced by the OPEC countries) and the price per barrel of Arabian Light Crude Oil (which is one of the types of crude oil produced by Saudi Aramco and constitutes part of the OPEC Reference Basket) in each of the years indicated.

	Year ended 31 December									
	2016	2015	2014	2013	2012	2011	2010	2000	1990	1980
	<i>(U.S.\$ per barrel)</i>									
OPEC Reference										
Basket price.....	40.76	49.49	96.29	105.87	109.45	107.46	77.45	27.60	22.26	28.64
Arabian Light Crude										
Oil price.....	40.96	49.85	97.18	106.53	110.22	107.82	77.82	26.81	20.82	28.67

Source: OPEC, SAMA

As illustrated by the data above, international oil prices have fluctuated significantly over the past two decades. More recently, world oil prices have witnessed a significant decline since mid-2014, with the OPEC Reference Basket price declining from a monthly average of U.S.\$107.89 in June 2014 to a monthly average

of U.S.\$26.50 in January 2016, before partially recovering to a monthly average of U.S.\$49.60 in August 2017. The current sustained decline in global oil prices can be attributed to a number of factors, including, but not limited to, a decline in demand for oil and natural gas due to a worsening of global economic conditions, the increase in oil production by other producers (including by reason of improvements in oil extraction technologies) and competition from alternative energy sources.

Until mid-2014, rising oil prices and production resulted in large external and fiscal surpluses for over a decade and, as a result, Saudi Arabia's public debt steadily decreased during that period. Accumulated fiscal surpluses enabled the Government to reduce its public debt by 93.5 per cent. from SAR 685.2 billion (U.S.\$182.7 billion) in 2002 to SAR 44.3 billion (U.S.\$11.8 billion) in 2014. As a consequence, Saudi Arabia's debt-to-GDP ratio decreased from 96.4 per cent. of nominal GDP in 2003 to 1.6 per cent. of nominal GDP in the year ended 31 December 2014, one of the lowest of any country in the world. However, given the significant contribution of the oil sector to Saudi Arabia's economy, the significant decline in global oil prices since mid-2014 has resulted in substantially lower oil exports by value and therefore lower Government revenues.

In the fiscal year 2014, the Government recorded a budget deficit equivalent to 2.3 per cent. of Saudi Arabia's nominal GDP for the year ended 31 December 2014. In the fiscal year 2015, this increased to a budget deficit equivalent to 14.9 per cent. of Saudi Arabia's nominal GDP for the year ended 31 December 2015. This increased budget deficit was principally due to a significant decline in the value of Saudi Arabia's exports, and therefore lower Government revenues, as a result of the sustained decline in global oil prices since mid-2014. In the fiscal year 2016, the budget deficit decreased to SAR 311.1 billion (U.S.\$83.0 billion), equivalent to 12.8 per cent. of Saudi Arabia's nominal GDP for the year ended 31 December 2016. Notwithstanding the recent budget deficits, the Government is able to rely on its significant financial reserves accumulated as a result of the fiscal surpluses in the years prior to the recent oil price decline. As at 31 December 2016, the Government's reserve assets amounted to SAR 2,009.2 billion (U.S.\$535.8 billion), a decrease of 13.1 per cent. from SAR 2,311.6 billion (U.S.\$616.4 billion) as at 31 December 2015, which itself was a decrease of 15.8 per cent. from SAR 2,746.3 billion (U.S.\$732.4 billion) as at 31 December 2014. This decrease in reserve assets was primarily attributable to utilising reserve assets to assist with financing the fiscal deficit resulting from the decline in foreign currency inflows in the years ended 31 December 2015 and 2016, which was attributable to the decline in the price of oil since mid-2014 (see "*Balance of Payments and Foreign Trade—Balance of Payments*" and "*Monetary and Financial System—Reserve Assets*").

In July 2015, Saudi Arabia resumed issuing SAR-denominated bonds to government agencies and local banks in the domestic market for the first time since 2007, issuing SAR 98.0 billion (U.S.\$26.1 billion) of local bonds in the domestic market in the year ended 31 December 2015 and a further SAR 97.0 billion (U.S.\$25.9 billion) of local bonds in the domestic market in the year ended 31 December 2016. In July 2017, Saudi Arabia (acting through the Ministry of Finance) established the Sukuk Programme to allow Saudi Arabia to issue local sukuk in the domestic market, subsequently issuing sukuk in an aggregate amount of SAR 17.0 billion (U.S.\$ 4.5 billion) in July 2017, SAR 13.0 billion (U.S.\$ 3.5 billion) in August 2017 and SAR 7.0 billion (U.S.\$1.9 billion) in September 2017.

Saudi Arabia has also raised external indebtedness. In May 2016, Saudi Arabia borrowed U.S.\$10 billion under a five-year term loan facility extended by a syndicate of commercial banks. On 10 October 2016, Saudi Arabia (acting through the Ministry of Finance) established this Programme and on 26 October 2016 issued an aggregate of U.S.\$17.5 billion of notes under this Programme. On 4 April 2017 Saudi Arabia (acting through the Ministry of Finance) established the Trust Certificate Issuance Programme and on 20 April 2017, issued an aggregate of U.S.\$9 billion of trust certificates under the Trust Certificate Issuance Programme (see "*Indebtedness*").

Economic Policy

The Government plays a key role in Saudi Arabia's economic policy through the CEDA (see "*Overview of Saudi Arabia—Government and Political System*"), which has overall responsibility for Saudi Arabia's economic development and has broad oversight of each of the relevant Government ministries. The CEDA

oversees the Ministry of Economy and Planning in the formulation of economic and social development plans that set long-term economic goals, and the Ministry of Finance in the supervision and implementation of Saudi Arabia's fiscal policies. SAMA, the central bank of Saudi Arabia, oversees and implements Saudi Arabia's monetary policy.

Development plans

The Government has implemented a series of five-year Development Plans, the first commencing in 1970, each with the objective of investing and developing Saudi Arabia's available human and natural economic resources and utilising them in order to achieve several socio-economic objectives. These objectives were represented in raising the standard of living of Saudi Arabia's citizens, completion of its basic infrastructure, diversification of Saudi Arabia's economic base and sources of national income, development of human capacities and encouragement of the private sector to assume an effective role in development efforts.

Each successive Development Plan has driven Saudi Arabia's economic growth and the establishment of a wide base of physical and institutional infrastructure in Saudi Arabia, which, along with increased economic activity, has contributed to an increase in standards of educational, health and social services in Saudi Arabia. The Government's Development Plans have also enabled rapid industrial development in Saudi Arabia, focusing on three main "pillars": the oil, petrochemical and mining industries, the management and development of which is, respectively, largely undertaken by three national corporations: Saudi Aramco, SABIC and the Saudi Arabian Mining Company ("Ma'aden"). Each of these industries produces high quality and globally competitive products that have made considerable contributions to Saudi Arabia's national production and exports.

In 2015, Saudi Arabia adopted its tenth five-year Development Plan, for the period from 2015 to 2019. The goals of the tenth Development Plan include expanding the capacity of Saudi Arabia's economy; enhancing its growth, stability and competitiveness; facilitating the provision of adequate housing for citizens according to various programmes; increasing corporate reforms, assisting civil community organisations, promoting efficiency and productivity of Government entities and employees; and instilling the principle of accountability, transparency, integrity and combating corruption. The tenth five-year Development Plan is currently being amended to align it more closely with Vision 2030 and NTP 2020, each of which was announced in 2016, and the goals of the tenth five-year Development Plan are being reviewed and refined to bring them in full conformity with Vision 2030 and NTP 2020.

Diversification of the economy

In order to lessen its reliance on the oil sector, Saudi Arabia has increasingly diversified its economy in recent years and, currently, Saudi Arabia produces and exports a variety of industrial products, such as specialised petrochemical and plastic products and construction materials. The Government has also encouraged private sector growth, which is intended not only to promote diversification in Saudi Arabia's economy but also to provide more employment opportunities for the increasing Saudi population. The further diversification of the economy of Saudi Arabia, an increase in Government revenues from the non-oil sector, and an increase in the number of Saudi nationals employed in the private sector, are key objectives of Vision 2030.

The Government anticipates that growth in the non-oil sector, in particular the non-oil private sector, will enhance Government revenue as a result of increased activity in the relevant economic sectors. Additionally, the Government expects that increasing the proportion of Saudi nationals employed in the private sector will reduce Government expenditure through, among other things, a decrease in public sector salaries and wages and a reduction in the number of Saudi nationals subscribing to social welfare programmes. See "*Overview of Saudi Arabia—Strategy of Saudi Arabia—Vision 2030*".

The Government initiated the process of diversification of the economy and strengthening the private sector by undertaking regulatory reform aimed at improving Saudi Arabia's business climate and creating an environment that supports business creation. In April 2000, the Government established SAGIA, which is responsible for managing the investment environment in Saudi Arabia. SAGIA aims to encourage economic liberalisation and achieve economic growth by creating a pro-business environment, providing services to investors and fostering investment opportunities in key sectors of the economy. The Government also

established a number of development funds in order to facilitate the development of the private sector and achieve the Government's development objectives. These include: the Saudi Industrial Development Fund (the "SIDF"), which provides financing for private industrial projects; the Real Estate Development Fund (the "REDF"), which provides financing for the development of housing in Saudi Arabia; and the Agricultural Development Fund, which provides financing for various agricultural activities to facilitate the development of Saudi Arabia's agricultural sector.

In 1975, the Government established the RCJY, an autonomous organisation of the Government with responsibility to govern, develop, and manage the purpose-built industrial cities of Jubail (on the east coast near Dammam) and Yanbu (on the west coast near Medina). These industrial cities were established in strategic sites to cater to Saudi Arabia's hydrocarbon industries and energy-intensive basic industries, and to ensure efficient utilisation of Saudi Arabia's natural resources. The basic industries that were established have resulted in the development of a series of national secondary and downstream industries, which are linked with products of basic industries (such as methane, propane, butane, gasoline, fuel oil and high-density polyethylene). Today, the industrial cities of Jubail and Yanbu are home to over 118,000 employees and form the centre of a globally competitive petrochemicals industry. The RCJY was recently expanded to build the new industrial city of Ras Al Khair, 60 km north of Jubail, which aims to exploit the mineral deposits of phosphate and bauxite recently found within Saudi Arabia, as well as the Jazan City for Basic and Downstream Industries located on the coast of the Red Sea, which aims to develop heavy manufacturing, petrochemicals and mining industries as well as the manufacturing of ships and vessels.

Since the establishment of the RCJY, the Government has established a number of other initiatives and agencies aimed at expanding Saudi Arabia's manufacturing sector. In 2001, the Saudi Industrial Property Authority ("MODON") was established under the supervision of the former Ministry of Commerce and Industry (now replaced by the Ministry of Commerce and Investment, or "MOCI"), with the aim of developing industrial cities across Saudi Arabia, mainly focused on light manufacturing. MODON has established industrial cities in various regions of Saudi Arabia, and is currently overseeing 34 existing and developing industrial cities. There are currently more than 6,020 business establishments in the various industrial cities, employing more than 480,000 people.

In 2007, the National Industrial Clusters Development Programme was jointly established by the former Ministry of Commerce and Industry and the Ministry of Petroleum and Minerals (now the Ministry of Energy, Industry and Mineral Resources) to create four new industrial clusters, and the Ministry of Energy, Industry and Mineral Resources is now responsible for the management of the National Industrial Clusters Development Programme.

The Economic Cities Authority was established under the supervision of SAGIA to initially oversee the construction and regulation of four major new economic cities across the country, including the flagship King Abdullah Economic City on the west coast near the city of Jeddah, as well as Knowledge Economic City, Jazan City for Basic and Downstream Industries and Prince Abdulaziz Bin Mosaed Economic City, although the responsibility to oversee the construction and regulation of Jazan City for Basic and Downstream Industries has subsequently been transferred to the RCJY. Each Economic City is being developed around one or more globally competitive industries and is designed to attract similar businesses and projects to the region.

For additional details on the industrial cities developed by the RCJY, the National Industrial Clusters Development Programme and the other initiatives described herein, see "*—Gross Domestic Product—Manufacturing*".

Vision 2030 and NTP 2020 envisage a number of initiatives aimed at attaining diversification of the economy, including, among others, the further development of the metals and mining sector, the retail sector, the tourism sector, the petrochemical industry, and ancillary industries associated therewith.

The private sector plays an increasingly important role in the economy of Saudi Arabia, particularly as foreign investment in Saudi Arabia gradually increases. Based on preliminary figures for 2016, the non-oil private sector showed growth in real terms of 0.1 per cent. in the year ended 31 December 2016, following growth of 3.4 per cent., 5.4 per cent., 7.0 per cent. and 5.6 per cent. in the years ended 31 December 2015,

2014, 2013 and 2012, respectively. The non-oil private sector accounted for 50.6 per cent. of Saudi Arabia's nominal GDP in the year ended 31 December 2016, compared to 49.5 per cent. in the year ended 31 December 2015.

Privatisation

With a view to promoting the participation of the private sector in the economy and attracting foreign investment, the Government initiated a privatisation programme that, over the years, has successfully accomplished the privatisation of certain key assets in diverse sectors and has contributed to the liberalisation of the economy. The Government's privatisation programme is an important part of the Government's strategy for realising economic development, enhancing the performance of companies and improving the standard of services. It is also aimed at improving the financial efficiency of these companies, reducing administrative burdens, increasing economic growth and enlarging the ownership base in Saudi Arabia as well as attracting foreign investment. The privatisation programme to date has been successfully implemented across a diverse range of sectors and has taken the form of, both, listing of state-owned entities on the Tadawul as well as inclusion of the private sector through public-private partnerships.

Successful privatisations that have already taken place under the Government's privatisation programme include, among others:

- *Telecommunications:* In 2001, the enactment of the Telecommunications Act, which led to the SAR 15.3 billion (U.S.\$4.1 billion) initial public offering of a 30 per cent. stake in STC, Saudi Arabia's incumbent telecommunications provider, thereby opening up the Saudi telecommunications market to private investment;
- *Mining:* In 2008, the SAR 9.25 billion (U.S.\$2.5 billion) initial public offering of a 50 per cent. stake in Ma'aden, Saudi Arabia's leading mining and metals company, thereby opening up the Saudi mining and metals sector to private investment;
- *Manufacturing:* In 1984, the initial public offering of a 30 per cent. stake in SABIC, Saudi Arabia's leading chemicals company;
- *Financial institutions:* In 2014, the SAR 22.5 billion (U.S.\$6.0 billion) initial public offering of a 25 per cent. stake in The National Commercial Bank, Saudi Arabia's largest banking institution in terms of assets;
- *Aviation:* In 2012, the SAR 1.3 billion (U.S.\$350 million) initial public offering of Saudi Airlines Catering Co. and, in 2015, the SAR 2.8 billion (U.S.\$750 million) initial public offering of Saudi Ground Services, respectively the catering and ground services businesses of Saudi Arabian Airlines ("**Saudia**"), Saudi Arabia's national airline;
- *Airports:* In 2013, the privatisation of Prince Muhammad bin Abdulaziz Airport in Medina, through the grant of a long-term concession to a Turkish led consortium and, in 2006, the grant of a concession to a private consortium to expand and modernise the Hajj terminal at King Abdulaziz International Airport in Jeddah, which became fully operational in 2010;
- *Shipping:* The privatisation of The National Shipping Company of Saudi Arabia ("**Bahri**"), which is currently one of the largest shipping companies in the world, through a listing of shares on the Tadawul; and
- *Electricity and Water:* The liberalisation of the electricity and water sector through, among other measures, the creation of the National Water Company ("**NWC**"), Water and Electricity L.L.C. ("**WEC**") and the independent power project ("**IPP**") and independent water and power project ("**IWPP**") programmes involving the participation of domestic and foreign private investors, including the setting up of the Shuaibah and Shuqaiq water and electricity generation plants (for more detail, see *Economy of Saudi Arabia—Electricity, Gas and Water below*).

The privatisation programme continues to form an integral part of the Government’s strategy and is a key part of Vision 2030. In its 2016 budget, the Government announced that a number of privatisations of Government-owned enterprises would be implemented in the next five years as part of wider structural reforms to promote Saudi Arabia’s economic development and reduce Saudi Arabia’s dependence on oil.

In 2016, the Government established the National Centre for Privatisation to oversee privatisation projects and public-private partnerships for various sectors, including public utilities, health, education, transport and municipal services.

In December 2015, GACA announced plans to privatise Saudi Arabia’s airports and related services. According to GACA, the initiative is estimated to take five years to implement, commencing with King Khalid International Airport in Riyadh. GACA also anticipates that Saudi Arabia’s air traffic control functions as well as its information technology units will be privatised pursuant to the privatisation programme. In preparation for privatisation, GACA is in the process of restructuring its operations, with the intention to split GACA’s regulatory and operational responsibilities. While regulatory responsibility will remain with GACA, the operational control of Saudi Arabia’s airports is in the process of being transferred to operating companies that have been established for this purpose.

In December 2015, the Tadawul announced plans for an initial public offering of its shares, which it expects to complete by 2018.

In January 2016, Saudi Aramco confirmed that it has been studying various options to allow broad public participation in its equity through the listing in the capital markets of an appropriate percentage of Saudi Aramco’s shares and/or the listing of a bundle of its downstream subsidiaries. According to Saudi Aramco, no definite decision has as yet been taken in this regard.

Foreign Investment

Since Saudi Arabia’s accession to the WTO in December 2005, the Government has made significant progress towards developing and maintaining policies that favour an open legal and business environment to facilitate foreign capital investment. The Government is aiming to increase and encourage foreign investment by focusing on several key sectors, including transport, healthcare, building materials, tourism, mining, automobile manufacturing and industrial equipment, among others.

The major sectors attracting foreign direct investment (“**FDI**”) into Saudi Arabia have been the construction and contracting, real estate and petrochemicals sectors. Saudi Arabia’s total inward FDI stock was U.S.\$231.5 billion as at 31 December 2016. In the year ended 31 December 2016, Saudi Arabia’s inward FDI flows were U.S.\$7.5 billion. Saudi Arabia’s inward FDI flows have declined since 2012, which can principally be attributed to the 2008-9 global economic crisis, as well as political unrest in the MENA region during this period. The following table sets forth Saudi Arabia’s inward FDI stock and inward FDI flows for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December				
	2016	2015	2014	2013	2012
	<i>(U.S.\$ billions)</i>				
Inward FDI stock	231.5	224.1	215.9	207.9	199.0
Inward FDI flows	7.5	8.1	8.0	8.9	12.2

Source: United Nations Conference on Trade and Development

The Saudi Arabian Foreign Investment Law requires all foreign investment in Saudi Arabia to be licensed by SAGIA. A foreign investor wishing to invest in Saudi Arabia must obtain a foreign investment licence from SAGIA, which will take the form of an industrial licence, a service licence or a trading licence. Minimum investment thresholds for foreign investors are published by SAGIA from time to time, and currently include the following thresholds: (a) SAR 30 million for each real estate development project; (b) SAR 30 million for 100 per cent. foreign-owned trade projects; and (c) SAR 26.7 million for trade projects in which Saudi shareholders own at least 25 per cent. of the share capital.

In June 2016, SAGIA announced new regulations permitting 100 per cent. foreign ownership in the wholesale and retail sector for businesses that produce and retail their own products. The new rules, which were approved by the Council of Ministers in June 2016, create an exception to the statutory cap on foreign ownership across several industry segments in Saudi Arabia, and are intended to encourage new entrants to Saudi wholesale and retail market, as well as to create additional training and technology transfer opportunities (see “*Economy of Saudi Arabia—Wholesale and Retail Trade*”).

In a significant move aimed at attracting foreign investment and further strengthening Saudi Arabia’s capital markets, in June 2015, the CMA published regulations allowing Qualified Foreign Investors (“**QFIs**”) to directly invest in shares listed on the Tadawul in accordance with the applicable regulations. Furthermore, in August 2016, the CMA approved certain revisions to the existing regulations relating to participation by QFIs, which became effective in September 2016. These revisions are intended to further encourage participation by foreign investors by expanding the definition of a ‘qualified foreign institution’ and relaxing certain ownership thresholds and limits. It is anticipated that the opening of the Tadawul to foreign investors will support increased participation by institutional investors and thereby reduce market volatility as well as encourage Saudi companies listed on the Tadawul to adopt international best practices and benefit from the input of sophisticated foreign institutions. See “*Monetary and Financial System—Capital Markets*”.

Vision 2030 envisages several measures aimed at attracting foreign investment and enhancing the confidence of foreign investors in Saudi Arabia’s economy, including the streamlining of the visa regime applicable to business visitors, and the NTP 2020 has assigned to SAGIA specific targets relating to increase in foreign investment in Saudi Arabia. SAGIA, in coordination with a number of other Government institutions and ministries, has also launched the ‘National Investment Plan’, which aims to contribute to the diversification of the economy and increase productivity by attracting foreign investment in specified sectors with well-established investment opportunities. To date, SAGIA has identified over 90 projects under the National Investment Plan, in the healthcare, transportation and industrial equipment sectors.

Gross Domestic Product

Based on preliminary figures for 2016, Saudi Arabia’s GDP grew by 1.7 per cent., 4.1 per cent., 3.7 per cent., 2.7 per cent. and 5.4 per cent. in real terms (at constant 2010 prices) in the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively, to reach SAR 2,589.6 billion (U.S.\$690.5 billion) in the year ended 31 December 2016, compared to SAR 2,545.2 billion (U.S.\$678.7 billion) in the year ended 31 December 2015. This growth was partly attributable to ongoing Government expenditure on large development projects, such as the expansion of the Grand Mosque in Makkah, the Riyadh Metro system and the Haramain High-Speed Rail network, as well as continuous structural and regulatory reforms aimed at achieving sustainable economic growth through diversifying the production base and increasing the contribution of the non-oil sector. Saudi Arabia’s total nominal GDP was SAR 2,424.1 billion (U.S.\$646.4 billion) in the year ended 31 December 2016, a decrease of 1.2 per cent. as compared to SAR 2,453.5 billion (U.S.\$654.3 billion) in the year ended 31 December 2015, which was a decrease of 13.5 per cent. as compared to SAR 2,836.3 billion (U.S.\$756.4 billion) in the year ended 31 December 2014. The decline in Saudi Arabia’s total nominal GDP in the years ended 31 December 2016 and 31 December 2015 was principally due to a decline in the nominal GDP of the oil sector by 8.9 per cent. and 44.9 per cent. respectively, resulting from price deflation in the oil sector during these periods (see “*—Implicit Price Deflator*” below).

Real GDP by Economic Activity

The following table sets forth the contribution by economic activity to Saudi Arabia's real GDP, at constant 2010 prices for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December								
	2016 ⁽¹⁾			2015			2014		
	Amount	Contribution (%)	Growth (%)	Amount	Contribution (%)	Growth (%)	Amount	Contribution (%)	Growth (%)
	<i>(SAR millions, except percentages)</i>								
Mining and quarrying	1,046,490	40.4	2.7	1,018,485	40.0	4.7	972,729	39.8	0.9
Oil and gas (excluding oil refining)	1,036,963	40.0	2.8	1,008,782	39.6	4.7	963,411	39.4	0.9
Other mining and quarrying	9,527	0.4	(1.8)	9,703	0.4	4.1	9,318	0.4	2.9
Government services	354,519	13.7	0.2	353,949	13.9	2.3	346,099	14.2	3.3
Manufacturing	309,980	12.0	3.9	298,441	11.7	6.6	279,987	11.5	9.5
Oil refining	96,604	3.7	15.6	83,547	3.3	12.6	74,173	3.0	19.6
Other manufacturing	213,377	8.2	(0.7)	214,894	8.4	4.4	205,813	8.4	6.3
Wholesale and retail trade, restaurants and hotels	228,005	8.8	(1.6)	231,745	9.1	2.8	225,420	9.2	6.0
Finance, insurance, real estate and business services	237,380	9.2	2.8	230,836	9.1	2.3	225,598	9.2	3.3
Transport, storage and communication ..	148,509	5.7	2.7	144,519	5.7	5.8	136,602	5.6	6.2
Construction	121,079	4.7	(3.3)	125,184	4.9	4.1	120,213	4.9	6.7
Agriculture, forestry and fishing	60,122	2.3	0.6	59,744	2.3	0.6	59,382	2.4	2.5
Community, social and personal services	49,669	1.9	1.8	48,813	1.9	1.9	47,908	2.0	5.7
Electricity, gas and water	33,688	1.3	2.3	32,928	1.3	5.3	31,282	1.3	4.8
Less imputed banking services	(20,714)	(0.8)	0.9	(20,531)	(0.8)	0.9	(20,347)	(0.8)	0.9
Sub-total (excluding import duties)	2,568,727	99.2	1.7	2,524,112	99.2	4.1	2,424,873	99.2	3.6
Import duties	20,834	0.8	(1.4)	21,125	0.8	5.8	19,968	0.8	4.1
Total real GDP	2,589,561	100.0	1.7	2,545,236	100.0	4.1	2,444,841	100.0	3.7

	Year ended 31 December					
	2013			2012		
	Amount	Contribution (%)	Growth (%)	Amount	Contribution (%)	Growth (%)
	<i>(SAR millions, except percentages)</i>					
Mining and quarrying	963,602	40.9	(1.4)	977,513	42.6	5.1
<i>Oil and gas (excluding oil refining)</i>	<i>954,551</i>	<i>40.5</i>	<i>(1.5)</i>	<i>968,739</i>	<i>42.2</i>	<i>5.2</i>
<i>Other mining and quarrying</i>	<i>9,051</i>	<i>0.4</i>	<i>3.2</i>	<i>8,774</i>	<i>0.4</i>	<i>4.1</i>
Government services	335,057	14.2	4.9	319,350	13.9	5.3
Manufacturing	255,603	10.8	3.4	247,269	10.8	4.1
<i>Oil refining</i>	<i>62,029</i>	<i>2.6</i>	<i>(4.7)</i>	<i>65,082</i>	<i>2.8</i>	<i>4.1</i>
<i>Other manufacturing</i>	<i>193,574</i>	<i>8.2</i>	<i>6.3</i>	<i>182,187</i>	<i>7.9</i>	<i>4.1</i>
Wholesale and retail trade, restaurants and hotels.....	212,698	9.0	6.6	199,616	8.7	6.0
Finance, insurance, real estate and business services	218,369	9.3	9.2	199,974	8.7	7.5
Transport, storage and communication	128,620	5.5	6.4	120,859	5.3	4.9
Construction	112,617	4.8	7.8	104,499	4.5	4.8
Agriculture, forestry and fishing	57,936	2.5	3.3	56,096	2.4	2.8
Community, social and personal services	45,340	1.9	6.5	42,589	1.9	5.9
Electricity, gas and water.....	29,837	1.3	1.6	29,357	1.3	5.9
Less imputed banking services	(20,169)	(0.9)	1.0	(19,972)	(0.9)	0.8
Sub-total (excluding import duties).....	2,339,509	99.2	2.7	2,277,148	99.1	5.3
Import duties	19,181	0.8	(1.9)	19,549	0.9	18.0
Total real GDP	2,358,690	100.0	2.7	2,296,697	100.0	5.4

Source: GASTAT

Note:

(1) Preliminary figures

Based on preliminary figures for 2016, the majority of the key activities in Saudi Arabia's economy grew in real terms in the year ended 31 December 2016 as compared to 2015. Oil and gas activities (excluding oil refining) grew by 2.8 per cent. to SAR 1,036.9 billion (U.S.\$276.5 billion) in the year ended 31 December 2016, as compared to previous growth of 4.7 per cent., to SAR 1,008.8 billion (U.S.\$269.0 billion) in the year ended 31 December 2015; government services activities grew by 0.2 per cent. to SAR 354.5 billion (U.S.\$94.5 billion) in the year ended 31 December 2016, as compared to previous growth of 2.3 per cent., to SAR 353.9 billion (U.S.\$94.4 billion) in the year ended 31 December 2015; manufacturing activities, including oil refining, grew by 12.0 per cent. to SAR 310.0 billion (U.S.\$82.7 billion) in the year ended December 2016, as compared to previous growth of 11.7 per cent., to SAR 298.4 billion (U.S.\$79.6 billion) in the year ended 31 December 2015; finance, insurance, real estate and business services activities grew by 2.8 per cent. to SAR 237.4 billion (U.S.\$63.3 billion) in the year ended 31 December 2016, as compared to previous growth of 2.3 per cent., to SAR 230.8 billion (U.S.\$61.6 billion) in the year ended 31 December 2015; and transport, storage and communications activities grew by 2.7 per cent. to SAR 148.5 billion (U.S.\$39.6 billion) in the year ended 31 December 2016, as compared to previous growth of 5.8 per cent. to SAR 144.5 billion (U.S.\$38.5 billion) in the year ended 31 December 2015. However, wholesale and retail trade, restaurants and hotels activities decreased by 1.6 per cent. to SAR 228.0 billion (U.S.\$60.8 billion) in the year ended 31 December 2016, as compared to growth of 2.8 per cent., to SAR 231.7 billion (U.S.\$61.8 billion) in the year ended 31 December 2015; and construction activities decreased by 3.3 per cent. to reach SAR 121.1 billion (U.S.\$32.3 billion) in the year ended 31 December 2016, as compared to growth of 4.1 per cent., to SAR 125.2 billion (U.S.\$33.4 billion) in the year ended 31 December 2015.

Real GDP by Oil and Non-Oil Sector

The following table sets forth the relative contributions of the oil sector and the private and Government non-oil sector to Saudi Arabia's real GDP, at constant 2010 prices for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December								
	2016 ⁽¹⁾			2015			2014		
	Amount	Contribution (%)	Growth (%)	Amount	Contribution (%)	Growth (%)	Amount	Contribution (%)	Growth (%)
	<i>(SAR millions, except percentages)</i>								
Oil Sector	1,139,997	44.0	3.8	1,098,712	43.2	5.3	1,043,701	42.7	2.1
Non-oil sector.....	1,428,730	55.2	0.2	1,425,400	56.0	3.2	1,381,172	56.5	4.9
Private sector.....	1,000,308	38.6	0.1	999,488	39.3	3.4	966,534	39.5	5.4
Government sector	428,423	16.5	0.6	425,912	16.7	2.7	414,638	17.0	3.7
Sub-total (excluding import duties)	2,568,727	99.2	1.8	2,524,112	99.2	4.1	2,424,873	99.2	3.6
Import duties	20,834	0.8	(1.4)	21,125	0.8	5.8	19,968	0.8	4.1
Total real GDP	2,589,561	100.0	1.7	2,545,236	100.0	4.1	2,444,841	100.0	3.7

	Year ended 31 December					
	2013			2012		
	Amount	Contribution (%)	Growth (%)	Amount	Contribution (%)	Growth (%)
	<i>(SAR millions, except percentages)</i>					
Oil Sector	1,022,382	43.3	(1.6)	1,039,358	45.3	5.1
Non-oil sector.....	1,317,127	55.8	6.4	1,237,790	53.9	5.5
Private sector	917,163	38.9	7.0	857,188	37.3	5.6
Government sector	399,964	17.0	5.1	380,602	16.6	5.3
Sub-total (excluding import duties)	2,339,509	99.2	2.7	2,277,148	99.1	5.3
Import duties	19,181	0.8	(1.9)	19,549	0.9	18.0
Total real GDP	2,358,690	100.0	2.7	2,296,697	100.0	5.4

Source: GASTAT

Note:

(1) Preliminary figures.

In recent years, the Government has invested heavily in diversifying Saudi Arabia's economy to reduce its reliance on oil revenues. Based on preliminary figures for 2016, the non-oil sector grew by 0.2 per cent. in real terms in the year ended 31 December 2016 to reach SAR 1,428.7 billion (U.S.\$381.0 billion), following growth of 3.2 per cent, 4.9 per cent., 6.4 per cent. and 5.5 per cent. in the years ended 31 December 2015, 2014, 2013 and 2012, respectively. Based on preliminary figures for 2016, within the non-oil sector, the private sector showed growth in real terms of 0.1 per cent. to reach SAR 1,000.3 billion (U.S.\$266.7 billion) in the year ended 31 December 2016, following growth of 3.4 per cent. 5.4 per cent., 7.0 per cent. and 5.6 per cent. in the years ended 31 December 2015, 2014, 2013, and 2012, respectively.

The key drivers of growth in the non-oil sector in the year ended 31 December 2016 were manufacturing activities, which grew by 3.9 per cent. in real terms in the year ended 31 December 2016; mining and quarrying activities, which grew by 2.7 per cent. in real terms in the year ended 31 December 2016; finance, insurance, real estate and business services, which grew by 2.8 per cent. in real terms in the year ended 31 December 2016; transport, storage and communications activities, which grew by 2.7 per cent. in real terms in the year ended 31 December 2016; electricity, gas and water, which grew by 2.3 per cent. in real terms in the year ended 31 December 2016; community, social and personal services, which grew by 1.8 per cent. in real terms in the year ended 31 December 2016; and agriculture, forestry and fishing, which grew by 0.6 per cent. in real terms in the year ended 31 December 2016.

The key drivers of growth in the non-oil sector in the year ended 31 December 2015 were manufacturing activities, which grew by 6.6 per cent. in real terms in the year ended 31 December 2015; transport, storage and communication activities, which grew by 5.8 per cent. in real terms in the year ended 31 December 2015; electricity, gas and water, which grew by 5.3 per cent. in real terms in the year ended 31 December 2015;

mining and quarrying activities, which grew by 4.7 per cent. in real terms in the year ended 31 December 2015; construction activities, which grew by 4.1 per cent. in real terms in the year ended 31 December 2015; wholesale and retail trade, restaurants and hotels activities, which grew by 2.8 per cent. in real terms in the year ended 31 December 2015; finance, insurance, real estate and business services, which grew by 2.3 per cent. in real terms in the year ended 31 December 2015; Government services, which grew by 2.3 per cent. in real terms in the year ended 31 December 2015; and agriculture, forestry and fishing, which grew by 0.6 per cent. in real terms in the year ended 31 December 2015.

Nominal GDP by Economic Activity

The following table sets forth the contribution by economic activity to Saudi Arabia's nominal GDP for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December								
	2016 ⁽¹⁾			2015			2014		
	Amount	Contribution (%)	Growth (%)	Amount	Contribution (%)	Growth (%)	Amount	Contribution (%)	Growth (%)
	<i>(SAR millions, except percentages)</i>								
Mining and quarrying	539,473	22.3	(10.2)	600,508	24.5	(46.9)	1,130,054	39.8	(8.3)
Oil and gas (excluding oil refining)	528,344	21.8	(10.3)	589,295	24.0	(47.4)	1,119,489	39.5	(8.5)
Other mining and quarrying	11,129	0.5	(0.8)	11,214	0.5	6.2	10,564	0.4	6.4
Government services	487,515	20.1	2.6	475,067	19.4	21.3	391,626	13.8	6.4
Manufacturing	311,959	12.9	0.2	311,215	12.7	1.6	306,189	10.8	10.1
Oil refining	65,138	2.7	3.5	62,923	2.6	(11.4)	71,004	2.5	15.4
Other manufacturing	246,821	10.2	(0.6)	248,292	10.1	5.6	235,185	8.3	8.6
Wholesale and retail trade, restaurants and hotels	276,086	11.4	(0.7)	278,030	11.3	4.3	266,649	9.4	10.4
Finance, insurance, real estate and business services	324,848	13.4	4.7	310,411	12.7	5.9	292,991	10.3	8.6
Transport, storage and communication ..	160,587	6.6	3.4	155,289	6.3	7.3	144,713	5.1	7.8
Construction	159,575	6.6	(2.1)	162,975	6.6	6.5	152,965	5.4	13.7
Agriculture, forestry and fishing	64,952	2.7	1.1	64,267	2.6	1.7	63,164	2.2	4.6
Community, social and personal services ..	57,372	2.4	2.9	55,759	2.3	4.0	53,607	1.9	7.8
Electricity, gas and water	38,396	1.6	6.5	36,067	1.5	11.0	32,479	1.1	6.1
Less imputed banking services	(22,482)	0.9	1.9	(22,072)	0.9	2.0	(21,642)	(0.8)	2.0
Sub-total (excluding import duties)	2,398,282	98.9	(1.2)	2,427,517	98.9	(13.7)	2,812,794	99.2	1.2
Import duties	25,862	1.1	(0.5)	25,995	1.1	10.5	23,520	0.8	11.1
Total nominal GDP ..	2,424,144	100.0	(1.2)	2,453,512	100.0	(13.5)	2,836,314	100.0	1.3

	Year ended 31 December					
	2013			2012		
	Amount	Contribution (%)	Growth (%)	Amount	Contribution (%)	Growth (%)
	<i>(SAR millions, except percentages)</i>					
Mining and quarrying	1,232,823	44.0	(6.0)	1,311,448	47.5	7.9
<i>Oil and gas (excluding oil refining)</i>	<i>1,222,898</i>	<i>43.7</i>	<i>(6.1)</i>	<i>1,302,081</i>	<i>47.2</i>	<i>7.9</i>
<i>Other mining and quarrying</i>	<i>9,925</i>	<i>0.4</i>	<i>5.9</i>	<i>9,368</i>	<i>0.3</i>	<i>6.9</i>
Government services	368,070	13.1	5.3	349,649	12.7	12.0
Manufacturing	278,071	9.9	2.9	270,180	9.8	7.2
<i>Oil refining</i>	<i>61,536</i>	<i>2.2</i>	<i>(10.3)</i>	<i>68,583</i>	<i>2.5</i>	<i>6.8</i>
<i>Other manufacturing</i>	<i>216,535</i>	<i>7.7</i>	<i>7.4</i>	<i>201,597</i>	<i>7.3</i>	<i>7.4</i>
Wholesale and retail trade, restaurants and hotels.....	241,586	8.6	10.2	219,144	7.9	10.7
Finance, insurance, real estate and business services	269,805	9.6	16.1	232,438	8.4	19.2
Transport, storage and communication	134,258	4.8	8.0	124,279	4.5	7.8
Construction	134,588	4.8	13.6	118,513	4.3	10.7
Agriculture, forestry and fishing	60,403	2.2	5.3	57,388	2.1	5.0
Community, social and personal services	49,740	1.8	8.2	45,969	1.7	9.7
Electricity, gas and water.....	30,623	1.1	1.8	30,076	1.1	6.3
Less imputed banking services	(21,215)	(0.8)	2.6	(20,672)	(0.7)	3.0
Sub-total (excluding import duties)	2,778,753	99.2	1.5	2,738,412	99.2	9.5
Import duties	21,174	0.8	(1.5)	21,494	0.8	24.4
Total nominal GDP	2,799,927	100.0	1.5	2,759,906	100.0	9.6

Source: GASTAT

Note:

(1) Preliminary figures.

While, based on preliminary figures for 2016, the contribution to Saudi Arabia's nominal GDP of oil and gas activities (excluding oil refining) declined to SAR 528.3 billion (U.S.\$140.89 billion) or 21.8 per cent. of total nominal GDP in the year ended 31 December 2016, from SAR 589.3 billion (U.S.\$157.1 billion), or 24.0 per cent. of total nominal GDP, in the year ended 31 December 2015, which was a decline from SAR 1,119.5 billion (U.S.\$298.5 billion), or 39.5 per cent. of total nominal GDP in the year ended 31 December 2014, the contribution of the majority of the key non-oil economic activities increased as a percentage of total nominal GDP. The contribution of manufacturing activities increased to 12.9 per cent. of total nominal GDP in the year ended 31 December 2016 from 12.7 per cent. of total nominal GDP in the year ended 31 December 2015, which was an increase from 10.8 per cent. in the year ended 31 December 2014; the contribution of finance, insurance, real estate and business services activities increased to 13.4 per cent. of total nominal GDP in the year ended 31 December 2016 from 12.7 per cent. of total nominal GDP in the year ended 31 December 2015, which was an increase from 10.3 per cent. in the year ended 31 December 2014; and the contribution of transport, storage and communication activities increased to 6.6 per cent. of total nominal GDP in the year ended 31 December 2016 from 6.3 per cent. of total nominal GDP in the year ended 31 December 2015, which was an increase from 5.1 per cent. in the year ended 31 December 2014. The contribution of wholesale and retail trade, restaurants and hotels activities increased to 11.4 per cent. of total nominal GDP in the year ended 31 December 2016 from 11.3 per cent. of total nominal GDP in the year ended 31 December 2015, which was an increase from 9.4 per cent. in the year ended 31 December 2014; and the contribution of construction activities remained at 6.6 per cent. of total nominal GDP in the years ended 31 December 2016 and 2015, respectively, which was an increase from 5.4 per cent. in the year ended 31 December 2014.

Nominal GDP by Oil and Non-Oil Sector

The following table sets forth the relative contributions of the oil sector and the private and Government non-oil sector to Saudi Arabia's nominal GDP for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December								
	2016 ⁽¹⁾			2015			2014		
	Amount	Contribution (%)	Growth (%)	Amount	Contribution (%)	Growth (%)	Amount	Contribution (%)	Growth (%)
	<i>(SAR millions, except percentages)</i>								
Oil Sector	601,129	24.8	(8.9)	659,670	26.9	(44.9)	1,197,414	42.2	(7.2)
Non-oil sector.....	1,797,153	74.1	1.7	1,767,847	72.1	9.4	1,615,380	57.0	8.6
Private sector	1,227,534	50.6	1.2	1,213,542	49.5	5.6	1,149,636	40.5	9.4
Government sector ..	569,619	23.5	2.8	554,305	22.6	19.0	465,745	16.4	6.6
Sub-total (excluding import duties).....	2,398,282	98.9	(1.2)	2,427,517	98.9	(13.7)	2,812,794	99.2	1.2
Import duties	25,862	1.1	(0.5)	25,995	1.1	10.5	23,520	0.8	11.1
Total nominal GDP..	2,424,144	100.0	(1.2)	2,453,512	100.0	(13.5)	2,836,314	100.0	1.3

	Year ended 31 December					
	2013			2012		
	Amount	Contribution (%)	Growth (%)	Amount	Contribution (%)	Growth (%)
	<i>(SAR millions, except percentages)</i>					
Oil Sector	1,290,789	46.1	(6.2)	1,376,576	49.9	7.8
Non-oil sector.....	1,487,964	53.1	9.3	1,361,836	49.3	11.3
Private sector	1,050,987	37.5	10.8	948,366	34.4	11.3
Government sector	436,977	15.6	5.7	413,470	15.0	11.4
Sub-total (excluding import duties).....	2,778,753	99.2	1.5	2,738,412	99.2	9.5
Import duties	21,174	0.8	(1.5)	21,494	0.8	24.4
Total nominal GDP	2,799,927	100.0	1.5	2,759,906	100.0	9.6

Source: GASTAT

Note:

(1) Preliminary figures.

Based on preliminary figures for 2016, the contribution of the non-oil sector to Saudi Arabia's nominal GDP was SAR 1,797.2 billion (U.S.\$479.2 billion) or 74.1 per cent. of total nominal GDP in the year ended 31 December 2016, compared to SAR 1,767.8 billion (U.S.\$471.4 billion), or 72.1 per cent. of total nominal GDP, in the year ended 31 December 2015, SAR 1,615.4 billion (U.S.\$430.8 billion), or 57.0 per cent. of total nominal GDP, in the year ended 31 December 2014, SAR 1,488.0 billion (U.S.\$396.8 billion), or 53.1 per cent. of total nominal GDP, in the year ended 31 December 2013 and SAR 1,361.8 billion (U.S.\$363.1 billion), or 49.3 per cent. of total nominal GDP, in the year ended 31 December 2012.

The increase in the percentage contribution of the non-oil sector to Saudi Arabia's economy during these periods was due to both the prioritisation by the Government of the non-oil private sector, which is a key element of the Government's economic diversification policy, as well as the decline in global oil prices since mid-2014 and the consequent significant decrease in Government revenues and export earnings attributable to the oil sector. The percentage contribution of the non-oil private sector to Saudi Arabia's total nominal GDP was 50.6 per cent. in the year ended 31 December 2016, based on preliminary figures, compared to 49.5 per cent., 40.5 per cent., 37.5 per cent. and 34.4 per cent. in the years ended 31 December 2015, 2014, 2013 and 2012, respectively, while the percentage contribution of the Government sector to Saudi Arabia's total nominal GDP was 23.5 per cent. in the year ended 31 December 2016, based on preliminary figures, compared to 22.6 per cent., 16.4 per cent., 15.6 per cent. and 15.0 per cent. in the years ended 31 December 2015, 2014, 2013 and 2012, respectively.

Implicit Price Deflator

The implicit price deflator, or GDP deflator, is a measure of price inflation or deflation in the goods and services produced by Saudi Arabia's economy in a particular year, with reference to 2010 as a base year. The following table sets forth details of Saudi Arabia's GDP deflator for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December				
	2016 ⁽¹⁾	2015	2014	2013	2012
	(2011=100)				
Oil sector GDP deflator	52.7	60.0	114.7	126.3	132.4
Non-oil sector GDP deflator	125.8	124.0	117.0	113.0	110.0
Overall GDP deflator	93.6	96.4	116.0	118.7	120.2

Source: GASTAT

Note:

(1) Preliminary figures.

Per capita GDP

The following table sets forth Saudi Arabia's GDP per capita for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively (based on the estimated population of Saudi Arabia as at 31 July in each year):

	Year ended 31 December				
	2016 ⁽¹⁾	2015	2014	2013	2012
Population ⁽¹⁾	31,787,580	31,015,999	30,300,675	29,601,529	28,894,675
Per capita real GDP:					
GDP at constant prices (2010=100) (SAR millions)	2,589,561	2,545,236	2,444,841	2,358,690	2,296,697
Per capita GDP at constant prices (2010=100) (SAR) ..	81,465	82,062	80,686	79,681	79,485
Per capita GDP at constant prices (2010=100) (U.S.\$)	21,724	21,883	21,516	21,248	21,196
Per capita nominal GDP:					
GDP at current prices (SAR millions)	2,424,144	2,453,512	2,836,314	2,799,927	2,759,906
Per capita GDP at current prices (SAR).....	76,261	79,105	93,606	94,587	95,516
Per capita GDP at current prices (U.S.\$).....	20,336	21,095	24,962	25,223	25,471

Source: SAMA, GASTAT

Notes:

(1) Population estimates are as at 31 July in each respective year.

(2) Preliminary figures.

Per capita real GDP in Saudi Arabia was SAR 81,465 (U.S.\$21,724) in the year ended 31 December 2016, a decline of 0.7 per cent. compared to SAR 82,062 (U.S.\$21,883) in the year ended 31 December 2015. Per capita nominal GDP in Saudi Arabia was SAR 76,261 (U.S.\$20,336) in the year ended 31 December 2016, a decline of 3.6 per cent. compared to SAR 79,105 (U.S.\$21,095) in the year ended 31 December 2015.

According to data published in the IMF World Economic Outlook, Saudi Arabia's GDP per capita based on purchasing-power-parity (PPP) was SAR 206,843 (U.S.\$55,158) in the year ended 31 December 2016, an increase of 0.4 per cent. compared to SAR 206,059 (U.S.\$54,949) in the year ended 31 December 2015.

Oil and Gas

The oil sector is a significant contributor to Saudi Arabia's economy. According to OPEC's 2017 Annual Statistical Bulletin, Saudi Arabia possessed the world's second largest proven oil reserves (accounting for 17.8 per cent. of the world's total oil reserves) as at 31 December 2016, and was the world's largest oil producer (accounting for 13.9 per cent. of the world's total oil production) and the world's largest oil exporter (accounting for 16.9 per cent. of the world's total oil exports by volume) in the year ended 31 December 2016.

Saudi Arabia's GDP attributable to oil and gas activities (excluding oil refining) is accounted for in the Government's accounts under mining and quarrying activities, while Saudi Arabia's GDP attributable to oil refining activities is accounted for under manufacturing activities.

Based on preliminary figures for 2016, oil and gas activities (excluding oil refining) accounted for SAR 528.3 billion (U.S.\$140.89 billion), or 21.8 per cent., of Saudi Arabia's nominal GDP in the year ended 31 December 2016, compared to SAR 589.3 billion (U.S.\$157.1 billion), or 24.0 per cent., of Saudi Arabia's nominal GDP in the year ended 31 December 2015. Oil and gas activities (excluding oil refining) demonstrated growth of 2.8 per cent., 4.7 per cent. and 0.9 per cent. in real terms in the years ended 31 December 2016, 2015 and 2014, respectively, a decline of 1.5 per cent. in real terms in the year ended 31 December 2013 and growth of 5.2 per cent. in real terms in the year ended 31 December 2012.

Saudi Aramco

Saudi Aramco, the state-owned oil company of Saudi Arabia, is the principal producer of oil and natural gas in Saudi Arabia. Saudi Aramco's oil operations take place over a region spanning 1.5 million square km, and span all areas of Saudi Arabia, including the territorial waters of the Arabian Gulf and the Red Sea. Saudi Aramco's activities include: exploration and production of oil and gas; oil and gas processing and refining and production of petrochemicals; shipping of crude oil and refined products; refined products distribution and sales; and services (storage, finance, insurance and aviation).

In 1933, Saudi Arabia signed a concession agreement giving Socal permission to explore Saudi Arabia for oil, which was undertaken by Socal's wholly-owned subsidiary, CASOC. The Texas Company (later Texaco) acquired half of CASOC in 1936, and in 1944 the enterprise was renamed as the Arabian American Oil Company, also known as Aramco. Standard Oil Company (later Exxon) and Socony-Vacuum Oil Company (later Mobil) became part owners in 1948 to help provide market outlets and capital investment for the hydrocarbon reserves of Saudi Arabia. In 1952, Aramco's headquarters moved to Dhahran, Saudi Arabia, and in 1980, the Government completed its buyout of Aramco's assets. In 1988, the successor company to Aramco was established by Royal Decree as The Saudi Arabian Oil Company, also known as Saudi Aramco.

Saudi Aramco's board of directors, which has responsibility for Saudi Aramco's business affairs and provides management with guidance in determining Saudi Aramco's long-term strategy, includes senior Government officials, heads of leading Saudi research and academic institutions, senior figures in the international oil, gas, and finance industries, as well as senior members of Saudi Aramco's management. Saudi Aramco's business and operations are managed by the Board of the Supreme Council of Saudi Aramco and monitored by the Ministry of Energy, Industry and Mineral Resources.

Saudi Aramco is currently considering plans for an initial public offering relating to all or a part of its assets.

Reserves

According to figures published by the Ministry of Energy, Industry and Mineral Resources, Saudi Arabia's proven crude oil and condensate reserves stood at 266.2 billion barrels and Saudi Arabia's proven gas reserves stood at 304.3 trillion scf as at 31 December 2016. Saudi Aramco's crude oil and condensate reserves accounted for 260.8 billion barrels, or 98.0 per cent., and 298.7 trillion scf, or 98.2 per cent., of these total amounts, respectively.

The remainder of Saudi Arabia's reserves are accounted for by:

- Saudi Arabia's 50 per cent. interest in the hydrocarbon resources of the 'Offshore Partitioned Zone' between Saudi Arabia and Kuwait. Aramco Gulf Operations Company Ltd. ("**AGOC**"), a wholly-owned subsidiary of Saudi Aramco, conducts operations in the Offshore Partitioned Zone on behalf of Saudi Arabia. AGOC's operations are conducted through Khafji Joint Operations, a 50:50 joint-venture management structure with Kuwait Gulf Oil Company ("**KGOC**"), pursuant to a joint operations agreement entered into in 2010; and
- Saudi Arabia's 50 per cent. interest in the hydrocarbon resources of the 'Onshore Partitioned Zone' between Saudi Arabia and Kuwait. Saudi Arabian Chevron Inc. ("**Saudi Chevron**") is party to a

concession agreement with Saudi Arabia to conduct operations in the Onshore Partitioned Zone on behalf of Saudi Arabia. Saudi Chevron operations are conducted through Wafra Joint Operations Company, a 50:50 joint-venture management structure with KGOC, pursuant to a joint operations agreement.

The following table sets forth details of Saudi Arabia's proven oil and gas reserves, along with Saudi Aramco's contribution thereto, for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December				
	2016	2015	2014	2013	2012
	<i>(Billion barrels)</i>				
Total crude oil and condensate reserves	266.2	266.5	266.6	265.8	265.9
<i>Saudi Aramco.....</i>	<i>260.8</i>	<i>261.1</i>	<i>261.1</i>	<i>260.2</i>	<i>260.2</i>
<i>Others.....</i>	<i>5.4</i>	<i>5.4</i>	<i>5.5</i>	<i>5.6</i>	<i>5.7</i>
	<i>(Trillion scf)</i>				
Total gas reserves	304.3	303.3	299.7	294.2	290.8
<i>Saudi Aramco.....</i>	<i>298.7</i>	<i>297.6</i>	<i>294.0</i>	<i>288.4</i>	<i>284.8</i>
<i>Others.....</i>	<i>5.6</i>	<i>5.6</i>	<i>5.8</i>	<i>5.8</i>	<i>6.0</i>

Source: Ministry of Energy, Industry and Mineral Resources

Exploration

Saudi Aramco's Exploration and Petroleum Engineering Centre—Advanced Research Centre conducts research and development of subsurface technology, anticipating Saudi Aramco's future needs to create innovative, high-impact solutions and tools for its exploration and production operations. The discovery of additional oil and gas reserves in Saudi Arabia is possible given Saudi Aramco's experience with the application of new technology to enhance recovery from existing oil reservoirs.

Saudi Aramco's initial discoveries following the signing of the exploration concession agreement between Saudi Arabia and Socal in 1933 were at Dammam (1938), Abu Hadriyah (March 1940) and Abqaiq (December 1940). These were followed by the discovery of the world's largest field, Ghawar, which was discovered in five areas individually, 'Ain Dar (1948), Haradh (1949), 'Uthmaniyah (1951), Shedgum (1952) and Hawiyah (1953). The Ghawar field is 280 km long and 40 km wide, encompassing 1.3 million acres. Ghawar's main reservoir is the 100 metre thick Arab-D reservoir, whose oil is sourced exclusively from Jurassic organic-rich mudstones, and from which nearly all the field's oil production comes under development. In 1951, Saudi Aramco discovered the Safaniya field, the world's largest offshore oil field. During 2015, Saudi Aramco discovered five new oil and gas fields, increasing the total number of discovered oil and gas fields in Saudi Arabia to 134.

Production

Oil production

In the year ended 31 December 2016, Saudi Arabia's total crude oil production was 3,828 million barrels, compared to 3,720 million barrels, 3,545 million barrels, 3,518 million barrels and 3,573 million barrels in the years ended 31 December 2015, 2014, 2013 and 2012, respectively. In the year ended 31 December 2016, Saudi Arabia's daily average of crude oil production was 10.5 million bpd, compared to 10.2 million bpd, 9.7 million bpd, 9.6 million bpd and 9.8 million bpd in the years ended 31 December 2015, 2014, 2013 and 2012, respectively. The increase in Saudi Arabia's total crude oil production during these periods was principally due to increased demand in the international oil markets.

In the year ended 31 December 2016, Saudi Aramco accounted for 100.0 per cent. of Saudi Arabia's total crude oil production, producing 3,828 million barrels. In the year ended 31 December 2015, Saudi Aramco accounted for 99.7 per cent. of Saudi Arabia's total crude oil production, producing 3,708 million barrels. The remainder of Saudi Arabia's oil production during 2015 was accounted for by Saudi Chevron. Crude oil production by Saudi Chevron has been suspended since May 2015 due to certain operational and environmental issues that are currently in the process of being resolved.

The following table sets forth details of Saudi Arabia's oil production, along with Saudi Aramco's contribution thereto, for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December				
	2016	2015	2014	2013	2012
	<i>(Million barrels)</i>				
Total crude oil production	3,828	3,720	3,545	3,518	3,573
Saudi Aramco.....	3,828	3,708	3,480	3,433	3,479
<i>Others</i>	—	12 ⁽¹⁾	65 ⁽²⁾	85	94
	<i>(Million bpd)</i>				
Average crude oil production	10.46	10.19	9.71	9.64	9.79
Saudi Aramco.....	10.46	10.16	9.53	9.41	9.53
<i>Others</i>	—	0.03 ⁽¹⁾	0.18 ⁽²⁾	0.23	0.26

Source: SAMA, Saudi Aramco 2016 Annual Review

Notes:

- (1) Production by Saudi Chevron suspended in May 2015.
- (2) Production by AGOC suspended in October 2014.

According to OPEC's 2017 Annual Statistical Bulletin, Saudi Arabia was the world's largest oil producer, accounting for 13.9 per cent. of the world's total oil production in the year ended 31 December 2016. Saudi Aramco supplies more crude oil to the global economy than any other oil producing company.

Saudi Aramco produces five grades of crude oil: Arabian Super Light, Arabian Extra Light, Arabian Light, Arabian Medium and Arabian Heavy. Saudi Aramco's oil operations take place over a region spanning 1.5 million square km, and span all areas of Saudi Arabia, including the territorial waters of the Arabian Gulf and the Red Sea.

The following is a summary of Saudi Aramco's principal oil production sites:

- *Abqaiq*: The Abqaiq production site is Saudi Aramco's largest oil processing facility and the largest crude oil stabilisation plant in the world. Abqaiq oil facilities receive sour crude oil from gas-oil separation plants, process it into sweet crude oil, and then transport it to Saudi Aramco's refining facilities at Ras Tanura and Jubail on the east coast, Yanbu on the west coast, and to the Bapco Refinery in Bahrain.
- *Haradh*: The Haradh production site, located at the southern tip of the Ghawar field, was developed in three increments of 300,000 bpd of Arabian Light crude oil capacity. It consists of three gas-oil separation plants that went on-stream between 1996 and 2006. The third of these plants, Haradh III also added 140 million scfd of associated gas processing capacity in 2006.
- *Khurais*: The Khurais production site produces up to 1.2 million bpd of Arabian Light crude oil through its central processing facility, the largest of its kind in Saudi Arabia. The Khurais production site, which includes the development of the Abu Jifan and Mazalij fields, began crude oil production in June 2009. Its gas facilities treat the associated gas produced, and have the capacity to handle up to 70,000 bpd of condensate and 320 million scfd of gas.
- *Khursaniyah*: The Khursaniyah production site includes facilities to process and stabilise up to 500,000 bpd of Arabian Light crude oil blend from the Abu Hadriya, Fadhili and Khursaniyah fields, and a gas plant to process up to 1 billion scfd of associated gas. Khursaniyah began producing oil in August 2008.
- *Manifa*: The Manifa production site, which commenced first-phase operations in 2012, produces up to 900,000 bpd of Arabian Heavy crude oil, 90 million scfd of sour gas, and 65,000 bpd of hydrocarbon condensate.

- *Nuayyim*: The Nuayyim production site produces up to 100,000 bpd of Arabian Super Light crude oil and 90 million scfd of gas. The project also includes a gas-oil separation plant, 140 km of gas pipeline, and water supply facilities at Hawtah.
- *Qatif*: The Qatif production site consists of facilities to produce, process and transport up to 500,000 bpd of blended Arabian Light crude oil from the Qatif field and 300,000 bpd of Arabian Medium crude oil from the offshore Abu Sa'fah field. The overall project includes three new gas-oil separation plants, five new and 10 upgraded offshore platforms, expansion of the Berri Gas Plant, 34 drilling islands, more than 1,000 km of pipeline and other support facilities.
- *Shaybah*: The Shaybah crude oil expansion programme, completed in 2009, raised Saudi Aramco's Arabian Extra Light production capacity from 500,000 bpd to 750,000 bpd and expanded its gas compression, injection and power generation facilities.

Gas production

Saudi Aramco also produces natural gas for Saudi Arabia. In the year ended 31 December 2016, Saudi Aramco processed 12.0 billion scfd of raw natural gas, and produced 8.3 billion scfd of sales gas and 920 million scfd of ethane gas, compared to 11.6 billion scfd, 8.0 billion scfd and 794 million scfd, respectively, in the year ended 31 December 2015. In Saudi Aramco's overall gas operations, natural gas is processed to produce clean fuel (methane, or sales gas) and feedstock (methane, ethane, propane, butane and natural gas). The methane and ethane produced by Saudi Aramco are currently consumed entirely by Saudi Arabia's utilities and industry. Excess propane, butane and natural gas that are not used by the domestic petrochemicals industry are exported to world markets. In addition to the natural gas produced by Saudi Aramco, AGOC and Saudi Chevron also produce associated gas, which is used solely for the operation of their own facilities. Saudi Arabia's natural gas production is currently sufficient to meet Saudi Arabia's domestic consumption requirements.

The following table sets forth details of Saudi Aramco's gas production for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December				
	2016	2015	2014	2013	2012
Raw gas processed (billion scfd)	12.0	11.6	11.3	11.0	10.7
Sales gas production (billion scfd)	8.3	8.0	7.8	7.5	7.3
Ethane gas production (million scfd)	920	794	809	796	851
NGL from hydrocarbon gases (million barrels)	498	474	471	456	482

Source: Saudi Aramco

Refining and Marketing

Saudi Aramco is responsible for refining and marketing Saudi Arabia's oil, and its downstream operations emphasise the integration of refineries with petrochemical facilities.

Saudi Arabia's total production of refined products increased by 14.2 per cent. to 1034.2 million barrels in the year ended 31 December 2016 (representing daily production of 2.8 million bpd), compared to 905.4 million barrels in the year ended 31 December 2015 (representing daily production of 2.5 million bpd). The increase in production of refined products in the year ended 31 December 2016 was principally due to an increase in coke production by 197.7 per cent., accounting for 8.4 per cent. of total production of refined products in the year ended 31 December 2016. Diesel production increased by 9.4 per cent., fuel oil production increased by 3.2 per cent., gasoline production increased by 12.5 per cent., jet fuel production increased by 16.3 per cent., naphtha production increased by 10.2 per cent., asphalt production declined by 15.5 per cent. and LPG production decreased by 6.9 per cent., in each case in the year ended 31 December 2016 as compared to the year ended 31 December 2015.

The following table sets forth Saudi Arabia's production of refined products for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December				
	2016	2015	2014	2013	2012
	<i>(million barrels)</i>				
Diesel	384.6	351.5	274.8	219.8	234.1
Fuel oil	168.3	163.2	175.7	166.2	168.4
Premium gasoline	202.4	179.9	160.9	134.7	145.9
Jet fuel (kerosene)	89.5	77.0	77.3	59.5	63.8
Naphtha	75.8	68.8	70.3	58.7	64.2
Coke	79.8	26.8	8.6	—	—
Asphalt	18.2	21.6	20.1	19.6	17.7
LPG	15.6	16.8	16.2	13.9	11.2
Total	1034.2	905.4	803.8	672.2	705.3

Source: Ministry of Energy, Industry and Mineral Resources

Saudi Arabia's total domestic consumption of refined products and crude oil decreased by 3.6 per cent. to 908.9 million barrels in the year ended 31 December 2016 (representing daily domestic consumption of 2.5 million bpd), compared to 942.7 million barrels in the year ended 31 December 2015 (representing daily domestic consumption of 2.6 million bpd). The decrease in domestic consumption of refined products in the year ended 31 December 2016 was principally due to decreased activity in certain sectors of the economy. The following table sets forth Saudi Arabia's domestic consumption of refined products and crude oil for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December				
	2016	2015	2014	2013	2012
	<i>(million barrels)</i>				
Public	854.9	892.1	837.9	776.0	760.3
Oil industry	54.0	50.6	49.0	35.3	34.0
Total⁽¹⁾	908.9	942.7	887.0	811.3	794.3

Source: SAMA, Ministry of Energy, Industry and Mineral Resources

Notes:

(1) Excluding LPG and Natural Gas

As at 31 December 2016, the aggregate worldwide refining capacity of Saudi Aramco's refineries and the businesses in which Saudi Aramco holds an equity interest was 5.4 million bpd (of which Saudi Aramco's proportionate share is 3.1 million bpd), comprising 1.0 million bpd in respect of Saudi Aramco's wholly-owned domestic operations, 1.9 million bpd in respect of Saudi Aramco's domestic joint venture operations (of which Saudi Aramco's proportionate share is 1.0 million bpd) and 2.5 million bpd in respect of Saudi Aramco's international joint-venture operations (of which Saudi Aramco's proportionate share is 1.1 million bpd).

The following table sets forth the year of commissioning and details of the refining capacity of Saudi Aramco's refineries and each of the businesses in which Saudi Aramco holds an equity interest, as at 31 December 2016:

Facility	Year of Commissioning	Total Capacity	Saudi Aramco Ownership (%)	Saudi Aramco Share of Capacity
<i>(thousands of bpd, except percentages)</i>				
Domestic refineries:				
Ras Tanura	1945	550	100.0	550
Riyadh	1974	126	100.0	126
Jeddah	1968	78	100.0	77
Yanbu	1983	245	100.0	243
Petro Rabigh	2009	400	37.5	150
SAMREF (Yanbu)	1984	400	50.0	200
YASREF (Yanbu).....	2014	400	62.5	250
SASREF (Jubail)	1985	300	50.0	153
SATORP (Jubail)	2013	400	62.5	250
Total domestic		2,899		1,999
International refineries:				
Motiva (USA) ⁽¹⁾	1903	1,070	50.0	535
S-OIL (South Korea)	1980	669	63.4	424
Showa Shell (Japan).....	1955	445	15.0	67
FREP (China).....	2009	280	25.0	70
Total international		2,464		1,096
Total domestic and international		5,365		3,095

Source: Ministry of Energy, Industry and Mineral Resources

Notes:

(1) In May 2017, Motiva became a wholly-owned subsidiary of Saudi Aramco.

Wholly-Owned Refining Operations

Saudi Aramco's domestic refining operations include four refineries that are wholly-owned and operated by Saudi Aramco, located in Ras Tanura, Yanbu, Riyadh and Jeddah. The Ras Tanura Refinery is among the largest refineries in the Middle East with a production capacity of 550,000 bpd. A fifth domestic refinery, the Jazan Refinery and Terminal, is currently under construction in Jazan, the south-west of Saudi Arabia. Once completed, the Jazan Refinery and Terminal will have the capacity to process 400,000 bpd of Arabian Heavy and Arabian Medium crude oils to produce gasoline, ultra-low-sulphur diesel, benzene, and paraxylene.

Saudi Aramco's wholly-owned international refining operations consist of Motiva Enterprises LLC ("Motiva"), a Houston-headquartered refining, distribution and marketing subsidiary of Saudi Aramco. Motiva currently owns and operates one refinery in the United States located in Port Arthur, Texas. The Port Arthur refinery is among the largest refineries in the United States with a production capacity of 600,000 bpd.

Domestic Joint Venture Operations

Saudi Aramco is also a joint venture partner in five domestic refineries that are currently in operation:

- Saudi Aramco Mobil Refinery Company ("SAMREF"), which has a design capacity of around 400,000 bpd, is a joint venture between Saudi Aramco (50 per cent.) and Mobil Yanbu Refining Company Inc. (50 per cent.), a wholly-owned subsidiary of Exxon Mobil Corporation.
- Saudi Aramco Shell Refinery Company ("SASREF"), which has a design capacity of around 305,000 bpd, is a joint venture between Saudi Aramco (50 per cent.) and Shell International (50 per cent.), located in Jubail Industrial City. In addition to its oil refining operations, the plant also produces propylene, paraxylene and coke.
- Rabigh Refining and Petrochemical Company ("PetroRabigh") is a public company in which Saudi Aramco holds an equity interest of 37.5 per cent., with Sumitomo Chemical holding 37.5 per cent. and the remainder of the shares having been traded on the Tadawul following the initial public offering

of PetroRabigh in January 2008. The PetroRabigh complex is located in Rabigh on the Red Sea coast of Western Saudi Arabia, and processes 400,000 bpd of crude oil, 95 million cubic feet per day of ethane and 15,000 bpd of butane as primary feedstock to produce a variety of refined petroleum products and petrochemical products. The PetroRabigh facility is currently undergoing expansion in a second phase that will significantly increase the production capacity of the facility.

- Saudi Aramco Total Refining and Petrochemical Company (“**SATORP**”), which has a design capacity of around 400,000 bpd, is a joint venture between Saudi Aramco (62.5 per cent.) and TOTAL S.A. (37.5 per cent.) located in Jubail Industrial City.
- Yanbu Aramco Sinopec Refining Company (“**YASREF**”) is a joint venture between Saudi Aramco (62.5 per cent.) and Sinopec (37.5 per cent.), located in Yanbu Industrial City, and is a full-conversion 400,000 bpd refinery, designed to process Arabian Heavy crude oil from the Manifa field.

In addition to the above operational facilities, the Sadara Chemical Company (“**Sadara**”) refinery is currently under construction on the Arabian Gulf coast. Sadara is a joint venture between Saudi Aramco (65 per cent.) and The Dow Chemical Company (35 per cent.). Upon commencement of operations, Sadara is expected to be the world’s largest integrated chemicals complex ever built in a single phase, with the production capacity to produce more than three million tonnes of diversified specialty chemicals and plastics per year.

International Joint Venture Operations

Outside Saudi Arabia, Saudi Aramco holds direct and indirect equity interests in various refining and marketing enterprises, each of which are described below.

- S-OIL Corporation is a South Korean oil refining and marketing company in which a subsidiary of Saudi Aramco holds a 63.4 per cent. stake. S-OIL Corporation owns and operates the Onsan Refinery in Ulsan, which has a capacity of 669,000 bpd, as well as other facilities producing petrochemicals and lube base oil.
- Showa Shell Sekiyu K.K. (“**Showa Shell**”) is a Japanese corporation in which a subsidiary of Saudi Aramco holds a 15.0 per cent. stake. Showa Shell is one of the largest refiners in Japan, owning three oil refineries with a combined capacity of approximately 445,000 bpd. Saudi Aramco supplies Arabian crude oil to all three facilities.
- Fujian Refining and Petrochemical Company Ltd. (“**FREP**”) is a joint venture between a subsidiary of Saudi Aramco (25 per cent.), ExxonMobil China Petrochemical Co. Ltd. (25 per cent.) and Fujian Petrochemical Co. Ltd (50 per cent.) located at the south coast of Fujian Province in the south-east coastal area of China. FREP owns and operates an integrated refinery designed to process Light Arabian crude oil with a total refining capacity of 240,000 barrels per day.
- Sinopec SenMei Petroleum Company Ltd. (“**SSPC**”) is a marketing joint venture between a subsidiary of Saudi Aramco (22.5 per cent.), ExxonMobil China Petrochemical Co. Ltd. (22.5 per cent.) and Sinopec (55 per cent.), and is the largest processed oil supplier in Fujian Province. SSPC is principally engaged in the wholesale, retail, storage, throughout and transport of processed oil, lubricant and other petroleum products.
- In April 2016, Saudi Aramco launched Arlanxeo Holding B.V., a joint venture between Saudi Aramco (50 per cent.) and LANXESS (50 per cent.), a German specialty chemicals company. The joint venture has been established to develop, produce, market, sell, and distribute performance polymers used by global tire and auto parts manufacturers, and in the construction and life science industries.

In addition to the above projects, Saudi Aramco reviews opportunities for downstream expansion on an ongoing basis, and has several projects under consideration, primarily in Asia.

Supply and Distribution

The following table sets forth Saudi Arabia's exports of crude oil and refined products by destination for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December									
	2016		2015		2014		2013		2012	
	Crude Oil	Refined Products	Crude Oil	Refined Products	Crude Oil	Refined Products	Crude Oil	Refined Products	Crude Oil	Refined Products
Destination:	<i>(Million barrels)</i>									
Asia and Far East	1,792.9	268.6	1,669.6	211.3	1,610.0	200.3	1,670.8	182.5	1,669.6	178.5
North America	430.8	0.5	434.6	—	456.7	4.7	532.5	—	521.0	0.6
Europe	318.7	82.1	320.2	66.0	347.5	41.1	347.4	27.9	362.6	40.6
Middle East	99.9	108.6	104.5	71.5	99.8	67.9	99.4	43.0	102.7	55.4
Africa	56.1	87.4	53.7	71.3	69.7	41.7	81.0	33.4	79.1	34.9
South America	26.1	2.7	25.4	1.5	25.2	4.8	29.1	3.0	25.0	4.5
Oceania	7.1	—	6.5	—	2.1	—	3.2	—	5.8	1.1
Total	2,731.6	550.0	2,614.5	421.5	2,611.0	360.6	2,763.3	289.8	2,765.8	315.5

Source: Ministry of Energy, Industry and Mineral Resources

For additional information regarding Saudi Arabia's oil and non-oil exports by value, see "Balance of Payment and Foreign Trade—Foreign Trade—Exports".

Saudi Arabia's crude oil exports by volume increased by 4.5 per cent. to 2,731.6 million barrels in the year ended 31 December 2016, compared to 2,614.5 million barrels in the year ended 31 December 2015. In comparison, Saudi Arabia's exports of refined products by volume increased by 30.5 per cent. to 550.0 million barrels in the year ended 31 December 2016, compared to 421.5 million barrels in the year ended 31 December 2015. The majority of Saudi Arabia's exports of crude oil and refined products is to countries in Asia and the Far East, which accounted for 64.2 per cent. of crude oil exports and 48.8 per cent. of refined products exports by volume in the year ended 31 December 2016. Countries in North America accounted for 15.4 per cent. of Saudi Arabia's crude oil exports and 0.9 per cent. of its refined products exports by volume in the year ended 31 December 2016; countries in Europe accounted for 13.7 per cent. of Saudi Arabia's crude oil exports and 14.9 per cent. of its refined products exports by volume in the year ended 31 December 2016; countries in the Middle East accounted for 3.6 per cent. of Saudi Arabia's crude oil exports and 19.7 per cent. of its refined products exports by volume in the year ended 31 December 2016; and African countries accounted for 2.0 per cent. of Saudi Arabia's crude oil exports and 15.9 per cent. of its refined products exports by volume in the year ended 31 December 2016.

Saudi Aramco Products Trading Company ("ATC"), Saudi Aramco's wholly-owned direct subsidiary for trading petroleum products, traded an average of more than 1.4 million bpd of refined petroleum products and 3,700 tonnes per day of chemical products in the year ended 31 December 2016. In 2015, ATC expanded its market presence and operations by entering new markets, increasing third-party trades, and reaching out directly to end-users for product sales and purchases.

Pipelines and Terminals

Saudi Aramco operates a nationwide distribution network of pipelines, bulk plants, air refuelling sites, and terminals that deliver crude oil, natural gas liquids ("NGL"), natural gas and refined products throughout Saudi Arabia. Saudi Aramco's network of pipelines is 22,153 km in total length. Saudi Aramco has proposed plans to increase the capacity of its 1,200 km East-West Crude Oil Pipeline from five to seven million bpd. Saudi Aramco is also continuing construction work to increase supplies of natural gas to the central and western regions of Saudi Arabia through its master gas system. The first phase of expansion, which is expected to increase east-west capacity from 8.6 billion scfd to 9.6 billion scfd, was approximately 72 per cent. complete at the end of 2016. The overall project will add nearly 950 km of new pipelines to the network. The additional volumes of gas will reduce the need to burn liquids for industry and power generation, thereby helping to lower greenhouse gas emissions.

Saudi Aramco owns and operates Saudi Arabia's terminal system, which is used to ship or receive crude oil, NGL and refined products. Tank farms and shipping terminals enable supply to customers around the globe. Marine terminals are located at Ras Tanura, the world's largest crude oil shipping terminal, and Ju'aymah on the Arabian Gulf; and at Yanbu, Jeddah, Duba, Jazan and Rabigh on the Red Sea coast. These terminals are some of the busiest in the world, with 3,279 tankers calling to the terminal in 2016, compared to 3,109 tankers in 2015. Since commencing its first terminal operations at Ras Tanura in 1939, Saudi Aramco has steadily expanded the capacity of its terminals, which now enable it to service its large fleet of crude oil and LPG tankers.

Shipping

The Saudi Arabian oil transportation market is closely linked to Saudi Aramco's oil production and exports. A majority of Saudi Aramco's export volumes are sold on an FOB basis, whereby Saudi Aramco delivers the oil on board a vessel designated by the buyer. The remaining export volumes are sold on a CIF basis, whereby Saudi Aramco is required to arrange for the delivery of the oil to the port of destination. Until June 2014 the primary provider of shipping services for Saudi Aramco was Vela International Marine ("Vela"), a wholly-owned subsidiary of Saudi Aramco. In June 2014, Vela merged with Bahri, pursuant to which Saudi Aramco acquired a 20 per cent. shareholding in Bahri. The PIF holds an additional 22.55 per cent. of Bahri's shares, which are listed on the Tadawul.

Environment

Given the relative size and importance of the hydrocarbon sector in Saudi Arabia's economy and its potential impact on the environment, Saudi Aramco, as the principal entity responsible for managing Saudi Arabia's oil and gas assets, places a high priority on its sustainable development policies as well as on environmental performance enhancements across Saudi Arabia's entire hydrocarbon sector. Saudi Aramco's commitment to environmental protection was first set forth in its first Environmental Protection Policy statement issued in 1963. Over the past five decades, this policy has evolved to ensure consistent alignment with national and international environmental regulations and industry best practices.

In 1998, Saudi Aramco launched a dedicated Environmental Protection Department (the "EPD"), with responsibility for providing comprehensive environmental leadership throughout Saudi Aramco's operations. The EPD has developed wide-ranging environmental engineering standards and procedures for use during the construction, operational and maintenance phases of Saudi Aramco's facilities, relying heavily on specific monitoring and inspection programs. The EPD administers several programmes to monitor compliance and facilitate enhancement of environmental performance, including its Air Quality and Meteorology Programme, Marine Environment Protection Programme, Groundwater Protection Programme, Water Conservation and Wastewater Management Programme, Environmental Health Programme and several other programmes utilising highly qualified and experienced professionals specialising in various environmental disciplines.

Saudi Aramco aims to be a global leader in protecting the environment. To achieve this vision, Saudi Aramco focuses on the following key objectives:

- *Compliance:* Saudi Aramco seeks to attain the highest level of compliance with environmental regulations/standards.
- *Performance:* Saudi Aramco seeks to enhance environmental performance through optimising its operations to conserve resources and minimise the environmental footprint of its operations.
- *Stewardship:* Saudi Aramco assumes a proactive role in enhancing environmental protection in Saudi Arabia, through pursuing initiatives to raise environmental awareness in the country and by championing environmental stewardship initiatives to conserve biodiversity and natural habitats.

Saudi Aramco has developed a comprehensive set of environmental standards aligned with Saudi Arabia's regulations, regional protocols and best industry practices and has integrated environmental protection throughout its operations. Saudi Aramco applies its standards from the early stages of a project's site

selection and engineering designs, where environmental assessments are performed and pollution control systems are specified and integrated into the design and construction phases of each facility. Subsequently, after completing the construction phase and commencing operations, each facility is subjected to environmental surveillance throughout its operational life cycle. Environmental scrutiny in the form of monitoring programmes, periodical compliance assessments and environmental studies forms part of a comprehensive process aiming to identify environmental gaps as well as performance enhancement opportunities. Saudi Aramco regularly sets targets, identifies optimal solutions and tracks the implementation of solutions to attain environmental compliance and enhance the environmental performance of its facilities. The environmental performance of Saudi Aramco's business units is monitored, measured, and reported through the EPD's Facility Environmental Performance Programme, and Saudi Aramco's top-performing business units are awarded the President's Award for Environmental Excellence on an annual basis.

Another aspect of Saudi Aramco's environmental strategy is the Environmental Master Plan (the "EMP"), which provides a framework for attaining environmental objectives that require capital investment. The EMP currently includes 58 environmental capital projects aimed at achieving various environmental objectives, such as reducing emissions of air pollutants, maximising wastewater reuse and enhancing the quality of transportation fuels.

Recent Developments

In March 2017, a Royal Order was issued to reduce the income tax rates applicable to taxpayers operating in the oil and hydrocarbon sectors whose capital investments exceed certain threshold amounts. As applied to Saudi Aramco, this reduces the income tax rate from 85 per cent. to 50 per cent. The revised tax rates are retroactively effective as of 1 January 2017.

Petrochemicals, Chemicals and Plastics

The development of Saudi Arabia's petrochemicals, chemicals and plastics industry has been an important element of the Government's economic diversification programme. Petrochemicals are a fast-growing and increasingly important industry for Saudi Arabia, accounting for 15.2 per cent. of Saudi Arabia's total exports and 58.9 per cent. of non-oil exports in the year ended 31 December 2016. The expansion of Saudi Arabia's petrochemicals industry has been driven by competitive domestic energy costs, a ready supply of raw materials and the Government's support of industrial diversification through foreign investment. With increased investment and technological know-how, the petrochemicals industry in Saudi Arabia has undergone significant diversification from basic to more sophisticated products. Through a number of financial incentives and other supportive policies, the Government encourages industrial joint ventures and licensing technology, and has enabled the industry to move away from import substitution to actual growth in domestically manufactured products. In the meantime, Saudi Arabia's accession to the WTO in 2005 and its geographic position facilitates Saudi Arabia's access to the international markets, such as China, India, South Korea and the European Union, for the export of products produced by the petrochemicals industry. Each of the RCJY and the National Industrial Cluster Programme have contributed significantly to the development of the petrochemicals, chemicals and plastics sector and have helped the sector evolve from the production of basic products, such as industrial gasses and urea, to high-end, value add products, such as chlor-alkali, glycols and specialty plastics that are used in the manufacture of a wide variety of consumer products such as automobiles, home appliances and solar panels.

Since the vast majority of Saudi Arabia's basic petrochemicals are derived from natural gas and methane feedstock, the Government's commitment to expanding Saudi Arabia's natural gas infrastructure has enhanced its competitive advantage in the global petrochemical markets. The Saudi petrochemicals sector is dominated by SABIC, which is 70 per cent. owned by the Government and was the world's fourth largest chemicals company in 2016, according to ICIS Chemical Business, which compiles market data for the global chemical, energy and fertiliser industries. The private sector also contributes to Saudi Arabia's petrochemicals sector, both in partnership with SABIC and, more recently, on its own. Joint venture partnerships, such as the Saudi Acrylic Polymers Company (SAPCO) and Sahara Petrochemicals Company,

between Saudi companies and U.S., European, and Asian counterparts are playing an increasing role in the growth of the upstream and downstream petrochemicals industry in Saudi Arabia.

The Government continues to be supportive of the expansion of the petrochemicals, chemicals and plastics industry, and one key project that is currently under construction in Jubail Industrial City is the Sadara chemical complex, a joint venture of Saudi Aramco (see “—*Oil and Gas—Refining and Marketing*” above). Once completed, Sadara is expected to be the world’s largest integrated chemicals complex ever built in a single phase, with the production capacity to produce more than three million tonnes of diversified chemicals and plastics per year.

Saudi Basic Industries Corporation

SABIC was established by the Government in 1976 in order to utilise the hydrocarbon gases associated with its oil production as the principal feedstock for the production of petrochemicals. SABIC is now the largest public company in Saudi Arabia and is ranked as the world’s fourth largest diversified chemicals company by revenue and the third largest by market capitalisation, according to Forbes 2017 Global World’s Largest Public Companies ranking list. The PIF owns 70 per cent. of SABIC’s shares, with the remaining 30 per cent. held by certain institutions (among which are the GOSI and the PPA, each of which is controlled by the Government) and private investors. SABIC’s shares are listed on the Tadawul.

In the year ended 31 December 2016, SABIC’s total production was 72.7 million tonnes, which comprised 59 million tonnes, or 81.2 per cent., produced by its petrochemicals division, 8 million tonnes, or 11 per cent., produced by its agri-nutrients division, 5.4 million tonnes, or 7.4 per cent., produced by its metals division and 0.3 million tonnes, or 0.4 per cent., produced by its specialities division, compared to a total production of 70.4 million tonnes in the year ended 31 December 2015, which comprised 57 million tonnes, or 81 per cent., produced by its petrochemicals division, 7.3 million tonnes, or 10.4 per cent., produced by its agri-nutrients division, 5.8 million tonnes, or 8.2 per cent., produced by its metals division and 0.3 million tonnes, or 0.4 per cent., produced by its speciality division.

SABIC had total assets of U.S.\$84.5 billion as at 31 December 2016, compared to total assets of U.S.\$87.5 billion as at 31 December 2015. SABIC’s net income was U.S.\$4.8 billion and its sales were U.S.\$35.4 billion in the year ended 31 December 2016, compared to net income of U.S.\$5.0 billion and sales of U.S.\$39.5 billion in the year ended 31 December 2015. In the year ended 31 December 2016, SABIC increased its production and sales volume by 3.3 per cent. and 1.9 per cent., respectively, compared to 2015. The declines in SABIC’s net income and sales in the years ended 31 December 2015 and 2016 were principally due to a decline in margins as a result of a decrease in average sales prices of petrochemicals and other commodities, as a result of a decline in global oil prices.

SABIC operates in more than 50 countries across the world and has over 62 world-class manufacturing and compounding plants in locations across the Middle East, Asia, Europe and the Americas, with a global workforce more than 35,000 individuals. SABIC’s principal corporate offices and headquarters are in Riyadh, with major industrial operations in Jubail Industrial City and Yanbu Industrial City. SABIC has direct and indirect interests in more than 35 manufacturing subsidiaries, affiliates and associated companies, which range from full ownership to significant partial participation. The following table sets forth details of SABIC’s manufacturing subsidiaries, affiliates and associated companies as at 31 December 2016.

Name of Company	Location	Products	Ownership (%)
Saudi Iron and Steel Co. (Hadeed).....	Saudi Arabia	Metals	100.0
Arabian Petrochemical Co. (Petrokemya)	Saudi Arabia	Petrochemicals, Specialities	100.0
SABIC Petrochemicals B.V.....	Netherlands	Petrochemicals	100.0
SABIC UK Petrochemicals Ltd	UK	Petrochemicals	100.0
SABIC Polyolefine GmbH	Germany	Petrochemicals	100.0
SABIC Innovative Plastics BV.....	Netherlands	Petrochemicals, Specialities	100.0
SABIC Innovative Plastics España ScpA.....	Spain	Petrochemicals, Specialities	100.0
SABIC Innovative Plastics LLC.....	Bay St.Louis, Mississippi, USA	Petrochemicals,	100.0
SABIC Innovative Plastics LLC.....	Burkville, Alabama, USA	Petrochemicals, Specialities	100.0
SABIC Innovative Plastics LLC.....	Mt. Vernon, Indiana, USA	Petrochemicals, Specialities	100.0
SABIC Innovative Plastics LLC.....	Ottawa, Illinois, USA	Specialities	100.0
SABIC Innovative Plastics LLC.....	Selkirk, New York, USA	Specialities	100.0
Saudi Specialty Chemicals Co. (SSCC).....	Saudi Arabia	Petrochemicals	99.0
Saudi European Petrochemical Co. (Ibn Zahr)	Saudi Arabia	Petrochemicals	80.0
Jubail United Petrochemical Co. (United)	Saudi Arabia	Petrochemicals	75.0
National Industrial Gases Co. (Gas).....	Saudi Arabia	Petrochemicals	70.0
Yanbu National Petrochemical Co. (Yansab)	Saudi Arabia	Petrochemicals	52.0
Saudi Petrochemical Co. (Sadaf)	Saudi Arabia	Petrochemicals	100.0
National Methanol Co. (Ibn Sina)	Saudi Arabia	Petrochemicals	50.0
Al-Jubail Petrochemical Co. (Kemya)	Saudi Arabia	Petrochemicals	50.0
Saudi Methyl Acrylate Co. (SAMAC)	Saudi Arabia	Petrochemicals	50.0
SINOPEC SABIC Tianjin Petrochemical Co. Ltd.	China	Petrochemicals	50.0
Al-Jubail Fertilizer Co. (Al-Bayroni).....	Saudi Arabia	Petrochemicals, Agri-Nutrients	50.0
Saudi Methanol Co. (Ar-Razi)	Saudi Arabia	Petrochemicals	50.0
National Chemical Fertilizer Co. (Ibn Al-Baytar)	Saudi Arabia	Agri-Nutrients	71.5
Eastern Petrochemical Co. (Sharq)	Saudi Arabia	Petrochemicals	50.0
Saudi Japanese Acrylonitrile Co. (Shrouq)	Saudi Arabia	Petrochemicals	50.0
Saudi Organometallic Chemicals Co. (SOCC)	Saudi Arabia	Petrochemicals	50.0
SABIC SK Nexelene Co. (SSNC)	Singapore	Petrochemicals	50.0
Saudi Yanbu Petrochemical Co. (Yanpet).....	Saudi Arabia	Petrochemicals	50.0
Arabian Industrial Fibers Co. (Ibn Rushd).....	Saudi Arabia	Petrochemicals	48.1
Saudi Arabian Fertilizer Co. (SAFCO)	Saudi Arabia	Agri-Nutrients	43.0
Saudi Kayan Petrochemical Co. (Saudi Kayan)	Saudi Arabia	Petrochemicals, Specialities	35.0
Gulf Petrochemical Industries Co. (GPIC)	Bahrain	Petrochemicals, Agri-Nutrients	33.3
Gulf Aluminum Rolling Mill Co. (GARMCO)	Bahrain	Metals	31.3
Aluminium Bahrain (ALBA)	Bahrain	Metals	20.6

Source: SABIC

On 22 January 2017, SABIC and Shell Chemicals Arabia L.L.C. (“**Shell**”), SABIC’s partner in Saudi Petrochemical Company (“**Sadaf**”), entered into an agreement, pursuant to which SABIC agreed to acquire Shell’s 50 per cent. stake in Sadaf for a total consideration of US\$820 million. SABIC completed the acquisition of Shell’s shares on 16 August 2017.

SABIC has developed “SABIC 2025”, a corporate strategy that focuses on increasing SABIC’s market share and competitiveness; transforming SABIC towards a more global, integrated, differentiated and market-facing organisation; forming strong partnerships to enhance worldwide strength and reach; investing in innovation; and advancing Saudi Arabia’s industrialisation and economic diversification.

A strong focus on technology and innovation has contributed to SABIC’s position as one of the world’s largest diversified chemical companies. SABIC has technology and innovation facilities in: the Middle East, the USA, Europe, South East Asia and North East Asia. As of 31 December 2016, SABIC’s total patents and patent applications exceeded 12,000.

SABIC’s business is grouped into four key strategic business units, as follows:

- **Petrochemicals:** Petrochemicals is SABIC’s largest business, manufacturing a wide range of chemicals, polymers and other materials that are ultimately used in industries from automotive to healthcare, from construction to household goods. Its products include olefins, oxygenates, aromatics, glycols, ethanolamines, linear alpha olefins, polyethylene, polypropylene, polyethylene terephthalate, polyvinyl chloride, polystyrene, and polycarbonate and its blends.

- **Specialties:** The specialties business unit produces a wide range of products, including engineering thermoplastic resins and compounds, composites, ethylene oxide derivatives and additive manufacturing solutions.
- **Agri-Nutrients:** The agri-nutrients business unit produces key agri-nutrients, which include: (i) urea, which is the most popular and economical of all nitrogen-based fertilisers used worldwide, and is also a raw material for industrial products, including melamine; and (ii) ammonia, which is the chief raw ingredient in the production of urea and other fertiliser products, and which is important as a raw material in a number of industrial applications, such as the manufacture of synthetic materials.
- **Metals:** SABIC's metals business unit is represented by Saudi Iron and Steel Company ("**Hadeed**"), which is wholly-owned by SABIC. Hadeed is one of the world's largest fully-integrated steel producers, manufacturing a range of high-quality steel products.

Mining and Quarrying

The soil in Saudi Arabia is a source of precious and basic minerals such as gold, silver, copper, zinc, chromium, manganese, tungsten, lead, tin, aluminium and iron. Development of the mining sector occupies a prominent position in the Government's programme of diversification away from hydrocarbons and is an area of focus for Vision 2030 with specific targets having been assigned to the Ministry of Energy, Industry and Mineral Resources in this regard.

Based on preliminary figures for 2016, mining and quarrying activities (excluding oil and gas activities) accounted for SAR 11.1 billion (U.S.\$3.0 billion), or 0.5 per cent., of Saudi Arabia's nominal GDP in the year ended 31 December 2016, compared to SAR 11.2 billion (U.S.\$3.0 billion), or 0.5 per cent., of Saudi Arabia's nominal GDP in the year ended 31 December 2015. Mining and quarrying activities (excluding oil and gas activities) decreased by 1.8 per cent. in real terms in the year ended 31 December 2016, following growth of 4.1 per cent., 2.9 per cent., 3.2 per cent. and 4.1 per cent. in real terms in the years ended 31 December 2015, 2014, 2013 and 2012, respectively, which was principally due to expansion of Ma'aden's mining operations (see "*—Saudi Arabian Mining Company*" below).

The Ministry of Energy, Industry and Mineral Resources supervises mining activities in Saudi Arabia. It encourages investments in the mining sector, provides services and consultations to support mining, and issues mining licences and concessions. In the year ended 31 December 2016, the total quantities extracted from mineral ores in Saudi Arabia, including limestone, silica sand, clay, feldspar, industrial marble, iron sand, kaolin and gypsum, amounted to 465.0 million tonnes, compared to 430.0 million tonnes in the year ended 31 December 2015.

The following table sets forth details of the production of selected minerals and mineral ores in Saudi Arabia for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December				
	2016 ⁽¹⁾	2015	2014	2013	2012
Gold (kg)	5,089	5,078	4,366	4,655	5,215
Silver (kg)	4,500	5,530	4,888	4,158	—
Copper (tonnes)	46,253	56,126	43,390	20,380	17,639
Zinc (tonnes)	39,008	375,513	41,804	26,293	21,213
Bauxite (thousand tonnes)	2,200	1,148	1,096	1,044	—
Phosphate (thousand tonnes)	5,400	2,002	1,911	1,820	1,534

Source: GASTAT

Note:

(1) Estimated figures.

Saudi Arabian Mining Company (Ma'aden)

Ma'aden was established by the Government in 1997 for the purpose of facilitating the exploration and development of Saudi Arabia's mineral resources. Ma'aden is now the leading mining and metals company in Saudi Arabia, with a diverse portfolio of mineral assets in operation and at various stages of development. In 2016, Ma'aden was ranked number 16 among global mining and metals companies in terms of market capitalisation, according to an annual review of the mining industry published by PricewaterhouseCoopers. Ma'aden has significant phosphate fertiliser operations that continue to grow, it operates a vertically integrated aluminium complex that is amongst the largest in the world, and has gold, copper and other mineral operations. Ma'aden conducts its business through a number of subsidiaries and joint ventures, including joint ventures with SABIC, The Mosaic Company, a leading U.S. based fertiliser company, Alcoa Corporation, a leading U.S. based aluminium company, and Barrick Gold Corporation, one of the largest gold mining companies in the world.

Ma'aden has developed "Ma'aden 2025", a strategy that focuses on operational, capital and commercial excellence, organic growth and global opportunities with the goal of making Ma'aden one of the top sustainable mining companies with global presence.

The PIF owns 50 per cent. of Ma'aden's shares, with the remaining 50 per cent. held by certain institutions (among which are the GOSI and the PPA, each of which is controlled by the Government) and private investors. Ma'aden's shares are listed on the Tadawul. The current chairman of the board of directors of Ma'aden is the incumbent Minister for Energy, Industry and Mineral Resources. Ma'aden had total assets of SAR 97.1 billion (U.S.\$25.9 billion), revenues of SAR 9.5 billion (U.S.\$2.5 billion) and net income attributable to shareholders of the parent company of SAR 400.6 million (U.S.\$106.8 million) in the year ended 31 December 2016, compared to total assets of SAR 89.4 billion (U.S.\$23.8 billion), revenues of SAR 11.0 billion (U.S.\$2.9 billion) and net income attributable to shareholders of the parent company of SAR 605.2 million (U.S.\$161.3 million) in the year ended 31 December 2015.

Ma'aden is organised into three main strategic business units: (i) phosphate and industrial minerals; (ii) aluminium; and (iii) precious and base metals. The following table sets forth details of Ma'aden's subsidiaries and jointly-controlled entities as at 31 December 2016.

Name of Company	Headquarters	Products	Ownership (%)
Subsidiaries			
Ma'aden Gold and Base Metals Company	Riyadh	Gold, zinc, copper, silver and lead	100.0
Ma'aden Infrastructure Company	Riyadh	Infrastructure services and housing	100.0
Industrial Minerals Company	Riyadh	Bauxite, kaolin, caustic calcined magnesia	100.0
Ma'aden Aluminium Company	Ras Al Khair	Aluminium ingots, T-bars and slabs	74.9
Ma'aden Rolling Company.	Ras Al Khair	Billets and aluminium sheets	74.9
Ma'aden Bauxite and Alumina Company.....	Ras Al Khair	Aluminium ingots	74.9
Ma'aden Phosphate Company	Ras Al Khair	Fertilisers, sulphuric and phosphoric acids and ammonia	70.0
Ma'aden Wa'ad Al-Shamal Phosphate Company.....	Wa'ad Al-Shamal	Fertilisers, sulphuric and phosphoric acids and ammonia (including downstream products)	60.0
Jointly controlled entities			
Sahara and Ma'aden Petrochemical Company	Jubail	Ethylene dichloride chlorine and caustic soda	50.0
Ma'aden Barrick Copper Company	Al Madinah	Copper	50.0
	Al Munawarah		

Source: Ma'aden

Phosphate and Industrial Minerals

Ma'aden's phosphate and industrial minerals business unit contributed 44.2 per cent. to its total revenues in the year ended 31 December 2016, compared to 50.1 per cent. in the year ended 31 December 2015.

Ma'aden produces two of the most widely-used phosphate fertilisers in modern agriculture, di-ammonium phosphate ("DAP") and mono-ammonium phosphate ("MAP"). Ma'aden's phosphate operations are currently carried out through Ma'aden Phosphate Company ("MPC"), a joint venture limited liability company between Ma'aden (70 per cent.) and SABIC (30 per cent.). MPC is a vertically integrated manufacturer of phosphate-based fertilisers, ammonia, sulphuric acid and phosphoric acid. In the year ended

31 December 2016, Ma'aden produced 2.7 million tonnes of DAP and MAP and 1.2 million tonnes of ammonia, compared to 2.7 million tonnes of DAP and MAP and 1.1 million tonnes of ammonia in the year ended 31 December 2015.

Ma'aden currently markets approximately 70 per cent. of MPC's production from two major sites: (i) Al-Jalamid, located in the north of Saudi Arabia, where MPC's phosphate mine and ore beneficiation plant is located; and (ii) Ras Al Khair, located in the Eastern Province, which houses an integrated plant for the production of fertilisers and chemicals. The Al-Jalamid mine produces approximately 11.6 mtpy of phosphate ore, which undergoes a beneficiation process in the plant to produce nearly 5 mtpy of beneficiated ore. Phosphate concentrates are transported by rail and road from Al-Jalamid to Ras Al Khair for the production of phosphate fertilisers at MPC's facilities, which include phosphoric acid, sulphuric acid, ammonia, DAP and desalination plants.

MPC represents the first phase of the development of a phosphate industry in Saudi Arabia—the second phase is represented by Ma'aden Wa'ad Al Shamal Company ("MWSPC"), a joint venture between Ma'aden (60 per cent.), SABIC (15 per cent.) and The Mosaic Company (25 per cent.), which is expected to double Ma'aden's volume of phosphate fertiliser production as well as introduce new products. MWSPC's Al Khabra mine and its beneficiation plant are located at Umm Wu'al near Turaif in the Northern Border Province of Saudi Arabia and its ammonia, DAP, MAP and NPK fertiliser granulation plants are located in Ras Al Khair. MWSPC's ammonia plant commenced commercial production on 1 January 2017 and the rest of the plants are expected to commence operations in phases during 2017. Once completed, MWSPC is expected to have an annual production capacity of approximately 2.9 mtpy of DAP, MAP and NPK.

Ma'aden's industrial mineral operations are carried out through Industrial Minerals Company ("IMC"), a wholly-owned subsidiary of Ma'aden. IMC's industrial mineral operations comprise a kaolin and low-grade bauxite mine in Az-Zabirah in the Hali Province, a magnesite mine at Al-Ghazalah and a processing plant at Al-Medina Industrial City. These activities allow Ma'aden to produce low-grade bauxite, caustic calcined magnesia and kaolin. In the year ended 31 December 2016, Ma'aden produced 625 thousand tonnes of low-grade bauxite, 36 thousand tonnes of caustic calcined magnesia and 106 thousand tonnes of kaolin, compared to 797 thousand tonnes of low-grade bauxite, 37 thousand tonnes of caustic calcined magnesia and 120 thousand tonnes of kaolin, in the year ended 31 December 2015.

Aluminium

Ma'aden's aluminium business unit contributed 44.7 per cent. to its total revenues in the year ended 31 December 2016, compared to 43.5 per cent. in the year ended 31 December 2015. Ma'aden's aluminium operations are carried out through Ma'aden Bauxite and Alumina Company ("MBAC"), Ma'aden Aluminium Company ("MAC") and Ma'aden Rolling Company ("MRC"), joint venture companies in each case between Ma'aden (74.9 per cent.) and Alcoa Corporation (25.1 per cent.). Ma'aden's aluminium operations comprise among the largest vertically integrated aluminium complexes in the world. It uses Saudi Arabia's bauxite resources to produce aluminium for domestic and international markets as well as to facilitate the development of domestic downstream industries in Saudi Arabia.

Ma'aden's aluminium operations comprise a bauxite mine and ore crushing and handling facilities at Al-Ba'itha in Qassim Province, and an alumina refinery, aluminium smelter and rolling mill at Ras Al Khair, which produce aluminium ingots, t-bars, slabs, billets and aluminium sheets. The alumina refinery in Ras Al Khair processes the bauxite transported by Government rail services from Ma'aden's bauxite mine at Al Ba'itha, which is located about 600 km away from the integrated production complex in Ras Al Khair. MAC commenced commercial production in 2014, MBAC commenced commercial production on 1 October 2016 and MRC is currently in the commissioning phase and preparing for commercial production. Ma'aden's aluminium complex also includes an aluminium can reclamation facility, which is the largest beverage can recycling facility in the MENA region.

In the year ended 31 December 2016, Ma'aden produced 1,429 thousand tonnes of alumina, compared to 846 thousand tonnes in the year ended 31 December 2015. In the year ended 31 December 2016, Ma'aden produced 869 thousand tonnes of primary aluminium, compared to 839 thousand tonnes in the year ended

31 December 2015. Ma'aden also produced 101 thousand tonnes of flat rolled product in the year ended 31 December 2016, compared to 59 thousand tonnes in the year ended 31 December 2015.

Ma'aden is party to a joint venture with Sahara Petrochemical Company, known as Sahara and Ma'aden Petrochemicals Company ("SAMAPCO"), which specialises in producing the caustic soda that goes into the aluminium refinery as feedstock. The SAMAPCO plant, based in Jubail Industrial City, also produces ethylene dichloride as a by-product of caustic soda output.

Precious and Base Metals

Ma'aden's precious and base metals business unit contributed 11.0 per cent. to its total revenues in the year ended 31 December 2016, compared to 6.4 per cent. in the year ended 31 December 2015. Ma'aden's gold and base metals business is carried out through Ma'aden Gold and Base Metals Company ("MGBM"), a wholly-owned subsidiary of Ma'aden.

MGBM operates six gold mines in Saudi Arabia (Mahd Ad Dhahab, Al Amar, Bulghah, Sukhaybarat, As Suq and Ad Duwayhi). In the year ended 31 December 2016, Ma'aden produced 225 thousand ounces of gold, compared to 164 thousand ounces in the year ended 31 December 2015. MGBM is also considering developments in the Central Arabian Gold Region, which is part of a geological area known as the 'Arabian Shield' and comprises the operational areas of Northern, Central and Southern Arabian Gold regions, and is carrying out an extensive precious and base metals exploration development programme in Saudi Arabia.

In 2014, Ma'aden established a joint venture with Barrick Gold Corporation, known as Ma'aden Barrick Copper Company ("MBCC"). MBCC's new copper mine in Jabal Sayid commenced commercial operations in 2016. Once fully operational, Ma'aden expects MBCC's Jabal Sayid copper mine to produce over 45,000 tonnes of copper in concentrate per year.

Government Services

Based on preliminary figures for 2016, government services activities accounted for SAR 487.5 billion (U.S.\$130 billion), or 20.1 per cent., of Saudi Arabia's nominal GDP in the year ended 31 December 2016. Government services activities demonstrated growth of 0.2 per cent., 2.3 per cent., 3.3 per cent., 4.9 per cent. and 5.3 per cent. in real terms in the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

The growth in government services activities during the periods under review was due to both an increase in the number of Government employees and an increase in development expenditure incurred by the Government in accordance with the implementation of its Development Plans.

Finance, Insurance, Real Estate and Business Services

Based on preliminary figures for 2016, finance, insurance, real estate and business services activities accounted for SAR 324.8 billion (U.S.\$ 86.6 billion), or 13.4 per cent., of Saudi Arabia's nominal GDP in the year ended 31 December 2016. Finance, insurance, real estate and business services activities demonstrated growth of 2.8 per cent., 2.3 per cent., 3.3 per cent., 9.2 per cent. and 7.5 per cent. in real terms in the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

Banking and Finance

The banking sector is the largest segment of the Saudi financial system, with the total assets of commercial banking institutions in Saudi Arabia being equivalent to 93.1 per cent. of nominal GDP in the year ended 31 December 2016. Banks in Saudi Arabia are well capitalised, profitable and liquid, and the external exposure of the banking sector is also limited in terms of both external lending and borrowing. As at 30 June 2017, there were 26 commercial banks licensed to operate in Saudi Arabia, of which 12 were incorporated in Saudi Arabia. Of the 14 commercial banks not incorporated in Saudi Arabia, five are branches of banks based in countries of the GCC other than Saudi Arabia and the remaining nine are international banks. SAMA, the central bank of Saudi Arabia, acts as the regulator for local and foreign banking businesses.

See “*Monetary and Financial System*” for further discussion of Saudi Arabia’s banking sector.

Insurance

The insurance sector in Saudi Arabia is regulated and supervised by SAMA, although the Council of Cooperative Health Insurance is also responsible for supervising medical insurance companies’ compliance with the Cooperative Health Insurance Law. As at 31 December 2016, the insurance sector comprised 35 insurance companies, each of which are publicly listed joint stock companies whose shares are listed on the Tadawul. There exists significant concentration in the insurance market, with the top eight insurance companies generating 71.9 per cent. of the aggregate gross written premiums (“GWP”) generated by the insurance sector during the year ended 31 December 2016. The total number of employees in the insurance sector in Saudi Arabia was 10,039 as at 31 December 2016, of which 58 per cent. were Saudi nationals.

In the year ended 31 December 2016, Saudi Arabia’s insurance market witnessed a slight growth, with GWP reaching SAR 36.9 billion (U.S.\$9.8 billion) from SAR 36.5 billion (U.S.\$9.7 billion) in the year ended 31 December 2015, representing an increase of 1.0 per cent. as compared to a growth rate of 19.7 per cent. in the year ended 31 December 2015. This increase was principally attributable to growing awareness of the importance of insurance, as well as the requirement for compulsory motor insurance and cooperative health insurance.

Real Estate

The Saudi real estate sector has grown steadily in recent years, benefiting from growing demand for residential and commercial properties as a result of the increasing population, changing demographics, the growing hotel and tourism industry and higher personal disposable income. The real estate sector in Saudi Arabia, including the housing market, which is a large part of the real estate sector, is driven by a strong and growing economy as well as favourable demographic fundamentals. Despite the significant decline in oil prices since mid-2014, continued growth in other sectors of the economy is likely to drive continued growth in real estate development.

In recent decades, growth in Saudi Arabia’s housing market has been driven by rapid population growth, a young demographic profile, an accelerating rate of urbanisation, rising per capita income, upgrading requirements of existing houses, as well as favourable financing facilities extended by the Government-funded REDF, a fund sponsored by the Government and established to provide loans to individuals and institutions in connection with real estate projects. The loans provided by REDF are interest-free and are generally repayable over 25 years. The REDF also provides interest-free loans to investors in order to encourage them to build residential units for the purpose of investment.

Saudi Arabia currently faces a shortage in the housing sector, particularly in the low-to-mid income levels. Estimates based on applications to the Ministry of Housing and the REDF indicate that the shortage of affordable housing for Saudi citizens is approximately 1.47 million homes. The reasons for the constraints in the housing market include the high cost of land in certain urban areas (in Riyadh, for example, land can constitute as much as 50 per cent. of the cost of a housing unit) as well as challenges faced by potential buyers, particularly private-sector workers who are viewed as higher-risk borrowers, in obtaining mortgages. In February 2016, SAMA increased the limit on real estate financing provided by real estate financing companies from 70 per cent. to 85 per cent. of the value of a home (effectively reducing the minimum required downpayment on a home from 30 per cent. to 15 per cent.), and in January 2017, SAMA correspondingly increased the limit on real estate financing provided by banks, on the basis that the previous requirement had resulted in a market slowdown and was prohibitive to many low- to middle-income Saudi nationals.

The REDF has launched several financing programmes to help Saudi nationals own homes, including the Additional Financing Programme, the Accelerated Loan Programme and the *Dhamin* (‘guarantor’) Programme. The Additional Financing Programme allows private banks to collaborate with the REDF to provide additional financing to Saudi nationals that have been approved for the REDF loan. The Accelerated Loan Programme allows private banks to issue home loans to applicants on the REDF’s waiting list at fixed and competitive profit rates, with REDF subsequently repaying the loan and allowing the customer to repay

REDF over a specified period of time. The *Dhamin* Programme provides buyers with an additional source of financing by allowing REDF to guarantee the financing provided by banks to prospective home owners.

The Ministry of Housing has launched several initiatives focused on Saudi Arabia's housing sector, including the *Wafi* Programme, the Housing Public-Private Partnership Programme and the *Ejar* Programme. The *Wafi* Programme assists individuals in the purchase of off-plan houses while providing real estate developers with financing solutions. The Housing Public-Private Partnership Programme establishes partnerships between the Government and local as well as international real estate developers with the aim of increasing the housing capacity in the Kingdom and enhancing its quality. The *Ejar* Programme establishes an online platform which is linked to SAMA's SADAD system and which is intended to protect the rights of all parties in a rental relationship (i.e., lessor, lessee and broker).

In 2012, the Council of Ministers issued five laws which collectively comprise the real estate financing laws in Saudi Arabia: (i) the Real Estate Financing Law; (ii) the Financial Leasing Law; (iii) the Supervision of Finance Companies Law; (iv) the Execution Law; and (v) the Registered Real Estate Mortgage Law. The Real Estate Financing Law requires a real estate financing company to obtain a special licence from SAMA permitting it to engage only in real estate financing activities. According to the Supervision of Finance Companies Law, a real estate financing company may not engage in other types of financing activities. These laws were introduced to positively impact the home financing market in Saudi Arabia (particularly among the middle-income market segment), increasing access to, and the availability of, home financing options.

The Council of Ministers has recently approved a tax on vacant land in various municipalities across Saudi Arabia. This tax, along with a tax on high-end properties, is intended to discourage investment in land solely for capital appreciation purposes and to discourage speculative buying of land. It is intended that the new law will encourage expenditure on low- and middle-income housing and increase residential development. At a rate of 2.5 per cent., the 'white land' tax will be applied in stages to undeveloped land plots of over 10,000 square metres, located within areas specified by the Ministry of Housing. This tax is expected to take effect during the course of 2017, following the conclusion of the current registration phase.

The provision of affordable housing to Saudi citizens is one of the stated goals of Vision 2030 and NTP 2020 and, in addition to those described above, several other measures are in the process of being introduced to help achieve this goal.

Wholesale and Retail Trade, Restaurants and Hotels

Based on preliminary figures for 2016, wholesale and retail trade, restaurants and hotels activities accounted for SAR 276.1 billion (U.S.\$ 73.6 billion), or 11.4 per cent., of Saudi Arabia's nominal GDP in the year ended 31 December 2016. Wholesale and retail trade, restaurants and hotels activities demonstrated a decline of 1.6 per cent. in real terms in the year ended 31 December 2016, compared to growth of 2.8 per cent., 6.0 per cent., 6.6 per cent. and 6.0 per cent. in real terms in the years ended 31 December 2015, 2014, 2013 and 2012, respectively, which was principally due to population growth and rising household and disposable income, as well as the Government's efforts to strengthen the tourism sector.

Wholesale and Retail Trade

The wholesale and retail trade sector in Saudi Arabia has seen strong growth in recent years, principally as a result of rising household income and population growth, as well as a demographic shift towards higher disposable incomes and a greater propensity to consume. The retail sector is one of Saudi Arabia's largest employers, with more than 1.5 million workers, or around one in every six people working in Saudi Arabia, being employed in the sector. Although the majority of the jobs in the retail sector have historically been filled by foreign workers, Saudi citizens' participation in this sector has increased in recent years, in response to Government initiatives to encourage Saudisation. According to figures published by the Ministry of Labour and Social Development, the number of Saudi nationals working in the retail sector was 439,922 as at 31 December 2016, more than double the number in 2010. The number of Saudi nationals working in the sector has grown even more rapidly, from just 10,400 in 2010 to 159,566 as at 31 December 2016. Online retail in Saudi Arabia has also grown strongly in recent years as the number of internet users has increased (see "*—Transport, Storage and Communication—Telecommunications*" below).

The Government has announced various regulatory developments with the intention of encouraging growth in Saudi Arabia's retail sector. In September 2015, SAGIA announced new regulations permitting 100 per cent. foreign ownership in the wholesale and retail sector for businesses that produce and retail their own products. The new rules, which were approved by the Council of Ministers in June 2016, create an exception to the statutory cap on foreign ownership across several industry segments in Saudi Arabia, and are intended to encourage new entrants to the Saudi wholesale and retail market, while also creating additional training and technology transfer opportunities. A new law limiting working hours is currently under consideration by the Government, which, if approved, is expected to encourage job growth and improve working conditions. The Government's efforts towards attracting foreign investment in Saudi Arabia by allowing foreign investors to directly trade on the Tadawul in accordance with the QFI Framework (see "*Monetary and Financial System—Capital Markets*") is also expected to directly benefit the retail sector.

Restaurants

The restaurant sector is one of Saudi Arabia's fastest growing sectors. Increasing disposable income and global exposure, together with the increasing number of shopping malls in Saudi Arabia and the relatively young age of the Saudi population, have created the opportunity for casual dining restaurants to increase their market share. Revenues from the food catering sector have steadily grown as a result of both the increasing number of foreign workers in Saudi Arabia and visitors to Saudi Arabia to perform Hajj and Umrah every year. The Saudi restaurant sector relies heavily on imports, with more than 80 per cent. of the sector's food needs coming from outside Saudi Arabia. Saudi Arabia has seen several major international casual dining restaurants penetrate the market, while a number of other chains have either signed up for franchising or are in the planning phase.

Hotels and Tourism

The tourism sector is a key element of the Government's plans to diversify Saudi Arabia's economy and features prominently in Vision 2030 and NTP 2020. The hospitality sector is a major generator of jobs and Government revenue, and enables Saudi Arabia to leverage its potential as the Islamic world's most important religious tourism destination. One of the objectives of Vision 2030 is to attract significantly more tourists to Saudi Arabia each year by 2020.

Hajj and Umrah Visits

Saudi Arabia has been a destination for visitors for centuries, with millions of people visiting each year from around the world. The presence of Islam's two holiest cities, Makkah and Medina, ensures a significant number of visitors, with millions of Muslims visiting Saudi Arabia annually for the Hajj and Umrah.

The Ministry of Hajj and Umrah is responsible for the provision and maintenance of facilities for pilgrims and other visitors to Makkah and Medina. It is also responsible for their transportation and the coordination of Hajj and Umrah visas. In addition, a major expansion of the Grand Mosque is currently ongoing and is expected to nearly double its capacity to a total of 2.5 million worshippers during the peak Hajj season. To meet the growing demand for Hajj and Umrah visits, the Government is investing considerably in developing new transportation infrastructure, including the Haramain High-Speed Rail network connecting Makkah and Medina to the King Abdulaziz International Airport, and the expansion of the Prince Mohammed bin Abdulaziz Airport in Medina.

Tourism Generally

The SCTH was established in 2000 to promote tourism in Saudi Arabia. Business tourism in Saudi Arabia is rapidly increasing due to strong economic growth and the Government's focus on developing various sectors of the economy. Currently, this growth is concentrated in Riyadh, Jeddah and the Eastern Province (particularly Dammam and Al-Khobar), and the Government is investing heavily in improving transport infrastructure in these areas to attract more business and domestic tourists (see "*—Transport, Storage and Communication*" below).

Manufacturing

Saudi Arabia's GDP attributable to manufacturing activities is divided into oil refining and other manufacturing activities. For a description of Saudi Arabia's oil refining sector, see "*Oil and Gas—Refining and Marketing*". Based on preliminary figures for 2016, manufacturing activities (excluding oil refining) accounted for SAR 246.8 billion (U.S.\$65.8 billion), or 10.2 per cent., of Saudi Arabia's nominal GDP in the year ended 31 December 2016. Manufacturing activities (excluding oil refining) demonstrated a decline of 0.7 per cent. in real terms in the year ended 31 December 2016, compared to growth of 4.4 per cent., 6.3 per cent., 6.3 per cent. and 4.1 per cent. in real terms in the years ended 31 December 2015, 2014, 2013 and 2012, respectively, which was principally due to growth in the private manufacturing sector.

Saudi Arabia's manufacturing base has traditionally been dominated by segments dependent on the oil sector. The development of Saudi Arabia's petrochemicals and plastics industry is one of the important elements in the Government's economic diversification programme, and forms a significant portion of Saudi Arabia's manufactured products (see "*—Petrochemicals and Plastics*" above). Diversifying Saudi Arabia's economy and growing its manufacturing sector has been a priority of the Government, which has invested considerable efforts and resources into the manufacturing industry in recent decades. As a result of the Government's emphasis on Saudi Arabia's industrial development in the non-oil sector, industrial products make up more than 95 per cent. of Saudi Arabia's non-oil exports as at 31 December 2015. Continuous GDP growth, improved business environment and more FDI is driving the development of a number of different manufacturing sub-sectors, such as automobiles, light machinery, construction materials and pharmaceuticals.

Royal Commission for Jubail and Yanbu: In 1975, the RCJY was established for the development of the industrial cities of Jubail and Yanbu. The industrial city of Ras Al Khair and Jazan City for Basic and Downstream Industries have also since been included within the ambit of the RCJY. The industrial cities of Jubail and Yanbu have developed into a major hub of Saudi Arabia's petrochemicals and other energy-intensive industries, such as the construction industry, and are a significant contributor to Saudi Arabia's GDP.

National Industrial Cluster Development Programme: Originally established in 2007, the "Industrial Clusters" programme is now under the supervision of the Ministry of Energy, Industry and Mineral Resources. The programme aims to develop four export-oriented industries in Saudi Arabia: Automotive, Minerals and Metal Processing, Plastics and Packaging, and Pharmaceuticals and Biotech. As part of the Industrial Clusters programme, various industrial initiatives have either been completed or are in different stages of being established. By way of example, Isuzu, a Japanese automotive manufacturing company, opened its first manufacturing plant in Saudi Arabia in 2012, located in the industrial city of Damman. Similarly, in 2009, Ma'aden entered into an agreement with U.S. aluminium manufacturer Alcoa Inc. to construct an aluminium production complex at Ras Al Khair, intended primarily for the export of aluminium products.

Construction

Based on preliminary figures for 2016, construction activities accounted for SAR 159.6 billion (U.S.\$42.6 billion), or 6.6 per cent., of Saudi Arabia's nominal GDP in the year ended 31 December 2016. Construction activities demonstrated a decline of 3.3 per cent. in real terms in the year ended 31 December 2016, compared to a growth of 4.1 per cent., 6.7 per cent., 7.8 per cent. and 4.8 per cent. in real terms in the years ended 31 December 2015, 2014, 2013 and 2012, respectively. The growth in the construction sector during these years was principally due to major Government construction projects in various sectors of the economy, although the slowdown in the rate of growth was due to decreased Government spending on major projects.

Transport, Storage and Communication

Based on preliminary figures for 2016, transport, storage and communication activities accounted for SAR 160.6 billion (U.S.\$42.8 billion), or 6.6 per cent., of Saudi Arabia's nominal GDP in the year ended 31 December 2016. Transport, storage and communication activities demonstrated growth of 2.7 per cent.,

5.8 per cent., 6.2 per cent., 6.4 per cent. and 4.9 per cent. in real terms in the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively, which was principally due to expansion of Saudi Arabia's international airports and road and rail networks, the completion of a new port at King Abdullah Economic City in 2014 and an increase in the number of subscribers to mobile telecommunications networks. Saudi Arabia has a modern transportation network of roads, railroads, air, marine and public transport. The country is also linked by a sophisticated communications network that serves as a basis for its economic growth and development.

Airports and Aviation Industry

The GACA oversees all aviation matters in Saudi Arabia and operates each of Saudi Arabia's airports. Saudi Arabia has four international airports: King Khalid International in Riyadh, King Fahd International in Dammam, King Abdulaziz International Airport in Jeddah and Prince Muhammad bin Abdulaziz Airport in Medina. Saudi Arabia also has nine regional airports and 15 domestic airports, as well as a number of military airports and dedicated freight airports serving Saudi Aramco's operations.

The following table sets forth certain details relating to Saudi Arabia's airports for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December				
	2016	2015	2014	2013	2012
Flights	708,819	646,693	589,216	565,631	558,791
—International Airports.....	577,819	518,652	475,973	462,773	466,494
—Domestic Airports.....	131,000	128,041	113,243	102,858	92,297
Cargo (tonnes)	928,831	1,163,695	1,019,805	1,059,068	1,018,328
—International Airports.....	919,553	1,151,164	1,006,676	1,045,489	1,003,562
—Domestic Airports.....	9,278	12,531	13,129	13,579	14,766

King Abdulaziz International Airport is a key entry point for pilgrims arriving for the Hajj and has a dedicated pilgrim terminal, with Saudia running extra flights during the Hajj to accommodate the large number of pilgrims who travel to Saudi Arabia by air. King Abdulaziz International Airport is also the operational base of Saudi Arabia's national airline, Saudia, which was established in 1945 and is wholly-owned by the Government.

In 2014, 2015 and 2016, expansion and improvement works were completed in several of Saudi Arabia's airports. In 2016, construction of a new fifth terminal at King Khalid International Airport in Riyadh was completed. GACA has announced that these expansion works will be developed in conjunction with the International Finance Corporation's ("IFC") public-private partnership ("PPP") programme by way of an operation and management concession. In 2015, GACA inaugurated the newly-expanded Prince Muhammad bin Abdulaziz Airport in Medina, a project which was also developed as part of the IFC's PPP programme. The project has been recognised for its innovative eco-sustainable design, having been awarded a prestigious Leadership in Energy and Environmental Design gold certificate by the U.S. Green Building Council.

In December 2015, GACA announced plans to privatise Saudi Arabia's airports and related services, commencing in 2016. The initiative is estimated to take five years to implement, commencing with King Khalid International Airport in Riyadh. GACA also anticipates that Saudi Arabia's air traffic control functions as well as the information technology units will be privatised as part of the Government's privatisation programme. In preparation for privatisation, GACA is in the process of restructuring its operations, with the intention to split GACA's regulatory and operational responsibilities. While regulatory responsibility will remain with GACA, the operational control of Saudi Arabia's airports is in the process of being transferred to operating companies that have been established for this purpose.

Railways

Saudi Arabia's railway network is managed by the Saudi Railway Organisation (the "SRO") and the Saudi Railways Company (the "SRC"), while the supervision of the railways network in Saudi Arabia falls under the Ministry of Transportation.

The SRO provides freight services on two main lines connecting Riyadh with Dammam, and SRO passenger trains also operate between Riyadh and Dammam.

The SRO has announced three projects as part of its expansion programme: (i) the Haramain High Speed Rail Project, a project linking Makkah and Medina, and connecting with the network at Jeddah, which is intended to provide transport for Hajj pilgrims arriving through Jeddah; (ii) the North-South Railway Project, a 2,750 km line that passes through Al-Jouf, Hail and Al-Qassim regions and terminates in Riyadh with extensions to Al-Jalamid to transport phosphate, Al-Zubayrah to transport bauxite, and to Ras Al Khair on the Arabian Gulf and which will be operated by the SRC; and (iii) the Saudi Landbridge Project, a 945 km freight line from Riyadh to Jeddah and a 115 km line from Dammam to Jubail, connecting the Arabian Gulf with the Red Sea. The network will also provide a high-speed connection to King Abdullah Economic City. The implementation of both the Haramain High Speed Rail Project and the North-South Railway Project is currently in its final phases. Studies in respect of the proposed Saudi Landbridge Project are currently being undertaken by SRO.

Public Transportation

Saudi Arabia's bus network, which is operated by the Saudi Public Transport Company ("SAPTCO") provides affordable transport both within and between the cities of Saudi Arabia. SAPTCO also operates international routes to Bahrain, Kuwait, Egypt and Jordan, which are used by nearly half a million passengers each year. SAPTCO also operates additional services during the Hajj.

The High Commission for the Development of Riyadh is currently implementing the King Abdulaziz Project for Riyadh Public Transport, which consists of: (i) the Riyadh Metro Project; and (ii) the Riyadh Bus Project. The Riyadh Metro Project will consist of six lines at a total length of 176 km and 85 metro stations in the city of Riyadh covering most of the densely populated areas, public facilities, and the educational, commercial and medical institutions and is expected to have a total capacity of 1.16 million passengers per day. The Riyadh Bus Project will link business and commercial centres to Riyadh districts and is expected to consist of 22 lines with a total capacity of 900,000 passengers per day.

Ports

Saudi Arabia's ports are regulated by the Saudi Ports Authority (with the exception of King Abdullah Port, which is regulated by the Economic Cities Authority). According to figures published by the Saudi Ports Authority, 95 per cent. of Saudi Arabia's imports and exports pass through its ports, of which 55 per cent. is for export. As one of the world's largest exporters of primary products, Saudi Arabia has an extensive network of ports on its Red Sea and Arabian Gulf coasts. However, with the exception of Jeddah Islamic Port and King Abdullah Port on the Red Sea coast and King Abdullah Port on the Arabian Gulf coast, most of these ports primarily serve either industrial or bulk cargo purposes. For the year ended 31 December 2016, Saudi Arabia's ports handled 6.5 million TEUs, and more than 14,000 ships were loaded or discharged at the ports of Saudi Arabia.

The following table sets forth details of Saudi Arabia's trade volume handled through its seaports (excluding King Abdullah Port) for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012.

	Year ended 31 December				
	2016	2015	2014	2013	2012
	<i>(Thousand tonnes)</i>				
Total imports	144,523	130,588	94,166	94,495	86,898
Total exports.....	107,823	103,365	116,206	100,269	100,824
Total.....	252,346	233,952	210,371	194,965	187,722
Commercial ports.....	105,202	105,746	104,635	107,266	102,066
Industrial ports	147,143	128,206	105,736	87,499	85,656
Total.....	252,346	233,952	210,371	194,765	187,722

Source: Saudi Ports Authority

More than half of Saudi Arabia's sea traffic passes through Jeddah Islamic Port, one of the busiest ports in the Middle East and a key entry point for Muslim pilgrims. The Government has also established the King Fahd Industrial Port in Yanbu in order to ease the load at Jeddah Islamic Port and improve the efficiency of Saudi Arabia's petrochemical exports. Other major ports are located in Dammam, Jizan and Jubail. The recently completed seaport at King Abdullah Economic City on the west coast of Saudi Arabia, which began operations in 2014, currently has the capacity to handle more than 3.0 million TEUs annually. This was the first port in Saudi Arabia financed through private investment, which amounted to approximately SAR 30 billion (U.S.\$8.0 billion). In addition, the second terminal at the King Abdullah Port in Dammam, which was developed through a joint venture between the PIF and PSA International (formerly Ports of Singapore Authority), commenced commercial operation in April 2015 with an initial designed capacity of 0.9 million TEUs annually.

The Government holds a stake in two major shipping companies: Bahri and Hapag-Lloyd AG. Bahri was formed by Royal Decree in 1978 and is listed on the Tadawul, with 22 per cent. of its shares held by the PIF and 20 per cent. of its shares held by Saudi Aramco. Bahri's services include the transportation of general cargo, crude oil, chemicals, liquefied petroleum gas and dry bulk. In 2015, Bahri signed a contract with Hyundai Samho Heavy Industries to build up to 10 Very Large Crude Carriers which are expected to be delivered by 2018. As a result of the merger in May 2017 of United Arab Shipping Company, a global container shipping company founded in 1976 and which was previously owned by the governments of Saudi Arabia, UAE, Bahrain, Kuwait, Qatar and Iraq, and Hapag-Lloyd AG, a German container shipping group, the PIF owns 10.1 per cent. of the shares in Hapag-Lloyd AG. As a result of the merger, Hapag-Lloyd AG was the fifth largest container shipping company in the world by capacity as at 30 June 2017.

Telecommunications

The telecommunications sector in Saudi Arabia is regulated by the CITC, which was established in 2001, with oversight from the Ministry of Communications and Information Technology. The Telecommunications Act, enacted in 2001, and the bylaws, issued in 2002, provide the basis for the regulatory framework. The CITC issues telecommunications licences in Saudi Arabia and is responsible for enforcing and resolving disputes in accordance with the Telecommunications Act.

The following table sets forth selected statistics relating to the telecommunications sector in Saudi Arabia for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December				
	2016	2015	2014	2013	2012
	<i>(Millions of subscribers, except percentages)</i>				
Total mobile subscriptions	47.9	52.8	52.7	50.8	53.0
<i>Prepaid</i>	39.1	44.9	45.9	43.9	45.7
<i>Postpaid</i>	8.8	7.9	6.8	6.9	7.3
Mobile penetration rate (%) ⁽¹⁾	151.0	167.5	171.4	169.7	181.6
Fixed telephone lines	3.7	3.8	3.6	4.7	4.8
Fixed line penetration rate (%) ⁽²⁾	11.5	11.9	11.8	15.7	16.4
Internet users	24.0	21.6	19.6	16.5	15.8
Internet penetration rate (%) ⁽¹⁾	74.9	68.5	63.7	55.1	54.1
Fixed broadband subscriptions	3.3	3.6	3.0	2.9	2.5
Fixed broadband penetration rate (%) ⁽²⁾	44.8	50.7	43.2	45.5	40.9
Mobile broadband subscriptions	23.9	33.4	29.1	14.3	12.3
Mobile broadband penetration rate (%) ⁽¹⁾	75.2	105.9	94.5	47.6	42.1

Source: CITC

Note:

- (1) Mobile and mobile broadband penetration rates represent the number of subscriptions as a percentage of the total population.
- (2) Fixed telephone and fixed broadband penetration rates represent the number of subscriptions as a percentage of the total number of households.

According to figures published by the CITC, the contribution of the information and telecommunications ("ICT") sector to Saudi Arabia's total GDP was approximately 6 per cent. in the year ended 31 December 2016, or approximately 10 per cent. when excluding the oil and gas and mining sectors. The CITC has

estimated that spending on ICT services was SAR 130 billion (U.S.\$34.7 billion) in the year ended 31 December 2016, an increase of 8.3 per cent. compared to SAR 120.0 billion (U.S.\$32.0 billion) in the year ended 31 December 2015. This expenditure was principally due to investment in infrastructure for next generation networks (NGN) and 4G mobile networks, the adoption of electronic services (such as e-government, e-health, e-education and e-commerce) and spending on information security.

The mobile penetration rate in Saudi Arabia was 151 per cent. as at 31 December 2016, one of the highest in the world. The number of internet users in Saudi Arabia has also increased significantly in recent years, reaching about 24 million as at 31 December 2016, with a penetration rate of 74.9 per cent. This is principally due to an increase in demand for internet services and broadband due to increased data usage. The CITC expects that the demand for internet services in Saudi Arabia will continue to increase significantly over the next few years as a result of the availability of high speed fibre-optic networks (FTTx), increased internet content, and the continued spread of broadband services.

The total number of mobile broadband subscriptions in Saudi Arabia reached 23.9 million by the end of 2016, representing a population penetration rate of 75.2 per cent. This is principally due to strong competition among providers, expansion in the use of smart phones, and the offering of various data packages by mobile operators suitable for different user segments, supported by the wide coverage of the 3G and 4G networks.

The number of fixed operating telephone landlines in Saudi Arabia was 3.7 million as at 31 December 2016, of which 1.9 million, or 52 per cent., were residential. The number of fixed-line subscriptions has decreased in recent years due to users substituting fixed-line services for mobile services, which continue to improve in terms of prices and variety of offerings.

The incumbent telecommunications provider in Saudi Arabia is STC. The PIF owns 70 per cent. of STC's shares, with the remaining 30 per cent. held by certain institutions (among which are GOSI and the PPA, each of which are controlled by the Government) and private investors. STC's shares are listed on the Tadawul. STC dominates the fixed-line voice services market and also offers mobile services. There are two other companies operating mobile services: Etihad Etisalat Company ("**Mobily**"), which entered the market in 2005, and MTC Saudi Arabia ("**Zain**"), which entered the market in 2008. Additionally, there are two virtual network operators operating in Saudi Arabia, namely Virgin Mobile and Lebera KSA.

Community, Social and Personal Services

Based on preliminary figures for 2016, community, social and personal services activities accounted for SAR 57.4 billion (U.S.\$15.3 billion), or 2.4 per cent., of Saudi Arabia's nominal GDP in the year ended 31 December 2016. Community, social and personal services activities demonstrated growth of 1.6 per cent., 1.9 per cent., 5.7 per cent., 6.5 per cent. and 5.9 per cent. in real terms in the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively, principally due to an increase in population size and an expansion of the Government's social welfare programmes.

Saudi Arabia offers a wide range of social welfare programmes. The PPA was founded in 1958 and its primary objective is to manage the public sector employees' retirement fund, while the GOSI provides the same service to private sector employees. The GOSI was established in 1969 and currently has 22 field offices throughout Saudi Arabia. The PPA currently invests in 63 domestic companies, 46 of which are listed on the Tadawul. According to the PPA, its main investments are currently in the financial, petrochemical, telecommunications and cement sectors. The GOSI's investments are primarily concentrated in Saudi Arabia's financial and industrial sectors, with approximately 47.1 per cent. of its local portfolio concentrated in these two sectors as at 31 December 2016. The GOSI also invests in a number of real-estate projects across the country, with approximately 10.3 per cent. of its local portfolio allocated to such projects as at 31 December 2016.

The programmes administered by GOSI support workers or their families in cases of disability, retirement or death. A plan to cover employees who suffer occupational hazards was instituted in 1982 and has since helped millions of workers. In 2015, GOSI introduced an unemployment insurance program which provides income support for up to 12 months of unemployment. Another major programme, administered by the

Ministry of Labor and Social Development, provides social security pensions, benefits and relief assistance to the disabled, the elderly, orphans and widows without income. Saudi Arabia also offers facilities, operated and supervised by the Ministry of Health, to treat and rehabilitate the mentally and physically disabled, while a second type of facility, operated and supervised by the Ministry of Labour and Social Development, focuses on the social rehabilitation of the handicapped.

Total disbursements by the PPA increased by 20.1 per cent. to SAR 65.9 billion (U.S.\$17.6 billion) in the year ended 31 December 2016 from SAR 54.9 billion (U.S.\$14.6 billion) in the year ended 31 December 2015. The number of subscribers to the PPA increased by 0.4 per cent. in the year ended 31 December 2016 to 1.183 million, compared to 1.178 million in the year ended 31 December 2015, principally due to an increase in the number of pensioners by 7.2 per cent. to 570,346 from 532,117 during the same period. The amount collected from on-the-job civil subscribers increased by 7.0 per cent. to SAR 22.2 billion (U.S.\$5.9 billion) in the year ended 31 December 2016 from SAR 20.8 billion (U.S.\$5.5 billion) in the year ended 31 December 2015. The following table sets forth the collections and disbursements of the PPA for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December				
	2016 ⁽¹⁾	2015	2014	2013	2012
Total number of subscribers to PPA	1,182,913	1,178,033	1,219,861	1,141,006	955,572
Total number of pensioners	570,346	532,117	494,254	462,378	429,163
Total collections from on-the-job subscribers (SAR millions).....	22,708	20,771	20,128	19,221	19,475
Total disbursements to beneficiaries (SAR millions).....	65,918	54,897	50,147	45,311	44,587

Source: PPA

Note:

(1) Provisional figures.

The total number of subscribers to the GOSI increased by 0.36 per cent. to 10.4 million as at 31 December 2016 from 10.4 million as at 31 December 2015, and the number of private corporations subscribing to the GOSI increased by 5.6 per cent. to 455,541 as at 31 December 2016 from 431,637 as at 31 December 2015. According to figures published by the Ministry of Labour and Social Development, the total social security benefits extended in the year ended 31 December 2015 amounted to SAR 16.3 billion (U.S.\$4.4 billion), an increase of 8.4 per cent. compared to SAR 15.0 billion (U.S.\$4.0 billion) in the year ended 31 December 2014. The number of beneficiaries of social security benefits increased by 4.9 per cent., to 10.3 million as at 31 December 2015 from 9.9 million as at 31 December 2014.

Agriculture, Forestry and Fishing

Based on preliminary figures for 2016, agriculture, forestry and fishing activities accounted for SAR 65.0 billion (U.S.\$17.3 billion), or 2.7 per cent., of Saudi Arabia's nominal GDP in the year ended 31 December 2016. Agriculture, forestry and fishing activities demonstrated growth of 0.6 per cent., 0.6 per cent., 2.5 per cent., 3.3 per cent. and 2.8 per cent. in real terms in the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

The MEWA is primarily responsible for the Government's agricultural policies. The development of agriculture in Saudi Arabia is constrained by the limited water supply (see "*Electricity, Gas and Water*" below) and the fact that less than 1 per cent. of the total area of Saudi Arabia is suitable for cultivation. Accordingly, Saudi Arabia is dependent on imports for the vast majority of its food requirements, which is facilitated by its membership of the WTO. Although Saudi Arabia has regions where the climate favours agriculture, the Government has introduced reforms to its agricultural sector in order to reduce water consumption and improve efficiency and sustainability. This has included a shift from domestic production of water-intensive crops, such as wheat and feed grain, to imports of the same.

The King Abdullah Initiative for Saudi Agricultural Investment Abroad was announced in 2008 with the aim of diversifying Saudi Arabia's sources of food, by encouraging direct investment in foreign agriculture, in order to reduce pressure on Saudi Arabia's water supply. The initiative has resulted in Saudi public and

private investment companies purchasing and farming land in countries better suited for the cultivation of food staples. The key aim of the initiative is to contribute to food security on a global basis by investing in strategic food commodities being made available to the world market, including wheat, rice, sugar, barley, corn, soybean, edible oils, animal production and livestock feed. The Government also facilitates food production in the private sector by providing strategic partners to businesses through the Saudi Agricultural Investment and Animal Production Company and by providing financial support through interest-free loans through the Saudi Agricultural Development Fund.

As part of the Government's privatisation programme, Saudi General Grains Organisation, the agency in charge of Saudi Arabia's extensive wheat-buying programme, is currently undergoing privatisation.

The largest agricultural company in Saudi Arabia is Almarai, which is the largest vertically integrated consumer dairy producer in the Middle East by volume and which has established itself as one of the leading brands in the food and beverage sector in the GCC region. Almarai's product groups include dairy, fruit juice, dairy food products, baked goods, poultry and infant nutrition. Other major companies in Saudi Arabia's agricultural sector include The Savola Group, Saudi Dairy & Foodstuff Co., National Agriculture Development Co. and Arabian Agricultural Services Co., each of which is listed on the Tadawul, and Al Safi Danone Co. Ltd., which is privately held.

Electricity, Gas and Water

Based on preliminary figures for 2016, electricity, gas and water activities accounted for SAR 38.4 billion (U.S.\$10.2 billion), or 1.6 per cent., of Saudi Arabia's nominal GDP in the year ended 31 December 2016. Electricity, gas and water activities demonstrated growth of 2.3 per cent, 5.3 per cent., 4.8 per cent., 1.6 per cent. and 5.9 per cent. in real terms in the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

Electricity

The electricity sector in Saudi Arabia is regulated by the Ministry of Energy, Industry and Mineral Resources and the Electricity and Cogeneration Regulatory Authority.

The Saudi electricity market is the largest in the Arab world, with a total power generation capacity of 74.7 GW and a peak load of 60.8 GW in the year ended 31 December 2016, compared to a total power generation capacity of 69.2 GW and a peak load of 62.3 GW in the year ended 31 December 2015. The total power sold in Saudi Arabia was 287.7 TWh in the year ended 31 December 2016, compared to 286.0 TWh in the year ended 31 December 2015. The following table sets forth details of the electric power generation capacity and number of subscribers in Saudi Arabia as at, and for each of the years ended, 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	For the year ended, 31 December				
	2016	2015	2014	2013	2012
Number of subscribers (thousands)	8,589	8,094	7,602	7,143	6,731
Power generation capacity (MW)	74,708	69,155	65,506	58,462	53,588
Peak load (MW)	60,828	62,260	56,547	53,864	51,939
Total power sold (GWh)	287,692	286,037	271,585	256,688	240,288

Source: SEC

SEC is the leading producer of electricity in Saudi Arabia and at present has a monopoly on the transmission and distribution of electric power in Saudi Arabia. Of the total amount of electricity currently being generated in Saudi Arabia, more than 73 per cent. is generated by SEC. The total length of the transmission gridlines was 70,346 c-km as at 31 December 2016 and the distribution network consisted of 285,063 c-km of overhead lines and 293,786 c-km of underground lines as at 31 December 2016.

The Government directly owns 74.3 per cent. of SEC's shares and indirectly owns 6.9 per cent. of SEC's shares through Saudi Aramco, with the remaining 18.8 per cent. being listed on the Tadawul.

SEC owned, or was the sole off-taker under long-term power purchase agreements in respect of, all of the traded generation capacity in Saudi Arabia as at 31 December 2016, other than certain capacity utilised principally for its own use by Saudi Aramco, the Power and Water Utility Company for Jubail and Yanbu (“**MARAFIQ**”), Ma’aden, WEC and Saudi Petrochemical Company (Sadaf), which supply any excess power generated into the SEC grid. SEC has a significant economic and policy role within Saudi Arabia’s economy in terms of meeting the continuing increases in demand for electricity resulting from population growth and Government-sponsored industrialisation.

As a policy objective, the Government has been promoting greater competition in the power and water industries by facilitating the establishment of IPPs and IWPPs. For more details, see “—*Reforms in the Power and Water Sector*” below. The Government has recently announced reforms to the subsidy regime that will result in a decrease in subsidies on, among other things, the provision of electricity, and these reforms are scheduled to be implemented over a period of five years.

Water

Given that Saudi Arabia does not have an abundant natural water supply, the Government has made substantial investments in seawater desalination, water distribution, sewerage and wastewater treatment. The water sector in Saudi Arabia is regulated by the MEWA. Saudi Arabia is the world’s largest producer of desalinated water, and in 2016 Saudi Arabia produced 3.2 million cubic metres of desalinated water per day.

In 1974, the Government established the Saline Water Conversion Corporation (the “**SWCC**”), which is responsible for operating Saudi Arabia’s publicly owned desalination plants. The SWCC currently operates 29 plants distributed over 17 sites located on the eastern and western coasts of Saudi Arabia. In addition to water desalination, the SWCC also produces electricity through its dual-purpose plants, which produce water and electricity at the same time. These plants use a multi-stage flash distillation system, where part of the electricity produced is used to operate the plant’s facilities. The rest of the power generated is exported to SEC’s grid network.

According to data published by the Ministry of Water and Electricity (one of the predecessors to the Ministry of Energy, Industry and Mineral Resources and the MEWA), the household consumption rate of water in Saudi Arabia in the year ended 31 December 2016 was 8.6 million cubic metres per day, compared to 8.3 million cubic metres per day in the year ended 31 December 2015, an increase of 3.4 per cent.

Saudi Aramco operates the world’s largest seawater treatment plant, the Qurayyah Seawater Treatment Plant, which has a design capacity of 14 million bpd. Saudi Aramco is also a joint venture partner in MARAFIQ, a major utility company.

Reforms in the Power and Water Sector

As part of its privatisation programme and with a view to increasing the involvement of the private sector in the power and water sector, the Government has been promoting greater competition in the electricity industry by facilitating the establishment of IPPs and IWPPs.

The Government’s privatisation initiative with respect to the electricity industry has been implemented through SEC and the WEC, a company established by the Government in 2003 with the objective of facilitating the formation of IWPPs by acting as an off taker to the IWPPs.

The WEC currently participates in two IWPP projects, the Shuaibah IWPP, which commenced commercial operations on 13 January 2010, and the Shuqaiq IWPP, which commenced commercial operations on 1 May 2011. The WEC is currently the sole purchaser of all water and electricity produced by the Shuaibah IWPP and the Shuqaiq IWPP under 20-year power and water purchase agreements, while separate arrangements have been made with other off-takers for the IWPPs’ water output.

In May 2017, the Council of Ministers approved the expansion of the role of WEC to include the ability to purchase and sell water under long term purchase agreements. The Ministry of Finance will provide the financial support to allow WEC to enter into such long term purchase agreements. While previously WEC was owned jointly by SEC and SWCC, the ownership of WEC has now been transferred to the Government.

In implementation of the Government's privatisation programme as it relates to the electricity industry, SEC has developed an IPP programme which is intended to encourage private sector investment in its power generation business and to complement the Government's plans to increase total generation capacity in Saudi Arabia. SEC's initial IPP programme envisaged the construction of four new power projects, comprising the Rabigh IPP in the Makkah Region and the Riyadh IPP (each of which commenced commercial production in 2013), the Qurayyah IPP in the Eastern Region (which commenced commercial production in 2016) and the Rabigh II IPP in the Makkah Region (which is currently under commissioning and is expected to commence commercial production in 2017). Additionally, SEC has invested in the Dheba in the Tabuk Region (which is currently under construction and is expected to commence commercial production in 2018), and is participating with Saudi Aramco in a joint-venture to develop a dual-production electricity and steam plant in Al Fadhili in the Eastern Region.

SEC and MARAFIQ, in participation with other entities, have also established the Jubail Water and Power Company IWPP ("JWAP"), which commenced commercial operations in 2010. The off-taker of the JWAP project is MARAFIQ Water and Supply Company, which sells the electricity generated by the JWAP project to SEC.

The Government has also extended its privatisation programme to the water sector, and in 2008 the NWC, a Government-owned company, was established to provide water and wastewater treatment services in partnership with international operators on a public-private partnership model. In the first phase of its strategic plan to privatise the services provided by it, NWC granted management contracts for the cities of Riyadh, Jeddah, Makkah and Ta'if to leading private sector companies, and the NWC intends to further the Government's privatisation initiative by granting long-term leases and concessions for additional cities to suitable partners in the private sector.

The Government has also declared the development of alternative sources of energy, such as solar energy, a priority. For more details, see "*Overview of Saudi Arabia—Strategy of Saudi Arabia—Vision 2030*". Furthermore, with respect to the recent reform of the subsidies regime applicable to the energy sector, see "*Public Finance—2016 Budget*".

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

The following table sets forth Saudi Arabia's balance of payments for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December				
	2016 ⁽¹⁾	2015	2014	2013	2012
	<i>(SAR millions)</i>				
1. Current account (A+B+C+D)	(103,317)	(212,714)	276,593	507,909	617,864
A. Goods	209,115	165,995	689,981	834,590	924,639
B. Services	(208,805)	(275,858)	(330,107)	(243,027)	(233,839)
— <i>Transport</i>	(47,175)	(64,665)	(63,902)	(62,187)	(58,484)
— <i>Travel</i>	(28,589)	(34,560)	(59,548)	(37,533)	(35,966)
— <i>Construction</i>	(20,797)	(18,570)	(16,047)	(13,572)	(10,233)
— <i>Insurance and pensions services</i>	(5,079)	(6,869)	(7,061)	(7,665)	(7,269)
— <i>Financial services</i>	(1,245)	(2,061)	(3,735)	(2,466)	(3,616)
— <i>Telecommunications</i>	(9,287)	(9,950)	(10,392)	(7,792)	(6,449)
— <i>Other business services</i>	(23,498)	(20,385)	(29,521)	(20,421)	(25,412)
— <i>Government goods and services</i>	(73,135)	(118,798)	(139,901)	(91,391)	(86,411)
C. Primary income.....	58,976	64,800	61,972	50,855	41,207
— <i>Compensation of employees</i>	(2,014)	(2,560)	(2,446)	(2,415)	(2,340)
— <i>Investment income</i>	60,989	67,360	64,418	53,270	43,547
— <i>Direct investment</i>	4,111	(3,792)	(18,835)	(24,021)	(29,980)
— <i>Portfolio investment</i>	51,620	69,151	81,911	75,115	68,711
— <i>Other investment</i>	5,258	2,000	1,343	2,177	4,816
D. Secondary income.....	(162,603)	(167,651)	(145,252)	(134,510)	(114,144)
2. Capital account	(3,365)	(3,983)	(1,233)	(1,257)	(1,017)
3. Financial account (A+B+C+D)	(325,887)	(274,058)	239,947	474,498	445,983
A. Direct investment	4,314	(10,317)	(9,809)	(14,705)	(29,178)
B. Portfolio investments	30,782	40,386	100,426	24,773	11,941
C. Other investments	2,910	130,630	124,474	205,115	41,122
D. Reserve assets	(302,328)	(434,758)	24,857	259,315	422,098
— <i>Monetary gold</i>	—	—	—	—	—
— <i>Special drawing rights</i>	(6,166)	(278)	(2,127)	(802)	(1,626)
— <i>Reserve position in the IMF</i>	(3,953)	(3,473)	(4,651)	(1,757)	2,878
— <i>Currency and deposits</i>	(150,138)	61,610	(14,318)	(20,668)	180,673
— <i>Securities</i>	(142,071)	(492,616)	45,953	282,542	240,173
Net errors and omissions	(219,204)	(57,361)	(35,413)	(32,154)	(170,864)

Source: SAMA

Note:

(1) Preliminary figures.

Saudi Arabia's balance of payments reflects the importance of its oil exports to its current account balance. Oil exports accounted for 74.2 per cent., 75.1 per cent., 83.1 per cent., 85.6 per cent. and 86.9 per cent. of Saudi Arabia's earnings from the export of goods in the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively. The value of Saudi Arabia's oil exports can be volatile as they depend on prevailing oil prices. As a result of the significant decline in global oil prices in this period, the value of Saudi Arabia's oil exports declined by 12.1 per cent., 46.3 per cent. and 11.6 per cent. in the years ended 31 December 2016, 2015 and 2014, respectively. See "Economy of Saudi Arabia—Overview" and "Risk Factors—Saudi Arabia's economy may be adversely affected by the current low oil price environment".

Based on preliminary figures for 2016, Saudi Arabia's net international investment position stood at SAR 2,271.1 billion (U.S.\$605.6 billion) as at 31 December 2016, compared to SAR 2,586.8 billion (U.S.\$689.8 billion), SAR 2,968.4 billion (U.S.\$791.6 billion) and SAR 2,861.9 billion (U.S.\$763.2 billion) as at 31 December 2015, 2014 and 2013, respectively, representing 93.7 per cent., 105.4 per cent., 104.7 per cent. and 102.2 per cent. of Saudi Arabia's total nominal GDP in each of those years, respectively.

Current Account

Preliminary figures for Saudi Arabia's balance of payments for the year ended 31 December 2016 indicate that Saudi Arabia's current account recorded a deficit of SAR 103.3 billion (U.S.\$27.5 billion), compared to a deficit of SAR 212.7 billion (U.S.\$56.7 billion) in the year ended 31 December 2015. This change was principally attributable to an increase in the surplus in the balance of goods by 20.6 per cent, to SAR 209.1 billion (U.S.\$55.8 billion) in the year ended 31 December 2016 from SAR 166.0 billion (U.S.\$44.3 billion) in the year ended 31 December 2015. Based on preliminary figures for 2016, the deficit in the balance of services decreased by 24.3 per cent., to SAR 208.8 billion (U.S.\$55.7 billion) in the year ended 31 December 2016, from SAR 275.9 billion (U.S.\$73.6 billion) in the year ended 31 December 2015, which itself represented a decrease of 16.4 per cent., from SAR 330.1 billion (U.S.\$88.0 billion) in the year ended 31 December 2014.

Remittances of expatriate workers to other countries constitute one of the most important items of the current account of Saudi Arabia's balance of payments. The following table sets forth the development of remittances of workers and their ratio to nominal GDP for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December				
	2016 ⁽¹⁾	2015	2014	2013	2012
	<i>(SAR millions, except percentages)</i>				
Total remittances	142,651	141,785	134,995	127,768	107,335
Annual change (%)	0.6	5.0	5.7	19.0	3.7
Private sector GDP at current prices	1,227,534	1,213,542	1,149,636	1,050,987	948,366
Remittances/private sector GDP	11.6	11.7	11.8	12.2	11.3

Source: SAMA, GASTAT

Note:

(1) Preliminary figures.

Based on preliminary figures for 2016, total remittances by expatriate workers increased by 0.6 per cent., 5.0 per cent. and 5.7 per cent. in the years ended 31 December 2016, 2015 and 2014, respectively, which was principally due to an increase in expatriate workers in Saudi Arabia during these periods. Total remittances made by expatriate workers increased by 19.0 per cent. in the year ended 31 December 2013, which was principally attributable to the clearance of accounts for transfers of money abroad during a three-month period in which expatriate workers were required to rectify their labour status.

Capital Account

Based on preliminary figures for 2016, Saudi Arabia's capital account recorded an outflow of SAR 3.37 billion (U.S.\$897.3 million) in the year ended 31 December 2016, compared to an outflow of SAR 4.0 billion (U.S.\$1.5 billion) and SAR 1.2 billion (U.S.\$0.3 billion) in the years ended 31 December 2015 and 2014, respectively.

Financial Account

Based on preliminary figures for 2016, Saudi Arabia's financial account decreased by SAR 325.9 billion (U.S.\$86.9 billion) in the year ended 31 December 2016, compared to a decrease of SAR 274.1 billion (U.S.\$73.1 billion) in the year ended 31 December 2015, which followed an increase of SAR 239.9 billion (U.S.\$64.0 billion) in the year ended 31 December 2014. This indicates a decrease in net foreign assets during the year ended 31 December 2016, which was primarily attributable to a decline in the reserve assets

of SAR 302.3 billion (U.S.\$80.6 billion), which was partially attributable to the decline in holdings of currency and deposits of SAR 150.1 billion (U.S.\$40.0 billion) and the decline in holdings of securities of SAR 142.1 (U.S.\$37.9 billion). See “*Monetary and Financial System—Reserve Assets*”.

Based on preliminary figures for 2016, net direct investment increased by SAR 4.3 billion (U.S.\$1.2 million) in the year ended 31 December 2016, compared to a decrease of SAR 10.3 billion (U.S.\$2.8 billion) and SAR 9.8 billion (U.S.\$2.6 billion) in the years ended 31 December 2015 and 2014, respectively. Based on preliminary figures for 2016, net portfolio investments increased by SAR 30.8 billion (U.S.\$8.2 billion) in the year ended 31 December 2016, compared to an increase of SAR 40.4 billion (U.S.\$10.8 billion) in the year ended 31 December 2015 and an increase of SAR 100.4 billion (U.S.\$26.8 billion) in the year ended 31 December 2014. The decrease in net flow of portfolio investment in the year ended 31 December 2016 was principally attributable to an increase in net incurrence of liabilities by SAR 63.1 billion (U.S.\$16.8 billion), despite the increase in net acquisition of financial assets by SAR 32.3 billion (U.S.\$8.6 billion) in the same year. Based on preliminary figures for 2016, net other investments recorded an increase of SAR 2.9 billion (U.S.\$773.6 million) in the year ended 31 December 2016, a decrease of 97.8 per cent. compared to an increase of SAR 130.6 billion (U.S.\$34.8 billion) in the year ended 31 December 2015, which itself represented an increase of 4.5 per cent. compared to an increase of SAR 124.5 billion (U.S.\$33.2 billion) in the year ended 31 December 2014.

Foreign Trade

The total volume of Saudi Arabia’s foreign trade was SAR 1,214.1 billion (U.S.\$323.7 billion) in the year ended 31 December 2016, a decline of 14.4 per cent. from SAR 1,418.3 billion (U.S.\$378.2 billion) in the year ended 31 December 2015, while Saudi Arabia’s trade surplus was SAR 162.8 billion (U.S.\$43.4 billion) in the year ended 31 December 2016, an increase of 50.3 per cent. from a trade surplus of SAR 108.3 billion (U.S.\$28.9 billion) in the year ended 31 December 2015. The ratio of Saudi Arabia’s total volume of foreign trade to its nominal GDP stood at 50.1 per cent. in the year ended 31 December 2016, compared to 57.8 per cent. in the year ended 31 December 2015.

The decline in the total volume of foreign trade in the year ended 31 December 2016 was principally due to a decrease in the value of Saudi Arabia’s total imports by 19.8 per cent., to SAR 525.6 billion (U.S.\$140.2 billion) in the year ended 31 December 2016 from SAR 655.0 billion (U.S.\$174.7 billion) in the year ended 31 December 2015 and the decrease in the value of Saudi Arabia’s total exports by 9.8 per cent., to SAR 688.4 billion (U.S.\$183.6 billion) in the year ended 31 December 2016, from SAR 763.3 billion (U.S.\$203.6 billion) in the year ended 31 December 2015. The decrease in the value of total exports was principally attributable to the decline in global oil prices during this period.

The following table sets forth Saudi Arabia’s total trade volume and trade balance for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December				
	2016	2015	2014	2013	2012
	<i>(SAR millions)</i>				
Total exports.....	688,423	763,313	1,284,122	1,409,524	1,456,502
Total imports	525,636	655,033	651,876	630,582	583,473
Total trade volume.....	1,214,059	1,418,346	1,935,997	2,040,106	2,039,975
Trade balance	162,787	108,280	632,246	778,942	873,029

Source: GASTAT

Exports

The total value of Saudi Arabia’s exports was SAR 688.4 billion (U.S.\$183.6 billion), or 28.4 per cent. of total nominal GDP, in the year ended 31 December 2016, a decline of 9.8 per cent. compared to SAR 763.3 billion (U.S.\$203.6 billion), or 31.1 per cent. of total nominal GDP, in the year ended 31 December

2015. The following table sets forth a breakdown of Saudi Arabia's exports by value for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December									
	2016		2015		2014		2013		2012	
	Value	Share (%)	Value	Share (%)	Value	Share (%)	Value	Share (%)	Value	Share (%)
	<i>(SAR millions, except percentages)</i>									
Crude oil	419,878	61.0	486,546	63.7	938,959	73.1	1,102,478	78.2	1,144,638	78.6
Refined products	90,851	13.2	86,866	11.4	128,132	10.0	104,602	7.4	120,912	8.3
Total oil exports	510,729	74.2	573,412	75.1	1,067,092	83.1	1,207,080	85.6	1,265,550	86.9
Petrochemicals.....	104,519	15.2	114,916	15.1	143,647	11.2	131,509	9.3	124,184	8.5
Construction materials.....	13,291	1.9	13,681	1.8	13,704	1.1	11,753	0.8	10,536	0.7
Agricultural, animal and food products	13,544	2.0	13,611	1.8	13,405	1.0	12,628	0.9	12,852	0.9
Other goods ⁽²⁾	46,340	6.7	47,693	6.2	46,275	3.6	46,553	3.3	43,380	3.0
Total non-oil exports	177,694	25.8	189,901	24.9	217,030	16.9	202,443	14.4	190,952	13.1
Total exports.....	688,423	100.0	763,313	100.0	1,284,122	100.0	1,409,524	100.0	1,456,502	100.0

Source: GASTAT

Notes:

(1) Including re-exports.

The value of Saudi Arabia's total oil exports (comprising crude oil and refined products) in the year ended 31 December 2016 amounted to SAR 510.7 billion (U.S.\$136.2 billion), a decline of 10.9 per cent. compared to SAR 573.4 billion (U.S.\$152.9 billion) in the year ended 31 December 2015. The decline was attributed to a decline in global oil prices during this period, which reduced the value of Saudi Arabia's oil exports, despite the increase in Saudi Arabia's average daily production volumes of crude oil to 10.5 million bpd in the year ended 31 December 2016 from 10.2 million bpd in the year ended 31 December 2015 (see "Economy of Saudi Arabia—Overview" and "Risk Factors—Saudi Arabia's economy may be adversely affected by the current low oil price environment"). The value of Saudi Arabia's crude oil exports declined by 13.7 per cent., to SAR 419.9 billion (U.S.\$112 billion) in the year ended 31 December 2016 from SAR 486.5 billion (U.S.\$129.7 billion) in the year ended 31 December 2015, and the value of Saudi Arabia's exports of refined products increased by 4.6 per cent. to SAR 90.9 billion (U.S.\$24.2 billion) in the year ended 31 December 2016, compared to SAR 86.9 billion (U.S.\$23.2 billion) in the year ended 31 December 2015.

Saudi Arabia's total non-oil exports, including re-exports, declined to SAR 177.7 billion (U.S.\$47.4 billion) in the year ended 31 December 2016, a decline of 6.4 per cent. as compared to SAR 189.9 billion (U.S.\$50.6 billion) in the year ended 31 December 2015. This was principally due to a decline in Saudi Arabia's petrochemical exports by 9.0 per cent., to SAR 104.5 billion (U.S.\$27.9 billion) in the year ended 31 December 2016, compared to SAR 114.9 billion (U.S.\$30.6 billion) in the year ended 31 December 2015, principally due to declines in prevailing oil and gas prices, each of which are used as a feedstock for the production of petrochemicals. Exports of construction materials declined slightly by 2.9 per cent., to SAR 13.3 billion (U.S.\$3.5 billion) in the year ended 31 December 2016, compared to SAR 13.7 billion (U.S.\$3.6 billion) in the year ended 31 December 2015. The value of Saudi Arabia's exports of other goods (including re-exports) declined by 2.8 per cent., to SAR 46.4 billion (U.S.\$12.4 billion) in the year ended 31 December 2016, compared to SAR 47.7 billion (U.S.\$12.7 billion) in the year ended 31 December 2015.

The following table sets forth a breakdown of Saudi Arabia's exports by destination for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December									
	2016		2015		2014		2013		2012	
	Value	Share (%)	Value	Share (%)	Value	Share (%)	Value	Share (%)	Value	Share (%)
	<i>(SAR millions, except percentages)</i>									
China	79,916	11.6	92,069	12.1	160,680	12.5	188,936	13.4	188,229	12.9
Japan	72,342	10.5	80,683	10.6	156,821	12.2	179,825	12.8	192,201	13.2
United States	66,128	9.6	80,525	10.5	162,460	12.7	199,060	14.1	208,339	14.3
India.....	63,880	9.3	72,052	9.4	113,828	8.9	129,444	9.2	120,841	8.3
South Korea.....	57,432	8.3	66,099	8.7	123,557	9.6	131,750	9.3	133,585	9.2
United Arab Emirates	45,154	6.6	40,161	5.3	44,356	3.5	38,896	2.8	38,927	2.7
Singapore.....	33,377	4.8	29,145	3.8	46,798	3.6	43,876	3.1	53,582	3.7
Taiwan	19,814	2.9	23,524	3.1	43,771	3.4	51,921	3.7	50,277	3.5
Bahrain	17,884	2.6	20,652	2.7	34,559	2.7	38,081	2.7	39,121	2.7
Belgium	16,093	2.3	14,499	2.8	24,042	1.9	20,340	1.4	19,793	1.4
Total Top 10	472,021	68.6	519,408	68.0	910,872	70.9	1,022,129	72.5	1,044,895	71.7
Total GCC countries	80,558	11.7	79,009	10.4	97,413	7.6	95,264	6.8	96,340	6.6
Total EU countries	81,311	11.8	84,060	11.7	156,468	12.2	163,154	11.6	176,211	12.1
Total Exports	688,423	100.0	763,313	100.0	1,284,122	100.0	1,409,524	100.0	1,456,502	100.0

Source: GASTAT

China, which is the world's leading importer of crude oil, represented the largest share of Saudi Arabia's exports in the year ended 31 December 2016, accounting for SAR 79.9 billion (U.S.\$21.3 billion), or 11.6 per cent. of Saudi Arabia's total exports, a decrease of 13.2 per cent. compared to SAR 92.1 billion (U.S.\$24.6 billion) in the year ended 31 December 2015. This decrease was principally attributable to the significant decline in global oil prices in this period and a slowdown of economic growth in China. Similarly, the value of Saudi Arabia's exports to other major oil importing countries in Asia and the Far East, such as Japan, India and South Korea, also declined by 10.3 per cent., 11.3 per cent. and 13.1 per cent., respectively in the year ended 31 December 2016. These declines were notwithstanding an increase in the total volume of oil exported by Saudi Arabia to countries in Asia and the Far East by 7.4 per cent., to 1,792.9 million barrels in the year ended 31 December 2016 from 1,669.6 million barrels in the year ended 31 December 2015.

The value of Saudi Arabia's exports to the United States declined by 17.9 per cent. in the year ended 31 December 2016, which was attributable to the decline in global oil prices. This decline was notwithstanding the increase in the volume of oil exported by Saudi Arabia to the United States by 4.6 per cent., to 401.6 million barrels in the year ended 31 December 2016 from 384.1 million barrels in the year ended 31 December 2015.

In line with Saudi Arabia's continued efforts to expand its economic base and diversify non oil exports, Saudi Arabia has adopted a number of structural and institutional reforms, including the establishment of the Saudi Export Programme ("SEP"). The SEP, which was formed by the SFD, aims to provide necessary funding for exporters and importers of Saudi origin goods. The SEP provides finance and credit facilities necessary for the development of Saudi Arabia's non oil exports to diversify the sources of national income. The following table sets forth the finance and guarantee of Saudi exports by the SEP for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December									
	2016		2015		2014		2013		2012	
	Finance	Guaran- tee	Finance	Guaran- tee	Finance	Guaran- tee	Finance	Guaran- tee	Finance	Guaran- tee
	(SAR millions)									
Chemical and plastic products	5,063	1,125	7,760	1,029	—	1,325	2,419	917	1,388	1,998
Capital projects	—	—	—	—	68	—	—	6	—	13
Credit lines	563	—	143	—	244	—	431	—	503	—
Metal products, machines and equipment	—	354	4	1	113	4	11	—	19	—
Other	11	40	219	27	633	33	—	390	—	54
Total	5,636	1,519	8,126	1,057	1,057	1,363	2,861	1,313	1,910	2,065

Source: SFD

Imports

The total value of Saudi Arabia's imports was SAR 525.6 billion (U.S.\$140.2 billion), or 43.3 per cent. of total nominal GDP, in the year ended 31 December 2016, a decrease of 19.8 per cent. compared to SAR 655.0 billion (U.S.\$174.7 billion), or 26.7 per cent. of total nominal GDP, in the year ended 31 December 2015. The decrease in the total value of Saudi Arabia's imports was primarily the result of a decline in Government spending and high levels of inventories. The following table sets forth a breakdown of Saudi Arabia's imports by value for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December									
	2016		2015		2014		2013		2012	
	Value	Share (%)	Value	Share (%)	Value	Share (%)	Value	Share (%)	Value	Share (%)
	(SAR millions, except percentages)									
Machines, appliances and electrical equipment ..	129,334	24.6	178,321	27.2	171,011	26.2	165,230	26.2	154,062	26.4
Transport equipment	93,925	17.9	120,516	18.4	108,610	16.7	107,552	17.1	103,544	17.7
Foodstuffs	85,075	16.2	91,928	14.0	91,626	14.1	90,340	14.3	81,249	13.9
Metals and metal products	47,411	9.0	64,473	9.8	79,759	12.2	78,102	12.4	80,376	13.8
Chemical products	48,312	9.2	55,014	8.4	56,276	8.6	50,554	8.0	48,208	8.3
Jewellery, precious metals and stones.....	11,152	2.1	21,785	3.3	19,206	2.9	19,025	3.0	11,009	1.9
Textiles and clothing	20,050	3.8	21,627	3.3	20,229	3.1	18,880	3.0	18,065	3.1
Other goods	90,377	17.2	101,369	15.6	105,159	16.1	100,899	16.0	86,960	14.9
Total imports	525,636	100.0	655,033	100.0	651,876	100.0	630,582	100.0	583,473	100.0

Source: GASTAT

Imports of machines, appliances and electrical equipment represented the largest component of Saudi Arabia's imports in the year ended 31 December 2016, accounting for SAR 129.3 billion (U.S.\$34.5 billion), or 24.6 per cent., of total imports, a decline of 27.5 per cent. compared to SAR 178.3 billion (U.S.\$47.6 billion) in the year ended 31 December 2015. Transport equipment represented the second largest component of Saudi Arabia's imports in the year ended 31 December 2016, accounting for SAR 93.9 billion (U.S.\$25.0 billion), or 17.9 per cent., of total imports, a decline of 22.1 per cent. compared to SAR 120.5 billion (U.S.\$32.1 billion) in the year ended 31 December 2015. Foodstuffs represented the third largest component of Saudi Arabia's imports in the year ended 31 December 2016, accounting for SAR 85.1 billion (U.S.\$22.7 billion), or 16.2 per cent., of total imports, a decline of 7.5 per cent. compared to SAR 91.9 billion (U.S.\$24.5 billion) in the year ended 31 December 2015.

The following table sets forth a breakdown of Saudi Arabia's imports by origin for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December									
	2016		2015		2014		2013		2012	
	Value	Share (%)	Value	Share (%)	Value	Share (%)	Value	Share (%)	Value	Share (%)
	(SAR millions, except percentages)									
United States	77,728	14.8	89,678	13.7	84,730	13.0	85,376	13.5	78,770	13.5
China	75,309	14.3	92,398	14.1	87,122	13.4	78,488	12.4	74,195	12.7
Germany	34,331	6.5	46,116	7.0	47,093	7.2	44,812	7.1	41,367	7.1
United Arab Emirates	28,616	5.4	33,264	5.1	31,019	4.8	31,940	5.1	24,495	4.2
Japan	27,821	5.3	37,286	5.7	37,306	5.7	35,153	5.6	38,989	6.7
South Korea	23,328	4.4	37,251	5.7	32,336	5.0	36,018	5.7	35,467	6.1
India	19,662	3.7	22,532	3.4	23,509	3.6	21,821	3.5	19,581	3.4
France	18,507	3.5	20,462	3.1	22,132	3.4	19,663	3.1	18,603	3.2
Italy	17,339	3.3	19,835	3.0	21,929	3.4	20,374	3.2	17,484	3.0
United Kingdom	12,429	2.4	18,799	2.9	17,271	2.6	16,043	2.5	15,719	2.7
Total Top 10	335,070	63.7	417,621	63.7	404,446	62.0	389,688	61.8	364,670	62.5
Total GCC countries	41,033	7.8	48,714	7.4	47,793	7.3	48,448	7.7	38,809	6.7
Total EU countries	136,611	26.0	168,483	25.7	171,440	26.3	159,669	25.3	147,524	25.3
Total Imports	525,636	100.0	655,033	100.0	651,876	100.0	630,582	100.0	583,473	100.0

Source: GASTAT

The United States represented the largest share of Saudi Arabia's imports in the year ended 31 December 2016, accounting for SAR 77.7 billion (U.S.\$20.7 billion), or 14.8 per cent. of total imports, a decline of 13.3 per cent. compared to SAR 89.7 billion (U.S.\$23.9 billion) in the year ended 31 December 2015. Imports from China represented the second largest share of Saudi Arabia's imports in the year ended 31 December 2016, accounting for SAR 75.3 billion (U.S.\$20.1 billion), or 14.3 per cent. of total imports, a decline of 18.5 per cent. compared to SAR 92.4 billion (U.S.\$23.9 billion) in the year ended 31 December 2015. In the year ended 31 December 2016, imports from Saudi Arabia's top 10 countries by origin accounted for 63.7 per cent. of total imports, while imports from the other GCC countries and EU countries accounted for 7.8 per cent. and 22.8 per cent., respectively, of Saudi Arabia's total imports.

Contributions to International Development Institutions and Developing Countries

Since the mid-1970s, Saudi Arabia has been a leading donor in terms of overseas development aid and has contributed significant amounts to developmental causes across the globe. In May 2015, under the sponsorship of the King, the King Salman Humanitarian Aid and Relief Centre ("KSHARC") was founded to provide humanitarian aid and relief internationally. One of the earliest initiatives of KSHARC was the provision of support to the people of Yemen in the form of food and medical assistance.

Saudi Arabia extends aid and soft loans to several developing countries. The following table sets forth the total foreign aid and loans provided by Saudi Arabia through bilateral channels and multilateral institutions for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December				
	2016	2015	2014	2013	2012
	(SAR millions)				
Loans and aid	11,494	28,430	50,336	20,843	4,198
Contributions to associations and organisations	18,998	1,336	1,626	1,241	3,144
Multilateral aid	43	60	99	1,107	421
Total	30,535	29,826	52,061	23,191	7,763

Source: Ministry of Finance

Saudi Arabia is a significant contributor to various Arab, regional and international development institutions. The following table sets forth Saudi Arabia's contribution to various development agencies prior to 31 December 2016:

Institution	As at 31 December 2016		
	Total capital	Saudi Arabia contribution	Saudi Arabia shareholding (%)
	<i>(U.S.\$ millions)</i>		
International Monetary Fund	627,184,775	13,290,158	2.10
International Bank for Reconstruction and Development	263,329,000	8,022,800	3.05
The International Development Agency	245,430,000	2,634,570	1.07
African Development Bank	103,561,813.8	193,912,200	0.20
Islamic Development Bank.....	67,779,880	15,941,712	23.52
Arab Fund for Economic and Social Development	8,699,266,02	2,118,165,39	24.35
OPEC Fund for International Development	6,186,129,734	2,104,592,721	34.02
International Fund for Agricultural Development	—	601,923,000	—
Arab Bank for Economic Development in Africa	3,696,017,775	924,785,799	25.02
Arab Monetary Fund.....	3,209,282,580	482,733,660	15.04
International Finance Corporation	2,566,199	51,038	1.91
Islamic Solidarity Fund for Development	2,377,594	1,000,000	42.06
Multilateral Investment Guarantee Agency	1,918,721	59,813,000	3.12
The Special Account for Financing Small and Medium-Sized Private Sector Projects in the Arab Countries.....	1,266,241,976	500,000,000	39.49
Islamic Corporation for Private Sector Development	865,430,770	157,509,403	18.20
International Islamic Trade Financing Corporation	707,960	120,000,000	16.95
Islamic Corporation for Investment Insurance and Export Credit	385,487,180	80,400,000	20.86
Arab Authority for Agricultural Investment and Development	561,652,790	128,932,438	23.00
Arab Investment Guarantee Corporation	155,910,964	25,702,200	16.49
The Arab Gulf Program for Development (AGFUND)	—	520,000,000	—
African Development Fund	—	393,318,193	—
Asian Infrastructure Investment Bank	1,000,000,000	508,900,000	5.08

Source: SFD

Saudi Fund for Development

The SFD was established in 1974 with the primary objective of participating in the financing of development projects in developing countries through the provision of soft loans. In addition, the SFD provides technical assistance and supports Saudi Arabia's non-crude oil exports by providing export financing and guarantees through the SEP.

As at 31 December 2016, the SFD has contributed to the financing of 359 development projects and programmes in 45 African countries representing a total value of SAR 26.9 billion (U.S.\$7.2 billion), followed by Asian countries where the SFD has contributed to the financing of 232 development projects and programmes in 29 countries representing a total value of SAR 23.2 billion (U.S.\$6.2 billion). The SFD focuses on the social infrastructure, agriculture, energy and industry sectors. Since the SFD's establishment, it has financed 206 development projects and programmes in the transport and communication sector, 192 in the social infrastructure sector, 89 in the agricultural sector, 69 in the power sector, 18 in the industry and mining sector, and 35 in other sectors.

In recent years, SAMA has introduced various initiatives, many of which have already been implemented, that have positively contributed to the economic and financial stability of Saudi Arabia. These initiatives include the implementation of Basel III requirements, development of a formal macro-prudential policy framework, establishment of a deposit protection fund, implementation of regulations relating to finance companies, and adoption of International Financial Reporting Standards. Significant progress has also been made in areas such as AML and CFT. See “—*Regulation*” below.

Saudi Arabia has been subject to a number of reviews of its financial system in recent years. These include the Financial Sector Assessment Programme conducted by a joint IMF-World Bank Team in 2011 and 2013, a Regulatory Consistency Assessment Programme on Capital Adequacy and Liquidity Coverage Ratio conducted by a Team of the Basel Committee on Banking Supervision in 2015, and a Peer Review conducted by the Financial Stability Board (FSB) in 2015. Each of these reviews indicated that Saudi Arabia has either fully or largely implemented systems that comply with international regulations. In February 2017, SAMA was awarded the Initiative of the Year Award for 2016-2017 in the “*risk and compliance management category at central banks level*” by the Central Banking Awards Committee.

SAMA has fully implemented the Basel III rules dealing with capital and risk weighted assets, liquidity and leverage ratios, and banks in Saudi Arabia have already met the Basel III requirements, which are required to be fully met by 2019 in these areas.

The Government and SAMA are particularly focused on protecting the economy and the banking system from the threat of cybercrimes, and various payment systems have been developed in order to achieve this goal. These include the Saudi Arabian Riyal Interbank Express (SARIE), the SADAD payment system, the Saudi payment network (MADA), the e-payment service (MADA ATHEER), and mobile banking applications. According to the International Telecommunication Union, Saudi Arabia was ranked forty-sixth on the Global Cybersecurity Index in 2017. SAMA has invested heavily in safeguarding national payment systems by adopting the latest information security standards based on international best practices, including processes, products and people awareness and education. As the owner of major critical national infrastructure, SAMA is a key member of the National Cyber Security Centre, which coordinates between critical national infrastructures in Saudi Arabia regarding cyber threats. SAMA is also a member of the Committee on Payments and Markets Infrastructure of the Bank for International Settlements (BIS).

Monetary Policy

Fixed Exchange Rate Policy

The Saudi riyal has been pegged to the U.S. dollar at a rate of SAR 3.75 = U.S.\$1.00 since June 1986. The maintenance of the Saudi riyal as a stable and convertible currency is one of the principal objectives of Saudi Arabia’s monetary policy. This policy is consistent with Saudi Arabia’s current and capital accounts, and fits in with the regional framework of U.S. dollar-pegged exchange rates, as the pricing of oil and gas and the majority of Saudi Arabia’s exports and imports are denominated in U.S. dollars. The currencies of all of the GCC countries (except Kuwait, whose currency is pegged to a basket of currencies) are pegged to the U.S. dollar.

The exchange rate of the Saudi riyal against the U.S. dollar has remained relatively stable in the spot market. However, the forward market witnessed some volatility in 2015, with the one-year forward U.S.\$/SAR exchange rate reaching its highest level (988.75 bps) since the historical movements in 1993 and 1998. This volatility was driven mostly by the decline in global oil prices in this period, devaluation of currencies by other central banks, and speculative activities. On account of the sound financial indicators of Saudi Arabia, including large reserves, low non-performing assets and comfortable levels of liquidity, the forward market returned to lower levels (at around 110 bps) as at 28 February 2017.

As capital flows are not restricted in Saudi Arabia, only limited discrepancy exists between interest rates in Saudi Arabia and the United States, and SAMA therefore has limited scope to use interest rates as a monetary tool. However, SAMA utilises a number of other policy instruments for liquidity management in the domestic financial system, including cash reserve ratios, placement of public funds, foreign-exchange swaps and SAMA bills.

SAMA has stated its commitment to the fixed exchange policy and will continue to support it in order to maintain the stability of the Saudi riyal to serve the interests of Saudi Arabia's economy.

Inflation

The inflation rate in Saudi Arabia was 3.5 per cent. in the year ended 31 December 2016, compared to 2.2 per cent., 2.7 per cent., 3.5 per cent. and 2.9 per cent. in the years ended 31 December 2015, 2014, 2013 and 2012, respectively. The following table sets forth the cost of living index (the "COL Index") and the percentage change, year-on-year, of consumer prices in Saudi Arabia for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December				
	2016	2015	2014	2013	2012
COL Index ⁽¹⁾	137.6	132.9	130.1	126.7	122.4
COL Index Inflation (%)	3.5	2.2	2.7	3.5	2.9

Source: GASTAT

Note:

(1) COL index based on 2007=100

The COL index in Saudi Arabia comprises 12 groups. The three groups with the largest weighting in the COL index are: (i) food and beverages (21.7 per cent. of total weight); (ii) housing, water, electricity and gas (20.5 per cent.); and (iii) transport (10.4 per cent.), which showed inflation levels of 0.6 per cent., 7.3 per cent. and 10.0 per cent., respectively, in the year ended 31 December 2016, compared to 1.7 per cent., 3.4 per cent. and 1.3 per cent., respectively, in the year ended 31 December 2015 and 3.3 per cent., 3.4 per cent. and minus 0.5 per cent., respectively, in the year ended 31 December 2014. Given its weight in the COL Index, inflation in the housing, water, electricity and gas group was the biggest overall contributor to the increase in the overall COL Index in 2016, 2015 and 2014.

The following table sets forth details of the Saudi Arabia COL index for the year ended 31 December 2016 and the rate of inflation in Saudi Arabia for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Weight (%)	Index 2007=100	Year ended 31 December					
			2016	2015	2014	2013	2012	
			Inflation (%)					
COL group:								
Food and beverages	21.7	146.6	0.6	1.7	3.3	5.7	4.6	
Housing, water, electricity and gas	20.5	176.6	7.3	3.4	3.4	3.5	3.3	
Transport	10.4	122.9	10.0	1.3	(0.5)	2.5	5.0	
Furnishings, household equipment and maintenance	9.1	134.3	2.0	2.7	4.5	4.3	1.7	
Clothing and footwear	8.4	113.6	3.8	3.8	0.7	1.4	3.6	
Communication	8.1	95.8	1.4	0.9	(0.1)	1.8	0.1	
Miscellaneous goods and services	6.8	124.3	2.5	1.0	2.1	(0.2)	3.4	
Restaurants and hotels	5.7	125.8	1.8	(1.2)	2.2	4.2	4.0	
Recreation and culture	3.5	119.2	0.3	4.8	7.2	1.7	(0.2)	
Education	2.7	123.2	4.5	1.7	2.9	2.2	1.4	
Health	2.6	122.8	6.2	2.7	3.2	3.2	2.1	
Tobacco	0.5	194.2	17.3	2.0	6.0	8.4	11.5	
Total	100.0	137.6	3.5	2.2	2.7	3.5	2.9	

Source: SAMA Inflation Reports

(3) M2 plus other quasi-monetary deposits.

In the six months ended 30 June 2017, M1 and M3 recorded growth, while M2 recorded a slight decline. M3, the broadest measure for domestic liquidity in Saudi Arabia (which comprises currency outside banks and aggregate bank deposits), recorded growth of 1.8 per cent. reaching SAR 1,818.9 billion (U.S.\$485.0 billion), compared to SAR 1,787.4 (U.S.\$476.6 billion) as at 31 December 2016. This growth was attributable to a growth of 14.6 per cent. in other quasi-monetary deposits in the six months ended 30 June 2017 (which represented 10.6 per cent. of total deposits as at 30 June 2017), to SAR 173.4 billion (U.S.\$46.2 billion), and a growth of 0.9 per cent. in demand deposits in the six months ended 30 June 2017 (which represented 60.1 per cent. of total deposits as at 30 June 2017), while time and saving deposits (which represented 29.3 per cent. of total deposits as at 30 June 2017) reached SAR 478.8 billion (U.S.\$127.7 billion), compared to SAR 491.6 billion (U.S.\$131.1 billion) as at 31 December 2016 (see “—*The Banking Sector—Bank Deposits*” below).

M1 recorded a decline, while M2 and M3 each recorded growth, in the year ended 31 December 2016. The growth in M3 slowed considerably in 2016, increasing by 0.7 per cent. to SAR 1,787.4 billion (U.S.\$476.6 billion) as at 31 December 2016 from SAR 1,773.3 billion (U.S.\$473.1 billion) as at 31 December 2015, which was an increase of 2.6 per cent. from SAR 1,729.4 billion (U.S.\$461.2 billion) as at 31 December 2014, compared to growth of 11.9 per cent. in the year ended 31 December 2014. This decline in the growth of M3 during 2016 was attributable to a decline of 22.0 per cent. in other quasi-monetary deposits in the year ended 31 December 2016 (which represented 9.4 per cent. of total deposits as at 31 December 2016), to SAR 151.3 billion (U.S.\$40.4 billion), and a decline of 0.2 per cent. in demand deposits in the year ended 31 December 2016 (which represented 60.2 per cent. of total deposits as at 31 December 2016), to SAR 974.1 billion (U.S.\$259.8 billion), while time and saving deposits (which represented 30.4 per cent. of total deposits as at 31 December 2016) recorded growth of 13.1 per cent. in the year ended 31 December 2016, to reach SAR 491.6 billion (U.S.\$131.1 billion) (see “—*The Banking Sector—Bank Deposits*” below). In addition to time and saving deposits, the component of M3 that recorded increasing growth rates was currency outside banks, which grew by 0.6 per cent in the year ended 31 December 2016.

Monetary Survey

The following table sets forth details of the monetary survey, which is the consolidated balance sheet for Saudi Arabia's banking system (inclusive of SAMA), as at 30 June 2017 and 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	As at 30 June	As at 31 December				
	2017	2016	2015	2014	2013	2012
	(SAR millions)					
Assets:						
Foreign assets (net)	2,010,288	2,128,054	2,508,920	2,875,326	2,824,078	2,562,005
—SAMA foreign assets	1,849,734	1,982,348	2,283,382	2,715,989	2,687,792	2,428,572
—Commercial banks'						
foreign assets	160,554	145,706	225,538	159,336	136,286	133,433
Bank claims on private sector ..	1,418,536	1,405,474	1,371,925	1,256,210	1,123,645	999,127
Bank claims on public sector ..	200,407	178,416	86,158	53,134	49,628	42,491
Bank claims on non-financial public sector enterprises	46,883	49,012	38,820	45,816	44,127	39,585
Total assets	3,676,114	3,760,956	4,005,822	4,230,485	4,041,478	3,643,208
Liabilities:						
Currency outside banks	166,421	170,341	168,529	153,777	143,169	133,146
Demand deposits	982,367	974,094	976,231	989,174	857,280	753,970
Time and savings deposits	478,816	491,595	434,501	398,743	345,035	324,428
Other quasi-money deposits ⁽¹⁾ ..	173,395	151,321	194,036	187,661	199,664	182,211
Government deposits ⁽²⁾	764,822	875,424	1,162,521	1,560,706	1,641,540	1,516,739
Other items (net)	1,110,292	1,098,180	1,069,205	940,423	854,790	732,714
Total liabilities	3,676,114	3,760,956	4,005,822	4,230,485	4,041,478	3,643,208

Source: SAMA

Notes:

- (1) Comprises residents' foreign currency deposits, marginal deposits for letters of credit, outstanding remittances, and banks repo transactions with the private sector.
- (2) Including letters of credit and documents for collection.

The total assets of Saudi Arabia's banking system (including SAMA) declined by 2.3 per cent. in the six months ended 30 June 2017 to SAR 3,676.1 billion (U.S.\$980.3 billion) as at 30 June 2017 from SAR 3,761.0 billion (U.S.\$1,002.9 billion) as at 31 December 2016, which represented a decline of 6.1 per cent. from SAR 4,005.8 billion (U.S.\$1,068.2 billion) as at 31 December 2015, which represented a decline of 5.3 per cent. from SAR 4,230.5 billion (U.S.\$1,128.1 billion) as at 31 December 2014.

This decline in the total assets of Saudi Arabia's banking system was principally attributable to a decline in foreign assets held by SAMA by 6.7 per cent. to SAR1,849.7 billion (U.S.\$493.3 billion) as at 30 June 2017, from SAR 1,982.3 billion (U.S.\$528.6 billion) as at 31 December 2016, which represented a decline of 13.2 per cent., from SAR 2,283.4 billion (U.S.\$608.9 billion) as at 31 December 2015, which represented a decline of 15.9 per cent. from SAR 2,716.0 billion (U.S.\$724.3 billion) as at 31 December 2014 (see "—Reserve Assets" below), as well as, in respect of the year ended 31 December 2016, a decrease in commercial banks' foreign assets by 35.4 per cent., to SAR 145.7 billion (U.S.\$38.9 billion) as at 31 December 2016 from SAR 225.5 billion (U.S.\$60.1 billion) as at 31 December 2015, noting that commercial banks' foreign assets increased during the year ended 31 December 2015 by 41.5 per cent. from SAR 159.3 billion (U.S.\$42.5 billion) as at 31 December 2014. As a result, foreign assets as a percentage of total assets of Saudi Arabia's banking system declined to 54.7 per cent. as at 30 June 2017, compared to 56.6 per cent., 62.6 per cent. and 68.0 per cent. as at 31 December 2016, 2015 and 2014, respectively. In contrast, the share of domestic assets as a percentage of total assets increased to 45.3 per cent. as at 30 June 2017, compared to 43.4 per cent., 37.4 per cent. and 32.0 per cent. as at 31 December 2016, 2015 and 2014, respectively, which

Total profits of the banking sector in Saudi Arabia for the year ended 31 December 2016 were SAR40.4 billion (U.S.\$10.8 billion), a decline of 5.2 per cent. compared to total profits of SAR 42.6 billion (US\$ 11.4 billion) in the year ended 31 December 2015. Net interest income, fee income and other income represented 70.5 per cent, 23.9 percent and 6.3 per cent., respectively, of gross income of the banking sector in the year ended 31 December 2016, compared to 66.9 per cent., 26.8 per cent. and 6.3 per cent., respectively, of gross income of the banking sector in the year ended 31 December 2015.

Interest on loans to the private sector were the major driver of income, accounting for over 72.9 per cent. of total interest income in the year ended 31 December 2016. Other key sources of income included net special commission and fee-based income from capital market products, such as brokerage and asset management services.

As at 30 June 2017, there were 26 commercial banks licensed in Saudi Arabia, of which 12 were incorporated in Saudi Arabia. Of the 14 commercial banks not incorporated in Saudi Arabia, five were branches of banks based in countries of the GCC other than Saudi Arabia (namely, Gulf International Bank B.S.C., Emirates NBD Bank, National Bank of Bahrain, National Bank of Kuwait and Bank Muscat) and the remaining nine were international banks (namely, JPMorgan Chase, BNP Paribas, T.C. Ziraat Bankası A.Ş., State Bank of India, National Bank of Pakistan, Deutsche Bank, Industrial and Commercial Bank of China, the Qatar National Bank and The Bank of Tokyo Mitsubishi UFJ). The Bank of Tokyo Mitsubishi UFJ has been granted a license to conduct a banking business, but has not yet commenced operations. All of the 12 Saudi commercial banks are publicly listed joint stock companies and their shares are listed on the Tadawul.

As at 30 June 2017, there were 2,044 bank branches, 18,225 ATMs and 299,382 point of sale terminals in Saudi Arabia.

The following table sets forth the annual aggregate balance sheet of commercial banking institutions in Saudi Arabia as at 30 June 2017 and 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	As at	As at 31 December				
	30 June	2016	2015	2014	2013	2012
	2017	<i>(SAR millions)</i>				
Assets						
Bank reserves	235,638	236,704	146,238	213,073	200,366	217,455
SAMA bills	13,255	34,862	136,268	225,993	179,114	138,685
Foreign assets	239,069	225,838	316,710	251,613	210,691	212,829
Claims on the public sector.....	247,290	227,428	124,977	98,949	93,755	82,076
Claims on the private sector	1,418,536	1,405,474	1,371,815	1,256,210	1,123,645	999,127
Claims on non-monetary financial institutions	5,105	4,436	2,904	2,254	2,740	2,737
Other assets	44,970	121,592	109,650	84,483	82,970	81,232
Total assets	2,292,819	2,256,334	2,208,658	2,132,577	1,893,283	1,734,141
Liabilities						
Bank deposits	1,634,579	1,617,010	1,604,768	1,575,579	1,401,980	1,260,608
Foreign liabilities.....	78,515	80,132	91,171	92,277	74,405	79,396
Capital and reserves	324,207	298,895	270,964	248,111	225,855	209,494
Profits	22,226	40,363	42,683	40,159	35,692	33,508
Other liabilities	233,292	219,934	199,292	176,451	155,351	151,135
Total liabilities	2,292,819	2,256,334	2,208,658	2,132,577	1,893,283	1,734,141

Source: SAMA

Bank Credit

As at 30 June 2017, total commercial banks' claims on the private and public sector and non-monetary financial institutions amounted to SAR 1,670.9 billion (U.S.\$445.6 billion), an increase of 2.1 per cent. compared to SAR 1,637.3 billion (U.S.\$436.6 billion) as at 31 December 2016, which was an increase of 9.2 per cent. compared to SAR 1,499.7 billion (U.S.\$399.9 billion) as at 31 December 2015.

As at 30 June 2017, commercial banks' claims on the private sector represented 61.9 per cent. of total assets of commercial banks, compared to 62.3 per cent. and 62.1 per cent. as at 31 December 2016 and 2015, respectively. This has been driven by strong economic growth and increased investment within Saudi Arabia in various sectors such as electricity, water and health services, building and construction, commerce and Government projects in oil and gas, infrastructure and education. Government stimulus to Saudi Arabia's economy has significantly contributed to growth in corporate assets. The following table sets forth a breakdown of bank claims on the private and public sectors and non-monetary financial institutions as at 30 June 2017 and 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	As at	As at 31 December				
	30 June	2016	2015	2014	2013	2012
	2017					
		(SAR millions)				
Bank Credit	1,364,665	1,351,407	1,322,809	1,204,831	1,076,393	960,472
<i>Loans, advances and</i>						
<i>overdrafts</i>	1,351,017	1,337,343	1,308,199	1,194,520	1,065,533	951,022
<i>Bills Discounted</i>	13,647	14,064	14,610	10,311	10,860	9,450
Investments in private						
securities	53,872	54,067	49,006	51,379	47,252	38,655
Claims on the private sector..	1,418,536	1,405,474	1,371,815	1,256,210	1,123,645	999,127
Bank credit to public						
institutions	46,883	49,012	38,820	45,817	44,127	39,585
Government bonds	200,407	178,416	86,158	53,134	49,628	42,491
Claims on the public sector ..	247,290	227,428	124,978	98,949	93,755	82,076
Claims on non-monetary						
financial institutions	5,105	4,436	2,904	2,254	2,740	2,737
Total	1,670,931	1,637,338	1,499,696	1,357,413	1,220,141	1,083,940

Source: SAMA

As at 30 June 2017, the proportion of credit extended to the corporate sector to total bank credit decreased slightly to 57.0 per cent. as compared to 57.5 per cent. and 62.2 per cent. as at 31 December 2016 and 31 December 2015, respectively. During the same period the proportion of credit extended to the consumer sector decreased slightly to 27.9 per cent. as at 30 June 2017 from 28.3 per cent. and 29.3 per cent. as at 31 December 2016 and 31 December 2015, respectively. Total credit extended by the banks in Saudi Arabia to the corporate sector recorded a growth of 1.1 per cent. in the six months ended 30 June 2017, compared to a growth of 1.0 per cent. in the year ended 31 December 2016.

and reserves with SAMA, supplementing the risk-based capital requirements in maintaining the stability of the Saudi financial system and economy.

SAMA relies on a counter-cyclical provisioning policy to ensure greater resilience of Saudi Arabia's banking sector during stress periods. SAMA requires banks to increase their capital reserves and provisions for NPLs during upturns so that they are able to utilise them during downturns, in order to minimise the impact of adverse conditions. Accordingly, in December 2016, the coverage ratio for total NPLs was approximately 177 per cent. In 2016, SAMA formalised and published its methodology for calculating its countercyclical capital buffer. Based on this methodology, SAMA implemented a zero per cent. buffer rate for 2016.

SAMA also periodically performs stress testing in respect of the banking sector to evaluate its resilience against hypothetical macroeconomic shocks. The stress test currently implemented by SAMA is based on three different shock scenarios: 'baseline', 'moderate' and 'severe'. The stress tests conducted by SAMA in 2016 demonstrated the Saudi bank's resilience to adverse macroeconomic shocks, including under the "severe" shock scenario. SAMA also requires individual banks to perform and report the outcomes of their own stress tests on a semi-annual basis. These outcomes are reviewed regularly and are used in SAMA's stress tests to ensure consistency and resilience on both a macro- and micro-prudential level.

The deposit protection fund recently established by SAMA is intended to promote confidence and minimise contagion and liquidity risk in the banking sector. Under the rules of the deposit protection fund, which took effect on 1 January 2016, Saudi banks will pay quarterly premiums on eligible deposits, which will be covered up to SAR 200,000 of the deposited amount.

Non-Bank Finance Sector

Saudi Arabia's non-bank finance sector has experienced strong growth in recent years, and continues to support Saudi Arabia's economic growth by providing an alternative channel of credit to the private sector. Non-banking credit institutions ("NBCIs") in Saudi Arabia comprise specialised credit institutions ("SCIs") and finance companies. NBCIs are distinguished from commercial banks in that NBCIs do not accept deposits from private customers and businesses, and are financed by funds from the Government (in the case of SCIs) and private investors (in the case of finance companies). SCIs provide credit to various sectors, individuals, and institutions such as small and medium enterprises, real estate, industry, and agriculture. Finance companies also support capital-intensive activities by extending loans to both individuals and corporates engaged in real estate and leasing operations.

Specialised credit institutions

The Government has established five SCIs to complement bank lending, and provide medium- to long-term loans to SMEs and the industrial, real estate and agricultural sectors. The SCIs are held by Government ministries and are not supervised by SAMA or the CMA. Total assets of Saudi Arabia's SCIs reached SAR 863.0 billion (U.S.\$230.1 billion) as at 31 December 2016, an increase of 35.7 per cent. compared to SAR 635.8 billion (U.S.\$169.5 billion) as at 31 December 2015, which was an increase of 3.2 per cent. compared to SAR 615.7 billion (U.S.\$164.2 billion) as at 31 December 2014. Total outstanding loans extended by SCIs represented 35.0 per cent. of SCIs' total assets, reaching SAR 302.4 billion (U.S.\$80.6 billion) as at 31 December 2016, compared to 47.5 per cent. of SCIs' total assets, reaching SAR 301.8 billion (U.S.\$80.5 billion) as at 31 December 2015. Total credit extended by SCIs in the year ended 31 December 2016 was equivalent to 11.7 per cent. of Saudi Arabia's total nominal GDP and 21.2 per cent. of non-oil GDP.

The five SCIs in Saudi Arabia comprise:

- the Agricultural Development Fund (the "ADF"), which was established in 1962 to provide short- and medium-term credit to support agricultural investments and related projects;
- the Social Development Bank (the "SDB"), previously known as the Saudi Credit and Saving Bank, which was established in 1971 to provide interest-free loans to low-income Saudi nationals to meet various personal expenses;

- the PIF, which was established in 1971, originally to provide medium- and long-term loans to the large-scale, strategically important industrial projects in which the Government had an interest;
- the SIDF, which was established in 1974 to provide loans to Saudi business entities to establish industrial projects; and
- the REDF, which was established in 1974 to finance real estate projects undertaken by individuals for personal housing or for commercial purposes.

The following table sets forth the outstanding loans of Saudi Arabia’s SCIs for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	As at 31 December				
	2016	2015	2014	2013	2012
	(SAR millions)				
ADF	7,930	8,722	8,649	8,476	8,421
SCSB	38,531	41,942	36,949	24,828	25,257
PIF	48,208	53,885	51,549	46,130	49,919
SIDF	35,488	33,445	30,930	29,705	29,312
REDF	157,742	149,261	129,518	116,678	99,596
Total⁽¹⁾	302,398	301,755	272,094	240,317	227,005

Source: SAMA

Note:

(1) Includes electricity loans originally extended by the PIF in 1988, of which SAR 14.5 billion is currently outstanding.

While the PIF has historically been a significant source of loans for strategically important projects (see “*Public Finance—Public Investment Fund*”), in 2016, the PIF underwent a restructuring with regard to its future role in Saudi Arabia’s economy and the Government expects that the PIF will not act as a source of lending to the same extent as it has historically. See “—*Public Investment Fund*” below.

Finance companies

Saudi Arabia’s finance companies’ segment remains relatively small as compared to the Saudi financial system as a whole, although SAMA has recently introduced policy adjustments that are intended to ease finance companies’ operations and help increase their market share, while also ensuring that finance companies follow prudent practices. As at 31 December 2016, Saudi Arabia’s non-bank finance sector’s total assets were equivalent to 1.6 per cent. of the total assets of the Saudi financial system, compared to 1.2 per cent. of the total assets of the Saudi financial system as at 31 December 2015. As at 31 December 2016, there were 34 finance companies licensed in Saudi Arabia, of which four were licensed during 2016 and 12 were licensed during 2015. SAMA has introduced a comprehensive policy framework by which finance companies should operate, which includes macro-prudential measures and risk management requirements.

During the year ended 31 December 2016, total finance companies’ assets increased by 5.0 per cent. to SAR 38.9 billion (U.S.\$10.4 billion), equivalent to 1.6 per cent. of nominal GDP, and 2.2 per cent. of Saudi Arabia’s non-oil nominal GDP in the year ended 31 December 2016, compared to SAR 37.1 billion (U.S.\$9.9 billion), which was equivalent to 1.5 per cent. of nominal GDP, and 2.1 per cent. of Saudi Arabia’s non-oil nominal GDP in the year ended 31 December 2015. These assets also represented 1.7 per cent. of Saudi Arabia’s total bank assets as at 31 December 2016, compared to 1.6 per cent. of Saudi Arabia’s total bank assets as at 31 December 2015.

In the year ended 31 December 2016, total credit extended by finance companies reached SAR 31.0 billion (U.S.\$8.3 billion), accounting for 2.3 per cent. of total credit in Saudi Arabia’s banking sector and representing a growth rate of 10.0 per cent. as compared to total credit extended by finance companies of SAR 28.0 billion (U.S.\$7.5 billion) in the year ended 31 December 2015, which accounted for 1.9 per cent. of total credit in Saudi Arabia’s banking sector and represented growth rate of 25.0 per cent. as compared to the year ended 31 December 2014. Finance companies’ credit classification comprises real estate and non-

real estate credit, with an average loan maturity of 15 years for real estate and three to four years for non-real estate. The amount of credit in respect of real estate represented 31.4 per cent. of the total credit extended by finance companies as at 31 December 2016, compared to 32.7 per cent. of the total credit extended by finance companies as at 31 December 2015.

In the year ended 31 December 2016, profits of finance companies were SAR 871.0 million, a decline of 29.0 per cent. as compared to the year ended 31 December 2015. Finance companies' return-on-equity and return-on-assets were each also negatively affected during the year ended 31 December 2016, declining to 5.0 per cent. and 2.0 per cent., respectively, as compared to 8.0 per cent. and 3.0 per cent., respectively, in the year ended 31 December 2015. The decline in finance companies' profits in the year ended 31 December 2016 was principally due to three factors; slowing economic growth, which impacted both asset quality and credit growth; higher operating expenses, which increased by 57.0 per cent. in the year ended 31 December 2016 reaching SAR 3.1 billion compared to SAR 1.9 billion in the year ended 31 December 2015; and the slowdown of revenue growth.

Regulation

SAMA acts as the regulator for local and foreign banking businesses operating in Saudi Arabia. SAMA is regulated by Royal Decree No. 23 issued on 15 December 1957, which outlines SAMA's role and regulates its relationship with local and foreign banks conducting banking businesses in Saudi Arabia and sets forth the governing and supervisory role of SAMA over banking activities in Saudi Arabia. Royal Decree No. M/5 dated 11 June 1966 (the "**Banking Control Law**") sets forth certain statutory requirements to conduct banking business in Saudi Arabia and various provisions governing banking activities.

The aim of the Banking Control Law is to protect banks, customers' deposits and shareholders, and to secure adequate capital and liquidity levels. The Banking Control Law prohibits banks from undertaking certain activities that might cause damage to their shareholders and customers. In addition, the law prohibits individuals and companies from using the word "bank" or its synonyms in their names or conducting any banking activities without obtaining a licence from SAMA. The Banking Control Law sets forth the framework within which banks must operate in Saudi Arabia and is supplemented from time to time by circulars, directives and guidelines issued by SAMA.

Management of Liquidity, Credit, Concentration and Other Risks

SAMA has introduced regulations to ensure that banks do not have disproportionate concentrations of risk in any one sector or client and that sufficient liquidity and capitalisation is maintained to support bank activities.

Under the Banking Control Law, a bank's deposit liabilities must not exceed 15 times its reserves and paid-up share capital or invested capital. The current percentage specified by SAMA for a statutory deposit is 7 per cent. of total customers' demand deposits and 4 per cent. of balances due to banks and other financial institutions (excluding balances due to SAMA and non-resident foreign currency deposits), savings, time deposits and margins of letters of credit and guarantee (excluding all types of repo deposits).

In addition to the statutory deposit, each bank in Saudi Arabia is also required to maintain a liquid reserve of at least 20 per cent. of its total deposit liabilities. The liquid reserve must comprise cash, gold or assets, which can be converted into cash within a period not exceeding 30 days as well as SAMA Bills and Government bonds, in order to comply with the requirements of the Banking Control Law.

In February 2016, SAMA relaxed the loan-to-deposit ratio applicable to banks in Saudi Arabia from 85 per cent. to 90 per cent., in anticipation of the change in the deposit base, the denominator component of the loan-to-deposit ratio.

The Banking Control Law set a maximum limit on the amount of financial exposure that a bank may be subject to in respect of any one person. This was supplemented by the SAMA Rules on Large Exposures of Banks issued on 1 July 2015. Under the new rules, a bank may not grant a loan, extend a credit facility, give

a guarantee or incur any other financial liability in respect of any one person in an aggregate amount exceeding:

- in the case of banks, 25 per cent. of its total eligible capital;
- in the case of companies, 15 per cent. of its total eligible capital; and
- in the case of individuals, 5 per cent. of his or her total eligible capital.

For large exposures that existed prior to 1 July 2015, transitional limits exist to facilitate compliance with the SAMA Rules on Large Exposures of Banks by 1 January 2019.

Furthermore, 25 per cent. of net profits, after deduction of zakat, are required to be transferred to statutory reserves until the reserve balance equals the paid-up capital.

In 2004, SAMA issued regulations regarding the classification of assets as well as provisioning norms. The following table sets forth the classifications and the reserves required for prudential regulation purposes.

Classification	Defined as	Reserve Required
Current	No problems	1 per cent. of outstandings
Current	No problems	1 per cent. of outstandings
IA (Special mention).....	Potential weakness	1 per cent. of outstandings
II (Substandard)	Inadequate capacity to pay and/or profit or principal overdue by more than 90 days	25 per cent. of outstandings
III (Doubtful)	Full collection questionable and/or overdue by more than 180 days	50 per cent. of outstandings
IV (Loss).....	Uncollectible and/or overdue by more than 360 days	100 per cent. of outstandings

The provision is made by the relevant bank in its audited financial statements in accordance with the requirements of International Accounting Standard 39 (*Financial Instruments: Recognition and Measurement*). SAMA carries out a full review of the operations of each bank on a regular basis and more regular assessments of specific functions within each institution.

In 1989, SAMA introduced accounting and disclosure standards for commercial banks in Saudi Arabia, which largely comply with International Financial Reporting Standards (“IFRS”). All banks in Saudi Arabia are now compliant with IFRS and the Accounting Standards for Financial Institutions issued by SAMA. The banks also prepare their financial statements to comply with the Banking Control Law and the Regulations for Companies promulgated under Royal Decree No. M/3 dated 10 November 2015.

Reporting Requirements

Banks are required to submit monthly statements to SAMA of the consolidated financial position of their domestic and foreign branches. Banks must also submit quarterly, semi-annual and annual prudential returns to SAMA. These returns are comprehensive and deal with matters such as the maturity schedule of credit facilities, risk concentrations, large exposures, foreign exchange exposure, analysis of specific loan loss reserves and a calculation of the relevant banks’ risk asset based capital adequacy, liquidity and leverage ratios.

Banks are required to submit their audited annual financial statements to SAMA within three months of each financial year-end. Annual financial statements must be audited and signed by at least two external auditors.

Anti-Money Laundering and Combatting the Financing of Terrorism

Saudi Arabia is a signatory to, and has implemented measures required by, the International Convention for the Suppression of the Financing of Terrorism and various other international conventions and agreements relating to AML and CFT. Saudi Arabia is also a member of the following organisations that address AML

and CFT: the Financial Action Task Force (“**FATF**”, as an observer, and a member of the GCC) and the Middle East and North African Financial Action Task Force; and the Egmont Group. Saudi Arabia has ratified the UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna Convention); the UN Convention against Transactional Organised Crime (Palermo Convention); the UN Convention for Suppression of Terrorist Financing; and the Arab Convention for Combating Money Laundering and Terrorist Financing.

Saudi Arabia has comprehensive laws and rules in respect of ‘know-your-customer’ (“**KYC**”), AML and CFT requirements for the banking sector. In May 2002, SAMA issued rules governing the opening of bank accounts in Saudi Arabia. These rules contain comprehensive requirements governing customer identification, the opening and maintenance of bank accounts, the transmission of funds and the deposit of cash and also contain detailed rules controlling the operation of bank accounts for charitable and welfare organisations. SAMA has issued a number of revisions to the account opening rules, most recently in February 2012, which have introduced additional account opening requirements and provide guidelines on dealing with non-resident individuals, entities and multi-lateral organisations.

In August 2003, Saudi Arabia issued the Anti-Money Laundering Law, which provides a statutory basis for money laundering and terrorist financing offences, establishing a Financial Intelligence Unit (the “**FIU**”), requiring all financial institutions and non-financial institutions to report any suspicious transactions to the FIU, and enabling a greater international exchange of financial information in cases of suspected money laundering and terrorist financing among law enforcement agencies and regulators.

In November 2005, SAMA issued a circular (SAMA No. 35185/MAT/539, dated 22 November 2005) requiring all banks and financial institutions operating in Saudi Arabia to strictly comply with the provisions of the Anti-Money Laundering Law. The Authorised Person Regulations issued by the Board of the CMA pursuant to its Resolution number 1-83-2005, dated 28 June 2005 also require investment banks to comply with the Anti-Money Laundering Law.

In April 2012, the Government updated its existing Anti-Money Laundering Law and Implementing Rules (pursuant to Royal Decree No. M/31 dated 2 April 2012) and, in April 2013, SAMA issued a circular requiring all Saudi banks and financial institutions operating in Saudi Arabia to strictly comply with the updated Anti-Money Laundering Law and implementing rules.

In addition to the laws and rules mentioned above, the following laws and rules have been implemented to address AML and CFT: the Terrorism Crimes and Terrorism Financing Law implemented through Royal Decree No. M/16 dated 27 December 2013; the Anti Money-Laundering and Counter Terrorism Financing Rules for Financing Companies and Insurance Companies issued by SAMA in February 2012; and the Anti-Money Laundering and Counter-Terrorism Financing Rules issued by the CMA pursuant to resolution number 1-39-2008 dated 1 January 2008, as amended in October 2011 and December 2013.

One of the most important initiatives taken by Saudi Arabia with respect to AML was the Council of Ministers’ resolution No. (15) issued in May 1999, which provides for the implementation of the “40 Anti-Money Laundering Recommendations” of FATF (the “**Recommendations**”) and the formation of a permanent AML committee entrusted with the functions of establishing the measures needed to implement the Recommendations, reviewing all issues related to AML in Saudi Arabia. The permanent committee is chaired by the Governor of SAMA, and consists of the representatives of the Ministry of Interior, the Ministry of Finance, Ministry of Labour and Social Development, Ministry of Foreign Affairs, Ministry of Justice, Ministry of Commerce and Investment, Ministry of Islamic Affairs, Call and Guidance, the Saudi Customs authorities, the CMA, the General Intelligence Presidency and the Bureau of Investigation and Public Prosecution. The Committee meets on a monthly basis or more frequently, as may be required.

Capital Adequacy

SAMA has successfully implemented Basel Committee on Banking Supervision rules and standards in their entirety, on a timely basis and in a prudent and conservative manner. As a result of such implementation, Saudi Arabia’s banking sector has reported among the strongest capital adequacy ratios, leverage ratios and liquidity ratios in the GCC and the MENA region.

Basel III Framework

In response to the global financial crisis, which commenced in 2007, the Basel Committee enhanced its capital measurement and capital standards by issuing a new capital framework (the “**Basel III Framework**”). The Basel III Framework focuses on strengthening the quality of regulatory capital, raising the minimum capital requirements, enhancing risk coverage and reducing cyclicality of regulatory capital. It introduces new leverage and liquidity ratio requirements and capital buffers to promote the build-up of capital. These enhancements are to be implemented by means of a staggered approach through to 2019.

The Basel III Framework requires banks’ exposures to be backed by a high quality capital base. To this end, the predominant form of Tier 1 capital must be common shares and retained earnings. The Basel Committee principles adopted by SAMA ensure that banks hold high quality Tier 1 capital that represents “pure capital” which is highly “loss absorbent”.

Upon completion of the implementation of Basel III standards related to capital, the minimum requirements for regulatory capital are:

- Common Equity Tier 1 must be at least 4.5 per cent. of risk-weighted assets at all times;
- Tier 1 Capital must be at least 6.0 per cent. of risk-weighted assets at all times; and
- Total Capital (Tier 1 Capital plus Tier 2 Capital) must be at least 8.0 per cent. of risk-weighted assets at all times.

SAMA has already required banks to report on a Basel III compliant basis with effect from 1 January 2013, based on the Basel III guidelines issued in December 2012 and enhancements issued in July 2014. SAMA continues to issue circulars relating to the ongoing development and implementation of the Basel Committee’s proposed reforms and guidance for adoption in Saudi Arabia.

SAMA has also issued its final guidance document regarding Liquidity Coverage Ratio and disclosure of leverage ratio in January 2014 which came into force in January 2015.

In October 2014, the Basel Committee issued its second standard for long-term liquidity, the Net Stable Funding Ratio (the “**NSFR**”). This standard is a significant component of the Basel III accord. It requires banks to maintain a stable financing portfolio related to their on- and off-balance sheet activities, thereby preventing potential volatility in banks’ traditional financing sources that would impact their liquidity position and, eventually, increase the risk of their failure. The NSFR will become a minimum standard effective by 1 January 2018.

On 30 September 2015, the Basel Committee published the results of its Basel Regulatory Consistency Assessment Programme in respect of Saudi Arabia. This exercise entailed an extensive review of local standards in Saudi Arabia and their comparison against Basel regulations. Saudi Arabia achieved a ‘compliant’ report in respect of regulatory capital and a ‘largely compliant’ report in respect of liquidity coverage ratio. This formal attestation reflects high standards of Basel compliance in Saudi Arabia as compared to other countries.

Capital Markets

Capital Markets Authority

The CMA is the sole regulator and supervisor of Saudi Arabia’s capital markets. In 1984, a Ministerial Committee comprising the Ministry of Finance and National Economy, the Ministry of Commerce (as they were then known) and SAMA was formed to regulate and develop stock market activities. SAMA regulated and monitored stock market activities until the CMA was officially established by the Capital Market Law, which was issued in July 2003. The CMA is a Government entity that enjoys financial and administrative autonomy and reports directly to the President of the Council of Ministers.

The CMA’s responsibilities include: (i) the regulation and development of the capital markets in Saudi Arabia; (ii) the regulation and monitoring of the issuance of, and dealings in, securities, and the activities of

the parties subject to the CMA's supervision; (iii) the regulation of disclosure of information regarding securities and their issuers and setting of disclosure requirements with respect thereto; (iv) the licensing and regulation of special purpose entities permitted to be established pursuant to the law and CMA regulations; and (v) the protection of investors and the public from unsound and unfair market practices; and (vi) seeking to achieve fairness, efficiency and transparency in the capital markets of Saudi Arabia. In addition, pursuant to the Capital Market Law, the CMA has formed the Committee for the Resolution of Securities Disputes, and the Council of Ministers has, also pursuant to the Capital Market Law, formed the Appeal Committee for the Resolution of Securities Disputes. Both of these committees are quasi-judicial bodies authorised to adjudicate disputes and violations in respect of the Capital Market Law or the rules and regulations of the CMA and/or the Tadawul.

In addition to exercising regulatory powers over listed companies, credit ratings agencies and Tadawul, the CMA has issued various categories of licenses to 86 entities engaged in securities dealings, advisory, custodial and other functions falling within the regulatory scope of the CMA.

In 2014, the CMA developed a strategic plan (the "CMA Strategic Plan") covering the period 2015-2019, which was aligned with the objectives of the Government's tenth Development Plan. The CMA Strategic Plan, which was approved by the CEDA, aims to further strengthen the capital markets of Saudi Arabia through the implementation of several discreet objectives and initiatives. During the course of 2015 and 2016, the CMA implemented several important initiatives that formed a part of the CMA Strategic Plan, including: (i) finalisation of the rules for QFIs' investment in shares listed on the Tadawul; (ii) improvement of the disclosure regime applicable to authorised persons; (iii) development of policies and standards for prosecuting violations of the Capital Market Law and the regulations issued thereunder; and (iv) issuance of the Real Estate Investment Traded Funds Instructions, which regulate the offering of real estate investment traded funds that invest in developed real estate for the purpose of generating periodic income.

The CMA Strategic Plan also aims to raise the governance level and to improve disclosure requirements in the capital markets. As part of the plan, IFRS standards will be the financial reporting framework for all listed companies in Saudi Arabia starting in 2017.

In accordance with the CMA's objective of developing market leading international best practices and with a view to collaborating with other similar institutions internationally, the CMA is an active participant in the International Organisation of Securities Commissions which is recognised as the leader in setting the standards for the securities and capital markets sectors globally. In addition, the CMA is also a participant in the Ministerial Committee of the Chairpersons of GCC Capital Markets Regulators as well as the Union of Arab Securities Authorities.

The following table sets forth the completed public securities offerings and private placements overseen by the CMA, by number and value for each of the years ended 31 December 2016, 2015, 2014 and 2013, respectively.

	Year ended 30 December							
	2016		2015		2014		2013	
	Number	Value	Number	Value	Number	Value	Number	Value
	<i>(SAR millions)</i>							
Equity initial public offerings ..	3	2,793	4	4,152	6	25,229	5	1,962
Equity public rights issues	3	875	12	2,325	2	5,820	1	200
Debt public offerings.....	0	0	1	3,900	1	4,500	1	7,500
Equity private placements	58	3,544	33	2,518	48	2,981	35	6,965
Debt private placements	31 ⁽¹⁾	21,355 ⁽¹⁾	32	21,304	36	30,614	37	43,347
Total	95	28,567	82	34,199	93	69,144	79	59,974

Source: CMA

Note:

(1) This figure does not include the issuances under this Programme.

The CMA has also been focused on the growth of the investment funds sector and has taken initiatives to expand this sector. In the year ended 31 December 2016, the investment funds sector grew by 19.8 per cent., which was largely attributable to an increase in the value of the assets of private funds. The following table sets forth the key indicators of the investment funds sector as at 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	As at 31 December				
	2016	2015	2014	2013	2012
Total number of operating funds	275	270	252	236	240
—Open ended funds	263	261	242	226	229
—Close ended funds.....	12	9	10	10	11
Number of subscribers	224,411	236,977	246,031	258,110	275,624
Domestic assets (SAR billions)	70.7	75.9	81.9	81.9	69.8
Foreign assets (SAR billions).....	17.2	27.0	28.8	21.3	18.3
Total assets (SAR billions).....	87.8	102.9	110.7	103.2	88.1

Source: SAMA

Tadawul

On 19 March 2007, the Council of Ministers approved the formation of the Tadawul. According to data published by the World Federation of Exchanges as at 30 June 2017, the Tadawul is the largest stock exchange in the MENA region in terms of market capitalisation, and is also one of the most diversified, with its listed companies covering a range of sectors, including petrochemicals, retail, financial services, construction and telecommunications, providing potential investors with investment opportunities in a wide variety of sectors.

The following table sets forth various stock market indicators in respect of the Tadawul for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Year ended 31 December				
	2016	2015	2014	2013	2012
	<i>(SAR billions, unless indicated)</i>				
Number of shares traded (millions)	67,729	65,920	70,118	52,306	86,006
Value of shares traded	1,157	1,661	2,147	1,370	1,929
Market capitalisation	1,682	1,579	1,813	1,753	1,400
Number of executed transactions (thousands) ..	27,274	30,444	35,761	28,968	42,105
Tadawul All-Share Index	7,210.4	6,912	8,333	8,536	6,801

Source: SAMA, Tadawul

According to data published by Tadawul, as at 31 December 2016, 176 companies were listed on the Tadawul with a total market capitalisation of SAR 1,682.0 billion (U.S.\$448.5 billion) an increase of 6.52 per cent. compared to a total market capitalisation of SAR 1,579 billion (U.S.\$421.1 billion) as at 31 December 2015, which was a decline of 12.9 per cent. from a total market capitalisation of SAR 1,813 billion (U.S.\$483.5 billion) as at 31 December 2014. As at 31 December 2016, the Tadawul All-Share Index stood at 7,210.4, an increase of 4.32 per cent. from 6,911.8 as at 31 December 2015, which was a decline of 17.1 per cent. from 8,333.3 as at 31 December 2014.

Regime relating to Qualified Foreign Investors

With a view to increasing institutional investment in the capital markets of Saudi Arabia, and to benefit from the expertise of specialised foreign investors, in June 2015 the CMA allowed QFIs to directly invest in listed shares on the Tadawul in accordance with the rules and regulations published by the CMA (the “**QFI Framework**”). The QFI Framework, for the first time, allows foreign institutions that qualify as QFIs to obtain full legal ownership of shares listed on the Tadawul thereby making available to QFIs all the rights and privileges of being a shareholder of companies listed on the Tadawul. Prior to the enactment of the QFI

Framework, non-resident foreign investors could participate in the capital markets of Saudi Arabia only indirectly through swap agreements or through investment funds (methods that continue to remain available to foreign investors who do not qualify as QFIs). As at 31 December 2015, the number of registered QFIs and their clients approved by the CMA for investment in shares in listed Saudi companies reached 17; nine of which were QFIs registered by the CMA, and eight of which were their clients approved to invest in listed shares by the CMA. In the year ended 31 December 2015, the CMA received seven new swap agreements, reaching 34 total outstanding swap agreements.

Under the original QFI Framework, only QFIs (which were defined as financial institutions with U.S.\$5.0 billion or more of assets under management that have been in operation for five or more years) were eligible to invest, subject to certain exceptions approved by the CMA. The original QFI Framework was designed for institutional portfolio investments, with certain restrictions intended to safeguard the stability of the Tadawul and the securities listed thereon. Under the original QFI Framework, a single QFI was permitted to own up to 5 per cent. of the shares of a company listed on the Tadawul, and up to 20 per cent. of the shares of a listed company was permitted to be held by QFIs in the aggregate. Furthermore, foreign investors (resident or non-resident, including QFIs) were permitted to own up to 49 per cent. of the shares of any company listed on the Tadawul. All transaction by QFIs are required to be pre-funded.

In August 2016, the CMA approved certain revisions to the original QFI Framework, which became effective on 4 September 2016. Under the amended QFI Framework, the assets under management required for an institution to qualify as a QFI has been reduced to U.S.\$1.0 billion, and individual QFIs are now permitted to own up to 10 per cent. of the shares of a company listed on the Tadawul or of an issuer's listed convertible debt instruments. Furthermore, QFIs are now collectively permitted to own up to 49 per cent. of the shares of a company listed on the Tadawul or of an issuer's listed convertible debt instruments, provided that foreign investors (resident or non-resident, including QFIs) do not collectively exceed 49 per cent. ownership. The definition of foreign financial institutions has also been expanded to include governments and government-related entities. Certain other ownership thresholds and limits have also been relaxed under the amended QFI Framework, and a QFI may now engage a non-Saudi portfolio manager to manage its investment. The scope of the amended QFI Framework now applies to all types of listed securities rather than being limited to shares.

Parallel Market

In December 2016, the CMA Board approved the Parallel Market Listing Rules pursuant to its Resolution number 3-151-2016, which established a second stock market managed by Tadawul under the name of "Parallel Market" (also known as "Nomu"). This allows smaller companies to list their shares and raise the capital they need for expansion. The establishment of the Parallel Market is part of the CMA's programme to achieve the goals of Vision 2030 in respect of promoting the role of the stock exchange in providing sources of funding and enhancing its stability and its contribution to the national economy.

The Parallel Market Listing Rules provide for less onerous requirements for the registration and listing of joint stock companies' shares on the Parallel Market compared to the requirements imposed for the listing of securities under the Listing Rules, which are applicable to securities listed on the main Tadawul market (the "**Main Market**"). While under the Listing Rules, the aggregate market value of shares to be listed on the Main Market must be at least SAR 100 million (U.S.\$26.7 million), under the Parallel Market Listing Rules, a joint stock company can list its shares provided the aggregate market value of such shares is not less than SAR 10.0 million (U.S.\$2.7 million). Similarly, while the minimum free float of shares for the Main Market listing is set at 30.0 per cent., under the Parallel Market Listing Rules the minimum free float is set at only 20.0 per cent.

GCC Monetary Union

In December 2008, Saudi Arabia, Bahrain, Qatar and Kuwait approved the Monetary Union Agreement and the Monetary Council Statute, which set forth the legal and institutional framework for a proposed monetary union of the relevant member states. The Monetary Union Agreement was ratified and came into force on 27 February 2010, while the Monetary Council Statute became effective on 27 March 2010. The Gulf

Monetary Council, which was established in Riyadh, held its inaugural meeting on 30 March 2010. The primary strategic aim of the Gulf Monetary Council is to provide the foundation, and act as a precursor institution, for the establishment of a GCC central bank. The Gulf Monetary Council set itself the primary task of consulting with GCC member countries in order to draft the legal and organisational framework that will underpin the GCC central bank. Preparation for the development and implementation of a proposed GCC single currency will be the responsibility of the GCC central bank. The goal of the Monetary Union Agreement is to improve the efficiency of financial services, decrease transaction costs and increase transparency in the prices of goods and services. No timeline for the implementation of a GCC single currency has yet been set.

PUBLIC FINANCE

General

The Government's primary source of budget revenues has historically been oil-related revenues, which accounted for 64.2 per cent. of total revenues for the fiscal year 2016, compared to 72.9 per cent., 87.5 per cent., 89.5 per cent. and 91.8 per cent. of total revenues for the fiscal years 2015, 2014, 2013 and 2012, respectively. Revenues from the oil sector, which stood at SAR 333.7 billion (U.S.\$89.0 billion) in the fiscal year 2016, decreased by 25.3 per cent., 51.1 per cent., 11.8 per cent. and 9.6 per cent. in the fiscal years 2016, 2015, 2014 and 2013, respectively, following an increase of 10.7 per cent. in the fiscal year 2012.

In order to decrease its reliance on the oil sector, the Government has aimed to diversify Saudi Arabia's economy in recent years. Revenues from the non-oil sector increased by 11.7 per cent., 26.9 per cent., 8.0 per cent., 18.3 per cent. and 23.0 per cent. in the fiscal years 2016, 2015, 2014, 2013 and 2012, respectively, to reach SAR 185.7 billion (U.S.\$49.5 billion) for the fiscal year 2016. In terms of percentage contribution to total revenues, revenues from the non-oil sector have increased to 35.8 per cent. of total revenues for the fiscal year 2016, compared to 27.1 per cent., 12.5 per cent., 10.5 per cent. and 8.2 per cent. of total revenues for the fiscal years 2015, 2014, 2013 and 2012, respectively. The significant increase in the contribution of the non-oil sector to Government revenues in the fiscal years 2015 and 2016 can be partially attributed to the significant decline in global oil prices since mid-2014 and the consequential decrease in Government revenues and export earnings attributable to the oil sector during the same period.

Budget Policy and Process

The budget plays a central role in Saudi Arabia's economy and is a key tool in achieving the Government's economic development goals. Fiscal policy is considered to be the core of Saudi Arabia's general economic policy, which aims to fully utilise Saudi Arabia's economic resources to raise the standard of living in Saudi Arabia and to achieve sustainable development through cooperation between the private and public sectors. Government expenditure is considered by the Government to be a primary stimulant of economic activity, and consequently a facilitator of economic growth in Saudi Arabia. The Government believes that it has various options open to it to limit its budget deficit during periods of commodity price volatility, including the imposition of additional charges for services and the development of additional revenue sources. In addition, the Government has flexibility in determining its capital expenditures and may review and reschedule items, if necessary, in order to reduce the amount of expenditures contained in future budgets.

The Government's budgetary policy focuses on investment programmes that enhance sustainable and strong economic development, diversification of the economy and sources of Government revenues and employment opportunities for Saudi nationals, specifically, infrastructure, education, health, security, social services, municipal services, water and water treatment services, roads and highways, science and technology projects and e-government.

The Government prepares budgets on an annual basis, taking into account its key priority areas during each budget process. The Government's fiscal year commences on 31 December and ends on 30 December in the following year. Each year, the Ministry of Finance supervises the preparation of ministerial and agency budgets for the following year. After review by the Ministry of Finance, the consolidated budget proposal is submitted first to the CEDA and then to the Council of Ministers for approval and, if approved, a Royal Decree implementing the budget is issued.

Subsidies relating to the oil sector are proposed by the Ministry of Energy, Industry and Mineral Resources and reviewed by the Council of Ministers in consultation with the Ministry of Finance, thereafter being approved by the Council of Ministers. Subsidies relating to other sectors are proposed by the Ministerial Financing Committee, of which the Ministry of Finance is a part, with the recommendations of such committee thereafter being approved by the Council of Ministers.

Fiscal Consolidation Measures and the Introduction of the Fiscal Balance Programme

In order to protect its historically strong fiscal position, Saudi Arabia commenced wide-ranging fiscal consolidation measures in mid-2015. The structural reforms enacted under the fiscal consolidation measures resulted in a decrease in expenditure of 15.2 per cent. during the fiscal year 2016, excluding an expenditure amount of SAR 105.0 billion (U.S.\$28.0 billion) relating to settling due payments from prior years, as compared to the fiscal year 2015 and a decrease of 11.9 per cent. during the fiscal year 2015 as compared to the fiscal year 2014, which was Saudi Arabia's first year-on-year decline in expenditure since 2002. The fiscal consolidation measures implemented by the Government include: (i) a phased energy and water pricing reform programme, which included a reduction in fuel, water and energy subsidies, with prices of gasoline increasing by up to 66 per cent.; (ii) enhanced approval requirements for certain new projects; (iii) a 2.5 per cent. tax on undeveloped land in urban areas; (iv) a reduction in the growth of current expenditure through additional controls in respect of new hires in the public sector, as well as in respect of overtime and travel expenses; (v) targeted expenditure reduction of at least 5.0 per cent. of the remaining costs of all Government contracts; and (vi) more efficient methods of revenue collection. The Government expects that its ongoing subsidy reforms will result in substantial savings for the Government and an increase in Government revenues over a five-year period.

In September 2016, the Government announced certain fiscal balance measures applicable to public sector employees (excluding certain military and security personnel), including: (i) suspending the annual salary increase for the fiscal year 2016; (ii) reducing or cancelling certain benefits and allowances; and (iii) reducing the base salaries and certain other benefits of Government ministers and members of the Consultative Council. However, in April 2017, the Government reinstated the benefits and allowances that were reduced or cancelled in September 2016 and in June 2017, the Government provided that it would retrospectively make payments of all such benefits and allowances that were not paid during the period between September 2016 and April 2017.

In December 2016, the Government reaffirmed its commitment to fiscal consolidation and announced the launch of the fiscal balance programme, with the aim of achieving a balanced budget by 2020. The fiscal balance programme is focused on: (i) rationalising Government expenditures through expanding efficiency and savings measures to fourteen Government ministries and entities; (ii) revising electricity, fuel and water prices based on international market prices; (iii) broadening the Government's non-oil revenue base through the implementation of a 50.0 per cent. to 100.0 per cent. excise tax on certain potentially harmful products, a 5.0 per cent. value added tax and an increase in the annual expat levy; and (iv) the roll-out of direct cash transfers to eligible Saudi households to offset rising utilities costs.

Prior to the significant decline in global oil prices in mid-2014, rising oil prices and production resulted in large fiscal Government surpluses for over a decade (see "*Economy of Saudi Arabia—Overview*"). However, the sustained decline in global oil prices since mid-2014 resulted in the Government recording a budget deficit in the fiscal year 2014 equivalent to 2.3 per cent. of Saudi Arabia's nominal GDP for the year ended 31 December 2014. In the fiscal year 2015, this increased to a budget deficit equivalent to 14.9 per cent. of Saudi Arabia's nominal GDP for the year ended 31 December 2015. In the fiscal year 2016, the budget deficit decreased to an equivalent of 12.8 per cent. of Saudi Arabia's nominal GDP for the year ending 31 December 2016, based on preliminary figures. The decrease in the budget deficit in the fiscal year 2016 can principally be attributed to the Government's implementation of various fiscal control measures. Given these budget deficits, in its budget for the fiscal year 2017, the Government has continued to focus on comprehensive economic, fiscal, and structural reforms in order to strengthen public finances and enhance sustainability over the medium- and long-term (see "*—2017 Government Budget*" below and "*Risk Factors—There can be no assurance that the Government's fiscal balance measures will be successful or that the fiscal balance will not have an adverse economic impact*").

2017 Government Budget

The Government announced its 2017 budget on 22 December 2016. The 2017 budget estimates total Government revenues at SAR 692.0 billion (U.S.\$184.5 billion), an increase of 33.2 per cent. compared to actual revenues of SAR 519.4 billion (U.S.\$138.5 billion) in the fiscal year 2016. The 2017 budget estimates

total Government expenditure at SAR 890.0 billion (U.S.\$237.3 billion), an increase of 7.2 per cent. compared to actual expenditures of SAR 830.5 billion (U.S.\$221.5 billion) in the fiscal year 2016 (the Government expenditure of SAR 830.5 billion in the fiscal year 2016 excludes an expenditure amount of SAR 105.0 billion (U.S.\$28.0 billion) relating to settling due payments from prior years). The budgeted deficit in the 2017 budget is projected at SAR 198.0 billion (U.S.\$52.8 billion), a decrease of 36.3 per cent. compared to the actual deficit of SAR 311.1 billion (U.S.\$83.0 billion) in the fiscal year 2016. The Government expects to finance the budgeted deficit for the fiscal year 2017 primarily through a combination of raising domestic and external indebtedness and utilising its reserve assets, to the extent necessary.

The 2017 Government budget, like the 2016 Government budget before it, was announced against the backdrop of a low oil price environment (see “*Risk Factors—Saudi Arabia’s economy may be adversely affected by the current low oil price environment*”), as well as challenging international and regional economic and financial conditions. Accordingly, two major sources of expenditure have been earmarked for limited growth: (i) Government support for energy and utilities; and (ii) recurring expenditures, particularly wages, salaries and allowances. Following the announcement of the 2016 Government budget, a Royal Decree announced that petrol prices would increase by 50 per cent., from SAR 0.60 (16 cents) to SAR 0.90 (24 cents) for a litre of high-grade gasoline. The fiscal balance programme anticipates further gradual increases in energy, water, and electricity prices over the next four years (see “—*Fiscal Balance Programme*” above).

Along with the 2016 Government budget, the Government announced its intention to implement the following economic, fiscal, and structural reforms in order to strengthen Saudi Arabia’s public finances, enhance sustainability over the medium- and long-term and continue to adopt necessary development projects and services for economic growth:

- enhancing fiscal management by establishing a macro fiscal policy unit in the Ministry of Finance responsible for setting a budget ceiling by adopting a medium-term expenditure framework (three years) and ensuring an adherence to this ceiling;
- optimising the Government’s budget policies and procedures, preparation and implementation and applying budget disclosure and planning standards in accordance with international best practice;
- optimising the Government’s capital spending, including a review of Government projects, their scope and priorities to ensure their efficient implementation and that they remain consistent with Saudi Arabia’s development priorities, orientations and needs and with financial and funding requirements;
- optimising the Government’s operating expenditures, including the rationalisation of Government agencies’ expenses, the utilisation of IT for the delivery of Government services, and the development and strengthening of control and governance mechanisms;
- reducing the growth of recurring expenditures, in particular wages, salaries and allowances;
- adopting wide structural reforms in order to reduce Saudi Arabia’s dependence on oil, including: (i) privatising a range of sectors and economic activities; (ii) addressing legislative, regulatory and bureaucratic restrictions in the private sector; (iii) improving Government performance, including, among other things, implementing training programmes for Government employees, expanding “smart” Government services and increasing the efficiency of Government spending; (iv) improving Government transparency and accountability; (v) enhancing the investment environment by contributing to the creation of new jobs in the private sector; (vi) providing partnership opportunities between the public, private and non-profit sectors; and (vii) improving the economy’s competitiveness and integration with the global economy;
- optimising the Government’s procurement processes in accordance with international best practice and optimising the Government’s methodology and tools for the management of state assets;
- developing objectives and fiscal targets consistent with international best standards for transparency, control and corporate governance, taking into account economic and development objectives and trends in the short-, medium- and long-terms;

- investing in development projects and programmes that improve the quality of life of Saudi Arabia’s citizens, such as education, health, security, social and municipal services, water and sanitation, electricity, roads, electronic transactions and scientific research;
- reviewing Government support, including revision of energy, water, and electricity prices gradually over the next five years, in order to achieve efficiency in energy use, conserve natural resources, prevent wasteful use, and minimise negative effects on low and middle income citizens and the competitiveness of the business sector;
- reviewing current levels of fees and fines, introducing new fees, and implementing value added tax; and
- establishing a public debt management unit in the Ministry of Finance, which will be responsible for developing and overseeing the Government’s public debt and financing strategy and strengthening Saudi Arabia’s ability to borrow domestically and internationally.

The Government has also implemented a number of measures focused on the reduction of the growth of recurring expenditures (see “—*Fiscal Balance Programme*” above). The Government has introduced new revenue measures, including municipal and rural fees and increased the value of certain existing fees, including fees relating to expatriate visas and traffic violation fines. The Government announced its intention to implement a value added tax, which is expected to be introduced by 2018 (see “—*Tax and Zakat*” below) and additional fees on tobacco and soft drinks.

During the year 2016, the Government also established a number of Government agencies and bodies to assist the Government with the implementation of reforms, including:

- a macro fiscal policy unit within the Ministry of Finance with the responsibility to, among other things, set a budget ceiling and ensure an adherence to this ceiling;
- an agency within the Ministry of Finance with the responsibility of optimising the Government’s budget policies and procedures and to prepare, implement and apply budget disclosure and planning standards in accordance with international best practice;
- a bureau of spending rationalisation (the “**BSR**”) currently under the supervision of the Minister of Finance to support Government entities in identifying opportunities for optimisation of efficiency with respect to capital expenditures relating to projects implemented under Vision 2030 as well as operational expenditures. The BSR is also responsible for the development of mechanisms and policies required for the enhancement of spending efficiency across Government entities and supervising the implementation thereof;
- a unit with the mandate of increasing non-oil revenues under the supervision of the Ministry of Finance, with the responsibility to, among other things, develop new non-oil revenue sources through cooperation with Government and non-Government entities;
- a national centre for privatisation to develop policies, strategies, programmes, regulations, plans, tools and organisational frameworks relating to privatisation projects and public-private partnerships for various sectors, including public utilities, health, education, transport and municipal services;
- a national energy efficiency services company, to provide audit, management, supervision and implementation project services to raise energy efficiency in the private and public sectors; and
- a debt management office within the Ministry of Finance with the responsibility to develop and oversee the Government’s public debt and financing strategy. For additional details regarding the Debt Management Office, see “—*Indebtedness—Public Debt Management*”.

Government Revenues and Expenditures

The following table sets forth the actual revenues, expenditure and overall surplus/deficit of the Government for the six months ended 30 June 2017 and the fiscal years ended 30 December 2016, 2015, 2014 and 2013, respectively, together with the Government budget for the fiscal year ending 30 December 2017.

	Fiscal year ending 30 December	Six months ended 30 June	Fiscal year ended 30 December			
	2017	2017	2016	2015	2014	2013
	Budget	Actual	Actual	Actual	Actual	Actual
<i>(SAR millions, except percentages)</i>						
Revenue:						
Oil revenues	480,000	212,993	333,699	446,432	913,346	1,035,046
Non-oil revenues	212,000	94,989	185,749	166,262	131,020	121,315
Total Revenues	692,000	307,982	519,448	612,694	1,044,366	1,156,361
Expenditure:						
Capital expenditures	173,137	62,337	134,154	263,726	370,245	311,967
Current expenditures	716,863	318,373	696,359	714,413	739,658	664,047
Total expenditures	890,000	380,710	830,513(1)	978,139	1,109,903	976,014
Surplus/(deficit)	(198,000)	(72,728)	(311,065)	(365,445)	(65,537)	180,347
Nominal GDP	—	—	2,424,144	2,453,512	2,836,314	2,799,927
Ratio of surplus/(deficit) to nominal GDP (%)	—	—	(12.8)	(14.9)	(2.3)	6.4

Source: SAMA Annual Report, Ministry of Finance

Notes:

(1) This figure excludes an expenditure amount of SAR 105.0 billion (U.S.\$28.0 billion) relating to settling due payments from prior years.

As a result of the decrease in Government revenues occasioned by the recent decline in oil prices, the Government recorded an actual budget deficit of SAR 65.5 billion (U.S.\$17.5 billion) in the fiscal year 2014, equivalent to 2.3 per cent. of Saudi Arabia's nominal GDP for the year ended 31 December 2014, its first deficit since 2009. For the fiscal year 2015, the Government's actual deficit increased to SAR 365.4 billion (U.S.\$97.5 billion), equivalent to 14.9 per cent. of Saudi Arabia's nominal GDP for the year ended 31 December 2015. For the fiscal year 2016, the Government's actual deficit decreased to SAR 311.1 billion (U.S.\$83.0 billion), equivalent to 12.8 per cent. of Saudi Arabia's nominal GDP for the year ending 31 December 2016. The Ministry of Finance has estimated that Saudi Arabia's budget deficit for the fiscal year 2017 will be SAR 198.0 billion (U.S.\$52.8 billion). As at 30 June 2017, the Government recorded an actual budget deficit of SAR 72.7 billion (U.S.\$19.4 billion).

Government Revenues

The following table sets forth a breakdown of the Government's revenues by category for the six months ended 30 June 2017 and the fiscal years ended 30 December 2016, 2015 and 2014, respectively, together with the budgeted revenues for the fiscal year ending 30 December 2017.

	Fiscal year ending 30 December		Six months ended 30 June		Fiscal year ended 30 December					
	2017		2017		2016		2015		2014	
	Budget		Actual		Actual		Actual		Actual	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
<i>(SAR millions, except percentages)</i>										
Total oil revenue	480,000	69.4	212,993	69.2	333,699	64.2	446,432	72.9	913,346	87.5
Total non-oil revenue	212,000	30.6	94,989	30.8	185,749	35.8	166,262	27.1	131,020	12.5
—Investment income.....	47,500	6.9	18,189	5.9	75,062	14.5	50,445	8.2	21,858	2.1
—Fees and charges	73,650	10.6	19,977	6.5	37,650	7.2	44,068	7.2	42,287	4.0
—Customs duties	40,050	5.8	11,128	3.6	25,862	5.0	25,993	4.2	23,520	2.3
—Income taxes	18,000	2.6	9,232	3.0	14,655	2.8	14,598	2.4	13,925	1.3
—Other non-oil revenue ..	32,800	4.7	36,463	11.8	32,520	6.3	31,158	5.1	29,430	2.8
Total revenue	692,000	100.0	307,982	100.0	519,428	100.0	612,694	100.0	1,044,366	100.0

Source: Ministry of Finance

The Government's total revenues during the fiscal year 2016 were SAR 519.4 billion (U.S.\$138.5 billion), representing a decline of 15.2 per cent. as compared to total revenues of SAR 612.7 billion (U.S.\$163.4 billion) during the fiscal year 2015, which was a decline of 41.3 per cent. as compared to total revenues of SAR 1,044.4 billion (U.S.\$278.5 billion) during the fiscal year 2014. The Government's total revenues during the fiscal year 2016 were 1.1 per cent. higher than budgeted revenues for that year of SAR 513.8 billion (U.S.\$137.0 billion). The increase of actual revenue as compared to budgeted revenue in the fiscal year 2016 was principally attributable to actual non-oil revenues being SAR 185.7 billion (U.S.\$49.5 billion), or 3.2 per cent. higher than budgeted non-oil revenues for that year of SAR 180.0 billion (U.S.\$48.0 billion) as a result of the Government's efforts to diversify the economic base and sources of national income. The Government's total revenues during the six months ended 30 June 2017 were SAR 308.0 billion (U.S.\$82.1 billion).

The Government's revenues are categorised as oil revenues and non-oil revenues. Oil revenues accounted for 69.2 per cent. of the Government's total revenues in the six months ended 30 June 2017, compared to 64.2 per cent., 72.9 per cent., and 87.5 per cent., of the Government's total revenues in the fiscal years 2016, 2015 and 2014, respectively. Oil revenues are budgeted to account for 69.4 per cent. of total revenues in the fiscal year 2017.

The Government's total oil revenues for the fiscal year 2016 were SAR 333.7 billion (U.S.\$89.0 billion), representing a decline of 25.3 per cent. as compared to total oil revenues of SAR 446.4 billion (U.S.\$119.04 billion) for the fiscal year 2015. This decline can principally be attributed to the continuing significant decline in global oil prices since mid-2014, as a result of which the value of Saudi Arabia's oil exports declined by 12.1 per cent., 46.3 per cent. and 11.6 per cent. in the fiscal years 2016, 2015 and 2014, respectively. The Government's oil revenues are budgeted at SAR 480.0 billion (U.S.\$128.0 billion) in the fiscal year 2017, an increase of 43.8 per cent. as compared to the actual oil revenues in the fiscal year 2016, which is principally attributable to the expected improvement in the global oil market and the Kingdom's implementation of the energy subsidies reform. The Government's total oil revenues for the six months ended 30 June 2017 were SAR 213.0 billion (U.S.\$56.8 billion).

The Government's non-oil revenues for the fiscal year 2016 were SAR 185.7 billion (U.S.\$49.5 billion), representing an increase of 11.7 per cent. compared to non-oil revenues of SAR 166.3 billion (U.S.\$44.3 billion) for the fiscal year 2015. This increase can principally be attributed to an increase of 48.8 per cent. in investment income (which represented 40.4 per cent. of total non-oil revenue in the fiscal year 2016) to SAR 75.1 billion (U.S.\$20.0 billion) in the fiscal year 2016 from SAR 50.4 billion (U.S.\$13.5 billion) in the

fiscal year 2015, primarily as a result of an increase in investment income from the PIF and SAMA. In the fiscal year 2016, revenues from fees and charges decreased by 14.6 per cent. as compared to the fiscal year 2015, while revenues from ‘other’ non-oil revenues increased by 4.4 per cent., as compared to the fiscal year 2015.

The Government’s budgeted non-oil revenues for the fiscal year 2017 are projected to reach SAR 212.0 billion (U.S.\$56.5 billion), representing an increase of 14.1 per cent. as compared to actual non-oil revenues for the fiscal year 2016. This budgeted increase can principally be attributed to a projected increase in fees and charges, custom duties and income taxes (which represent 34.7 per cent., 18.9 per cent. and 8.5 per cent., respectively, of total budgeted non-oil revenue in the fiscal year 2017) by 95.6 per cent., 54.9 per cent. and 22.8 per cent., respectively, as compared to the fiscal year 2016 primarily as a result of a revision of levels of fees and fines imposed by the Government and the introduction of new fees and taxes by the Kingdom (see “—2017 Government Budget” above). The Government’s total non-oil revenues for the six months ended 30 June 2017 were SAR 95.0 billion (U.S.\$25.3 billion), accounting for 30.8 per cent. of the Government’s total revenues in the same period.

Government Expenditures

The following table sets forth a breakdown of actual Government expenditure by category for the six months ended 30 June 2017 and the fiscal years ended 30 December 2016, 2015 and 2014, respectively, together with the budgeted figures for the fiscal year ending 30 December 2017.

	Fiscal year ending 30 December		Six months ended 30 June		Fiscal year ended 30 December					
	2017		2017		2016 ⁽⁵⁾		2015		2014	
	Budget		Actual		Actual		Actual		Actual	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(SAR millions, except percentages)</i>										
Defence and security ⁽¹⁾	287,541	32.3	126,938	33.3	311,161	37.5	322,696	33.0	329,137	29.7
Education and training	200,329	22.5	96,073	25.2	212,408	25.6	233,509	23.9	222,445	20.0
Health and social development.....	120,420	13.5	58,085	15.3	118,034	14.2	88,847	9.1	107,265	9.7
Economic resources ⁽²⁾	47,261	5.3	14,939	3.9	34,496	4.2	41,359	4.2	54,770	4.9
Infrastructure and transportation ⁽³⁾	52,164	5.9	12,354	3.2	35,941	4.3	40,377	4.1	43,307	3.9
Public administration ⁽⁴⁾	26,716	3.0	12,849	3.4	92,896	11.2	217,642	22.3	312,239	28.1
Municipal services.....	47,942	5.4	21,865	5.7	25,577	3.1	33,709	3.4	40,740	3.7
Public Programmes Unit ⁽⁶⁾	107,627	12.1	37,607	9.9	—	—	—	—	—	—
Total expenditure.....	890,000	100.0	380,710	100.0	830,513⁽⁷⁾	100.0	978,139	100.0	1,109,903	100.0

Source: Ministry of Finance

Notes:

- (1) Includes the Ministry of Interior, the Ministry of National Guard, the Ministry of Defence, the General Intelligence Directorate and the Saudi Royal Guard Regiment.
- (2) Includes the Ministry of Economy and Planning, GASTAT, the MPMR, the MOCI, the MEWA, the SWCC, SAGIA, the SCTH, King Abdullah City for Atomic and Renewable Energy, the Ministry of Labour and Social Development and Ministry of Finance and affiliated agencies.
- (3) Includes the Ministry of Transport, GACA, Saudi Railways, the Public Transport Authority, the Saudi Ports Authority, the RCJY, the Ministry of Communications and Information Technology, Saudi Post and the CITC.
- (4) Includes the Royal Court, the Ministry of Justice, the Ministry of Foreign Affairs, the Ministry of Islamic Affairs, Call and Guidance, the Ministry of Hajj and Umrah, the Consultative Council, the National Anti-Corruption Commission and the General Presidency of the Promotion of Virtue and the Prevention of Vices.
- (5) A budget support provision of SAR 183.0 billion (U.S.\$48.8 billion) was provided for in the 2016 budget in order to address shortages in revenue and to provide flexibility to redirect capital and operational expenditure in line with national priorities and to fulfil spending requirements. This budget support provision was spent across the various categories during 2016.
- (6) A provision for expenditure on the Public Programmes Unit of SAR 107.6 billion (U.S.\$28.7 billion) was provided for in the 2017 budget in order to finance certain strategic projects of the Government such as the expansion of the Grand Mosque in Makkah, the Prophet’s Mosque in Medina and to cover emergency spending.
- (7) This figure excludes an expenditure amount of SAR 105.0 billion (U.S.\$28.0 billion) relating to settling due payments from prior years.

The Government's budget for the fiscal year 2016 included a budget support provision of SAR 183.0 billion (U.S.\$48.8 billion), or 21.8 per cent. of total budgeted Government expenditure, which was intended to provide flexibility to redirect capital and operating expenditure according to the Government's development priorities and to meet any unexpected budgetary requirements. The amount allocated for the budget support provision in the Government's budget for the fiscal year 2016 was utilised to finance capital expenditures relating to the expenditure categories specified in the above table.

The Government's total expenditures during the fiscal year 2016, excluding an expenditure amount of SAR 105.0 billion (U.S.\$28.0 billion) relating to settling due payments from prior years, were SAR 830.5 billion (U.S.\$221.5 billion), a decrease of 15.1 per cent. as compared to total expenditures of SAR 978.1 billion (U.S.\$260.8 billion) during the fiscal year 2015, which was a decrease of 11.9 per cent. as compared to total expenditures of SAR 1,109.9 billion (U.S.\$296.0 billion) during the fiscal year 2014. The Government's total expenditures during the fiscal year 2016 were 1.1 per cent. lower than budgeted expenditure for that year of SAR 840.0 billion (U.S.\$224.0 billion). The expenditure below the budgeted amount in the fiscal year 2016 was principally attributable to the Government's implementation of the fiscal consolidation programme. The Government's total expenditures during the six months ended 30 June 2017 were SAR 380.7 billion (U.S.\$101.5 billion).

The Government's expenditures are categorised as capital expenditures and current expenditures. The Government's capital expenditures comprised 16.2 per cent., 27.0 per cent., 33.4 per cent., 32.0 per cent., and 30.0 per cent. of total expenditures in the fiscal years 2016, 2015, 2014, 2013 and 2012, respectively, and are budgeted to comprise 19.5 per cent. of total expenditures in the fiscal year 2017. The Government's capital expenditures comprised 16.4 per cent. of total expenditures in the six months ended 30 June 2017.

The Government's current expenditures comprised 83.8 per cent., 73.0 per cent., 66.6 per cent., 68.0 per cent., and 70.0 per cent. of total expenditures in the fiscal years 2016, 2015, 2014, 2013 and 2012, respectively, and are budgeted to comprise 80.5 per cent. of total expenditures in the fiscal year 2017. The Government's current expenditures comprised 83.6 per cent. of total expenditures in the six months ended 30 June 2017.

In addition, the Government's budget for the fiscal year 2017 introduced a provision for expenditure on the Public Programmes Unit of SAR 107.6 billion (U.S.\$28.7 billion), or 12.1 per cent. of total budgeted Government expenditure. This provision is intended to finance certain strategic projects of the Government such as the expansion of the Grand Mosque in Makkah, the expansion of the Prophet's Mosque in Medina and to cover emergency spending, which were financed and covered under other categories in the Government budget in previous years.

The Government's budgeted expenditure for the fiscal year 2017 continues to prioritise the development of Saudi Arabia's non-oil sector and enhancement of the quality of the workforce and residents' security in order to sustain growth and reduce reliance on the oil sector.

The Government's budgeted expenditure on defence and security in the fiscal year 2017 is SAR 287.5 billion (U.S.\$76.7 billion), or 32.3 per cent. of total budgeted Government expenditure, a decrease of 7.6 per cent. compared to actual expenditure of SAR 311.2 billion (U.S.\$83.0 billion), or 37.5 per cent. of the total Government expenditure, in the fiscal year 2016. In the fiscal year 2016, total Government expenditure on defence and security decreased by 3.6 per cent. as compared to SAR 322.7 billion (U.S.\$86.1 billion) in the fiscal year 2015. See "*Foreign Relations and International Organisations—Saudi Arabia's Position in the International Community*".

The Government's budgeted expenditure on education and training for the fiscal year 2017 is SAR 200.3 billion (U.S.\$53.4 billion), or 22.5 per cent. of total budgeted Government expenditure, a decrease of 5.7 per cent. compared to actual expenditure of SAR 212.4 billion (U.S.\$56.6 billion), or 25.6 per cent. of total Government expenditure, in the fiscal year 2016. In the fiscal year 2016, total Government expenditure on education and training decreased by 9.0 per cent. as compared to SAR 233.5 billion (U.S.\$62.3 billion) in the fiscal year 2015.

The Government's budgeted expenditure on health and social development for the fiscal year 2017 is SAR 120.4 billion (U.S.\$32.1 billion), or 13.5 per cent. of total budgeted Government expenditure, an increase of 2.0 per cent. compared to actual expenditure of SAR 118.0 billion (U.S.\$31.5 billion), or 14.2 per cent. of total Government expenditure, in the fiscal year 2016. In the fiscal year 2016, the Government's expenditure on health and social development increased by 32.9 per cent. as compared to SAR 88.8 billion (U.S.\$23.7 billion) in the fiscal year 2015.

The Government's budgeted expenditure on economic resources for the fiscal year 2017 is SAR 47.3 billion (U.S.\$12.6 billion), or 5.3 per cent. of total budgeted Government expenditure, an increase of 37.0 per cent. compared to actual expenditure of SAR 34.5 billion (U.S.\$9.2 billion), or 4.2 per cent. of the total Government expenditure, in the fiscal year 2016. In the fiscal year 2016, the Government's expenditure on economic resources decreased by 16.6 per cent. as compared to SAR 41.4 billion (U.S.\$11.0 billion) in the fiscal year 2015.

The Government's budgeted expenditure on infrastructure and transportation for the fiscal year 2017 is SAR 52.2 billion (U.S.\$13.9 billion), or 5.9 per cent. of total budgeted Government expenditure, an increase of 45.1 per cent. compared to actual expenditure of SAR 35.9 billion (U.S.\$9.6 billion), or 4.3 per cent. of the total Government expenditure, in the fiscal year 2016. In the fiscal year 2016, the Government's expenditure on infrastructure and transportation decreased by 11.0 per cent. as compared to SAR 40.4 billion (U.S.\$10.8 billion) in the fiscal year 2015.

The Government's budgeted expenditure on public administration (which includes subsidies and general budget items) for the fiscal year 2017 is SAR 26.7 billion (U.S.\$7.1 billion), or 3.0 per cent. of total budgeted Government expenditure, a decrease of 71.2 per cent. compared to actual expenditure of SAR 92.9 billion (U.S.\$24.8 billion), or 11.2 per cent. of the total Government expenditure, in the fiscal year 2016. In the fiscal year 2016, the Government's expenditure on public administration decreased by 57.3 per cent. as compared to SAR 217.6 billion (U.S.\$58.0 billion) in the fiscal year 2015.

The Government's budgeted expenditure on municipal services for the fiscal year 2017 is SAR 47.9 billion (U.S.\$12.8 billion), or 5.4 per cent. of total budgeted Government expenditure, an increase of 87.4 per cent. compared to actual expenditure of SAR 25.6 billion (U.S.\$6.8 billion), or 3.1 per cent. of the total Government expenditure, in the fiscal year 2016. In the fiscal year 2016, the Government's expenditure on municipal services decreased by 24.1 per cent. as compared to SAR 33.7 billion (U.S.\$9.0 billion) in the fiscal year 2015.

The decrease in actual Government expenditure in the sectors of defence and security, education and training, economic resources, infrastructure and transportation, public administration, and municipal services for the fiscal year 2016 compared to actual Government expenditure in the fiscal year 2015 was principally due to various fiscal control measures that were introduced by the Government in the fourth quarter of 2015.

The increase in budgeted Government expenditure in the sectors of health and social development, economic resources, infrastructure and transportation, and municipal services for the fiscal year 2017 compared to actual Government expenditure in the fiscal year 2016 is principally attributable to additional funding allocated for NTP 2020 initiatives, estimated at SAR 42.0 billion (U.S.\$11.2 billion).

Public Investment Fund

The PIF was established by Royal Decree in 1971. Historically, the PIF's role was to provide loans to select projects in which the Government was participating as an equity holder or otherwise. Over time, the PIF's role expanded to invest in companies, or establish new companies, within or outside of Saudi Arabia, either alone or in partnership with third parties from the public or private sector on behalf of the Government with a view to facilitating greater ownership by Saudi citizens in such companies.

Over the course of its existence, the PIF evolved to be a significant source of financial support for commercial projects that were considered strategically significant for the development of Saudi Arabia's economy, whether such projects were wholly- or partially-owned by the Government or Government-related

entities. The PIF provided such financial support through loans or guarantees and, in certain instances, through allocations of public funds to specific projects. A number of key economic sectors in Saudi Arabia have received funding from the PIF in the past, including strategic projects owned by the private sector. In addition to holding major equity stakes in several listed and unlisted companies, the PIF also holds a portfolio of debt capital markets instruments issued by Saudi issuers.

The PIF has played an important role in the development of some of Saudi Arabia's largest listed and non-listed companies across a number of key sectors, including the following:

- *Financial services:* National Commercial Bank, Riyad Bank, Samba Financial Group, Tadawul and Sanabil Investments;
- *Energy, manufacturing and mining:* SABIC, Saudi Electricity Company, Ma'aden, National Gas & Industrialisation Company (GASCO) and the Savola Group; and
- *Technology and telecommunications:* STC, Saudi Technology Development and Investment Company (Taqnia), Al-ELM Information Security Company (ELM) and Saudi Electronic Info Exchange Company (Tabadul).

The PIF is self-funded and does not receive funding through the Government's annual budget. In 2016, the PIF received over SAR 20.0 billion (U.S.\$5.3 billion) in dividends, almost all of which were from the Saudi market. As at 30 June 2017 and 31 December 2016, PIF's total assets under management stood at SAR 784.0 billion (U.S.\$209.1 billion) and SAR 724.0 billion (U.S.\$193.1 billion), respectively, the majority of which are accounted for by the PIF's investments in public equities. In terms of sector breakdown, the majority of the PIF's assets are accounted for by its equity investments in the petrochemicals, financial services, and technology and telecommunications sectors.

Until March 2015, the PIF was operated as a part of the Ministry of Finance with the authority to carry out the functions for which it was established. In March 2015, the PIF was affiliated with the CEDA pursuant to a Council of Ministers' Resolution providing that the PIF would report to the CEDA and that the Chairman of the CEDA (H.R.H. The Crown Prince Mohammed bin Salman bin Abdulaziz Al Saud) would fulfil the role of the Chairman of the PIF. The PIF is expected to play a key role in the implementation of Vision 2030 and the restructuring of Saudi Aramco. The Government expects to transfer ownership of Saudi Aramco to the PIF, and the PIF will continue to assist the private sector with the establishment of capital intensive projects. See "*Overview of Saudi Arabia—Strategy of Saudi Arabia—Vision 2030*".

In November 2016, the Government approved the allocation of SAR 100.0 billion (U.S.\$26.7 billion) from the Government reserve account to the PIF for investment.

Tax and Zakat

The Government's revenues attributable to income taxes in the fiscal year 2016 were SAR 14.7 billion (U.S.\$3.9 billion), an increase of 0.4 per cent., compared to SAR 14.6 billion (U.S.\$3.9 billion) in the fiscal year 2015, which was an increase of 4.8 per cent. compared to SAR 13.9 billion (U.S.\$3.7 billion) in the fiscal year 2014. In May 2016, the Ministry of Finance announced that the Government intends to implement value added tax, at a basic rate of 5 per cent., by 2018. In addition, the Kingdom has been implementing excise tax since June 2016. The Government does not currently have any plans to introduce income tax upon individuals.

In Saudi Arabia, corporate income tax is levied at a flat rate of 20.0 per cent. upon resident companies in respect of any share held by a foreign partner or shareholder, and non-residents carrying on business in Saudi Arabia through a permanent establishment. In addition, non-Saudi resident individuals, such as professionals, carrying out business activities in the Kingdom are subject to income tax at a rate of 20.0 per cent.

Income tax in Saudi Arabia is based on Income Tax Law issued by Royal Decree No. M/1, dated 6 March 2004, and its Implementing Regulations issued as per the Minister of Finance's Decision No. (1535) dated 28 July 2004.

Nationals of Saudi Arabia and the other GCC countries, and companies that are wholly-owned by such individuals, are subject to zakat instead of income tax. Companies owned jointly by Saudi/GCC and non-Saudi/non-GCC nationals pay tax on the portion of income attributable to the non-Saudi/non-GCC nationals and zakat on the portion of income attributable to Saudi/GCC nationals. In general, zakat is levied at a fixed rate of 2.5 per cent. Guidance on zakat in Saudi Arabia is based on the provisions of Royal Decrees and Ministerial Resolutions that are in force.

INDEBTEDNESS

Overview

The Ministry of Finance manages Saudi Arabia's external and domestic indebtedness for and on behalf of the Government.

As at 31 August 2017, Saudi Arabia's total outstanding direct indebtedness amounted to SAR 369.2 billion (U.S.\$98.4 billion), comprising SAR 232.3 billion (U.S.\$62.0 billion) of domestic indebtedness and SAR 136.9 billion (U.S.\$36.5 billion) of external indebtedness, compared to total outstanding direct indebtedness of SAR 316.6 billion (U.S.\$84.4 billion) as at 31 December 2016, comprising SAR 213.4 billion (U.S.\$56.9 billion) of domestic indebtedness and SAR 103.1 billion (U.S.\$27.5 billion) of external indebtedness and total outstanding direct indebtedness of SAR 142.2 billion (U.S.\$37.9 billion) as at 31 December 2015, which entirely comprised domestic indebtedness.

Until mid-2014, rising oil prices and production resulted in large external and fiscal surpluses for over a decade and, as a result, Saudi Arabia's indebtedness steadily decreased during that period. Accumulated fiscal surpluses enabled the Government to reduce its indebtedness by 93.5 per cent. from SAR 685.2 billion (U.S.\$182.7 billion) in 2002 to SAR 44.3 billion (U.S.\$11.8 billion) in the year ended 31 December 2014. As a consequence, Saudi Arabia's debt-to-GDP ratio decreased from 96.4 per cent. of nominal GDP in 2003 to 1.6 per cent. of nominal GDP in the year ended 31 December 2014, one of the lowest of any country in the world, according to the 2015 Financial Stability Report published by SAMA.

However, since mid-2014, the global oil market environment has changed substantially, with a significant decline in oil prices. Given the significant contribution of the oil sector to Saudi Arabia's economy, this resulted in substantially lower export and Government revenues. As a result, in the fiscal year 2014, the Government recorded an actual budget deficit of 2.3 per cent. of Saudi Arabia's nominal GDP for the year ended 31 December 2014. In the fiscal year 2015, this increased to an actual budget deficit equivalent to 14.9 per cent. of Saudi Arabia's nominal GDP for the year ended 31 December 2015. In the fiscal year 2016, the Government's actual deficit decreased to 12.8 per cent. of Saudi Arabia's nominal GDP for the year ending 31 December 2016.

In July 2015, in order to finance its budget deficit resulting from the oil price decline, Saudi Arabia resumed issuing SAR denominated bonds to government agencies and local banks in the domestic market for the first time since 2007, issuing SAR 98.0 billion (U.S.\$26.1 billion) of local bonds in the domestic market in the year ended 31 December 2015 and a further SAR 97.0 billion (U.S.\$25.9 billion) of local bonds in the domestic market in the year ended 31 December 2016. In July 2017, Saudi Arabia (acting through the Ministry of Finance) established the Sukuk Programme to allow for the issuance local sukuk in the domestic market, subsequently issuing sukuk in an aggregate amount of SAR 17.0 billion (U.S.\$ 4.5 billion) in July 2017, SAR 13.0 billion (U.S.\$ 3.5 billion) in August 2017 and SAR 7.0 billion (U.S.\$1.9 billion) in September 2017.

Saudi Arabia has also raised external indebtedness. In May 2016, Saudi Arabia borrowed U.S.\$10 billion under a five year term loan facility extended by a syndicate of commercial banks. The stated maturity of this loan facility is five years and the loan is repayable in full on maturity. On 10 October 2016, Saudi Arabia (acting through the Ministry of Finance) established this Programme and on 26 October 2016 issued an aggregate of U.S.\$17.5 billion of notes under this Programme. On 4 April 2017, Saudi Arabia (acting through the Ministry of Finance) established the Trust Certificate Issuance Programme and on 20 April 2017, issued an aggregate of U.S.\$9 billion of trust certificates under the Trust Certificate Issuance Programme. See "*External Indebtedness*" below.

The Government plans to continue raising further indebtedness in the domestic and international markets, and NTP 2020 envisages Saudi Arabia's ratio of public debt to nominal GDP having the potential to reach up to 30 per cent. by 2020.

The following table sets forth Saudi Arabia's total outstanding direct indebtedness (external and domestic) as at, and for the eight month period ending 31 August 2017 and as at, and for the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	As at, and for the eight month period ending, 31 August	As at, and for the year ended, 31 December				
	2017	2016	2015	2014	2013	2012
		<i>(SAR billions, except percentages)</i>				
Borrowed during period	63.8	200.1	98.0	—	—	—
Repaid during period.....	11.2	25.8	—	15.9	23.7	51.7
Indebtedness outstanding at end of period	369.2	316.6	142.2	44.3	60.1	83.8
Change (%)	16.6	122.5	221.4	(26.4)	(28.3)	(38.1)
GDP at current prices	—	2,424.1	2,453.5	2,836.3	2,799.9	2,759.9
Ratio of public debt to nominal GDP (%)	—	13.1	5.8	1.6	2.1	3.0

Source: SAMA

The following table sets forth Saudi Arabia's scheduled principal and interest/profit payments for the four month period ending 31 December 2017 and each of the years ending 31 December 2018, 2019, 2020 and 2021, based on Saudi Arabia's outstanding direct indebtedness as at 31 August 2017.

	Four month period ending 31 December	Year ended 31 December			
	2017	2018	2019	2020	2021
		<i>(SAR millions)</i>			
External indebtedness:					
Scheduled principal repayments ⁽¹⁾	—	—	—	—	58,125.00
Scheduled interest/profit repayments ⁽²⁾	3,753.85	4,415.85	4,541.07	4,647.59	3,966.57
Total external scheduled repayments	3,753.85	4,415.85	4,541.07	4,647.5	62,091.57
Domestic indebtedness:					
Scheduled principal repayments ⁽³⁾	12,408.20	3,271.91	2,055.11	44,360.00	5,260.00
Scheduled interest/profit repayments ⁽⁴⁾	5,332.48	6,321.54	6,402.65	6,678.02	5,841.37
Total domestic scheduled repayments	17,740.68	9,593.45	8,457.76	51,038.02	11,101.37
Total scheduled repayments	21,494.52	14,009.30	12,998.83	55,685.61	73,192.94

Source: Ministry of Finance

Notes:

- (1) External principal repayments due in 2021 comprise SAR 37.5 billion (U.S.\$10.0 billion) under an external term loan facility and SAR 20.6 billion (U.S.\$5.5 billion) in respect of notes issued under this Programme.
- (2) The Government's external indebtedness comprises a U.S.\$10.0 billion five-year term loan facility carrying a floating interest rate, SAR 65.6 billion (U.S.\$17.5 billion) in respect of three series of notes issued under this Programme, in each case carrying fixed interest rates and SAR 33.8 (U.S. 9.0 billion) in respect of two series of trust certificates issued under the Trust Certificate Issuance Programme, in each case carrying fixed profit rates. The projections in respect of the floating rate are estimates and actual payments may differ from the amounts shown.
- (3) The domestic bonds issued by the Government during 2015 and 2016 comprise instruments with varying tenors of five years, seven years and ten years. The instruments issued in 2015 and 2016 with a five-year tenor are scheduled to mature in 2020 and 2021, respectively.
- (4) The Government's domestic indebtedness comprises both fixed rate and floating rate instruments. The projections in respect of the floating rate portion are estimates and actual payments may differ from the amounts shown.

External Indebtedness

As at 31 August 2017, Saudi Arabia's total external indebtedness amounted to SAR 136.9 billion (U.S.\$36.5 billion) compared to SAR 103.1 billion (U.S.\$27.5 billion) as at 31 December 2016. As at 31 December 2015, Saudi Arabia did not have any external indebtedness.

The following table sets forth a breakdown of Saudi Arabia's outstanding direct external borrowing (excluding debt of Government-related entities) as at 31 August 2017:

	Maturity	Principal amount	
		(SAR millions)	(U.S.\$ millions)
Term loan facility	2021	37,500	10,000
Global medium term notes (Series 1).....	2021	20,625	5,500
Global medium term notes (Series 2).....	2026	20,625	5,500
Global medium term notes (Series 3).....	2046	24,375	6,500
Trust certificate issuance certificates (series 1)	2022	16,875	4,500
Trust certificate issuance certificates (series 2)	2027	16,875	4,500
Total external indebtedness	—	136,875	36,500

Source: Ministry of Finance

In May 2016, Saudi Arabia entered into a facility agreement with a syndicate of commercial banks in relation to a U.S.\$10 billion term loan facility. The stated maturity of this loan facility is five years and the loan is repayable in full on maturity.

On 10 October 2016, Saudi Arabia (acting through the Ministry of Finance) established this Programme and on 26 October 2016, issued an aggregate of U.S.\$17.5 billion notes under this Programme, comprising U.S.\$5.5 billion fixed-rate notes with a five-year tenor and carrying a coupon of 2.375 per cent. (payable semi-annually in arrear), U.S.\$5.5 billion fixed-rate notes with a 10-year tenor and carrying a coupon of 3.25 per cent. (payable semi-annually in arrear) and U.S.\$6.5 billion fixed-rate notes with a 30-year tenor and carrying a coupon of 4.5 per cent. (payable semi-annually in arrear), in each case admitted to the official list and admitted to trading on the regulated market of the Irish Stock Exchange. On 4 April 2017, Saudi Arabia (acting through the Ministry of Finance) established the Trust Certificate Issuance Programme and on 20 April 2017, issued an aggregate of U.S.\$9 billion of trust certificates under the Trust Certificate Issuance Programme, comprising U.S.\$4.5 billion fixed-rate trust certificates with a five year tenor and carrying a coupon of 2.894 per cent. (payable semi-annually in arrear) and U.S.\$4.5 billion fixed-rate trust certificates with a ten year tenor and carrying a coupon of 3.628 per cent. (payable semi-annually in arrear), in each case admitted to the official list and admitted to trading on the regulated market of the Irish Stock Exchange.

Domestic Indebtedness

As at 31 August 2017, Saudi Arabia's total domestic indebtedness amounted to SAR 232.3 billion (U.S.\$62.0 billion) compared to SAR 213.4 billion (U.S.\$56.9 billion) as at 31 December 2016 and SAR 142.2 billion (U.S.\$37.9 billion) as at 31 December 2015.

In July 2017, Saudi Arabia (acting through the Ministry of Finance) established the Sukuk Programme to allow Saudi Arabia to issue local sukuk in the domestic market, subsequently issuing sukuk in an aggregate amount of SAR 17.0 billion (U.S.\$ 4.5 billion) in July 2017, SAR 13.0 billion (U.S.\$ 3.5 billion) in August 2017 and SAR 7.0 billion (U.S.\$1.9 billion) in September 2017.

The following table sets forth a breakdown of Saudi Arabia's outstanding direct domestic borrowing (excluding debt of Government-related entities) by creditor type, as at, and for the eight month period ended 31 August 2017 and as at, and for the years ended 31 December 2016, 2015 and 2014,, respectively.

	As at, and for the eight month period ended, 31 August	As at, and for the year ended, 31 December		
	2017	2016	2015	2014
		(SAR billions)		
Autonomous Government institutions.....	74.4	80.6	97.9	41.2
Commercial banks	158.0	132.8	44.3	3.0
Total domestic indebtedness⁽¹⁾	232.3	213.4	142.2	44.3
Net change	18.9	71.2	98.0	(15.9)
New loans	—	—	—	—
New bonds	30	97.0	98.0	—
Amortisation of loans	—	—	—	—
Amortisation of bonds	11.2	(25.8)	—	(15.9)

Source: Ministry of Finance

Note:

(1) Does not include instruments issued by GACA and guaranteed by the Government.

Guarantees and other Contingent Liabilities

As at 31 August 2017, the Government had provided the following guarantees in respect of the indebtedness of Government-owned entities:

- guarantees by the Ministry of Finance in respect of the 10-year SAR 15.0 billion (U.S.\$4.0 billion) sukuk and the 10-year SAR 15.2 billion (U.S.\$4.1 billion) sukuk issued by GACA in January 2012 and October 2013, respectively; and
- a guarantee in respect of Saudia's operating costs in connection with the Prince Mohammed bin Abdulaziz Airport in Medina, which is counter-guaranteed by receivables from Saudia.

Credit rating

Saudi Arabia has been assigned credit ratings by Moody's and Fitch. S&P also assigns a credit rating to Saudi Arabia on an unsolicited basis. The following table sets forth the credit rating assigned to Saudi Arabia by each of these rating agencies:

	Moody's	Fitch Fitch	S&P (unsolicited)
Long-term foreign currency	A1	A+	A-
Outlook	Stable	Stable	Stable

The current credit ratings assigned to Saudi Arabia by Moody's and Fitch are a result of a downgrade by each of these credit ratings agencies of Saudi Arabia's ratings from, in the case of Moody's, Aa3 to the current A1 in May 2016 and, in the case of Fitch, from AA- to the current A+ in March 2017. Furthermore, in February 2016, S&P, which rates Saudi Arabia on an unsolicited basis, cut Saudi Arabia's foreign and local currency credit ratings by two levels from A+/A-1 (Negative) to A-/A-2 (Stable). For each of the rating downgrades mentioned above, the relevant ratings agency cited a fall in oil prices having led to a material deterioration in Saudi Arabia's credit profile and the expectation of an increased Government budget deficit.

Public Debt Management

In 2016, Saudi Arabia established the Debt Management Office (the “**DMO**”) within the Ministry of Finance, which is responsible for, among other things, managing all aspects of borrowing by the Government, including new issuances and risk management. In addition, the DMO is responsible for managing the Government’s relationship with the bond rating agencies.

Debt Record

During the last 20 years prior to the date of this Base Prospectus, Saudi Arabia has paid all principal and interest payments in respect of its outstanding borrowings when they fell due and has not entered into any restructuring arrangements with its creditors to defer the repayment of its borrowings.

TAXATION

The following is a general description of certain Saudi Arabian, United States and EU tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, nor does it address the considerations that are dependent on individual circumstances, whether in those countries or elsewhere. Prospective investors in the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This overview is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date. Prospective purchasers should note that the Issuer is not obliged to update this section for any subsequent changes or modification to the applicable taxes.

Kingdom of Saudi Arabia Taxation

Income Tax

According to Saudi Arabian tax law, a resident capital company with foreign ownership (on its foreign partner's (shareholder's) share) and a non-resident who does business in Saudi Arabia through a Permanent Establishment (as defined below) are subject to corporate income tax in Saudi Arabia at a rate of 20 per cent. Companies which are wholly-owned by Saudi nationals are subject to zakat instead of corporate income tax. Companies owned jointly by Saudi/GCC and non-Saudi/non-GCC nationals pay corporate income tax on the portion of income attributable to the non-Saudi/non-GCC nationals and zakat on the portion of income attributable to Saudi nationals. Shares held directly by GCC nationals or via other GCC companies (where the shareholding structure does not fall outside of the GCC) in a Saudi capital company are subject to zakat and not income tax. In determining the tax/zakat profile, the Saudi Tax Authorities apply a "look-through" approach to determine whether the up-stream shareholding structure at any point exists outside of the GCC (as defined below).

Zakat

The guidance on zakat in Saudi Arabia is based on the provisions of Royal Decrees, Ministerial Resolutions, Fatwas and the General Authority for Zakat and Tax ("**GAZT**") (formerly the Department of Zakat and Income Tax ("**DZIT**")) circulars that are in force. In Saudi Arabia, zakat is assessed on Saudi and GCC nationals, on Saudi companies wholly-owned by such individuals and on the portion of income of a company jointly owned by Saudi/GCC and non-Saudi/GCC nationals held by the Saudi/GCC nationals. There are certain rules that apply to the method of calculating the zakat liability. In general, zakat is levied at a fixed rate of 2.5 per cent. on the higher of the adjusted zakatable profits or the zakat base which, in general, comprises equity, loans and provisions reduced by deductible investments and fixed assets.

Withholding Tax

The Saudi Arabian tax law provides for actual withholding tax ("**WHT**") at different rates on payments made to non-Resident parties (including those located in the GCC) by a Saudi Resident from a source of income in Saudi Arabia. WHT is imposed on payments against services and not on goods. Services are defined to mean anything done for consideration other than the purchase and sale of goods and other property. Interest or loan charges paid to non-Residents generally attract 5 per cent. WHT in Saudi Arabia, unless such WHT is reduced or eliminated pursuant to the terms of an applicable double tax treaty.

Certain tax and zakat implications for Noteholders

GCC Noteholders who are Resident in Saudi Arabia

Noteholders, who are GCC Persons (as defined below) and Resident (as defined below) in Saudi Arabia are not subject to any Saudi Arabian corporate income tax, whether by WHT or direct assessment in respect of any profit payment received or gain realised in respect of the Notes. However, such Noteholders will be

subject to zakat in respect of any interest payments received under the Notes. Additionally, the GAZT does not allow an investment in the Notes to be deducted from the zakat base of such a Noteholder, as stipulated under Ministerial Resolution No. 1005 dated 15 May 2007.

Non-GCC Noteholders who are Resident in Saudi Arabia

Noteholders who are non-GCC Persons but are Resident in Saudi Arabia will be subject to Saudi Arabian corporate income tax at the rate of 20 per cent. on any interest payments received or gain realised under the Notes but they will not be subject to any zakat.

Noteholders who are not Resident in Saudi Arabia

Noteholders, either natural persons or legal entities, who are not Resident in Saudi Arabia (whether such Noteholders are Saudi Arabian nationals or non-Saudi Arabian nationals (including Noteholders resident in the GCC)) and do not have a Permanent Establishment in Saudi Arabia for tax purposes will be subject to Saudi Arabian WHT. As the payment of interest on the Notes will be made through the Paying Agents (as defined in the Conditions) and the relevant clearing systems (as defined in the Conditions), some Noteholders may not be able to prove to their local tax authorities that WHT has been applied to interest payments, and therefore may not be able to obtain the benefit of any applicable double tax treaty relief or credit for tax withheld.

Notwithstanding the above, pursuant to Condition 13 (*Taxation*) of the Notes, to the extent that any WHT is deducted, the Issuer will generally be obliged to pay such additional amounts as will result in receipt by the Noteholders, after such withholding or deduction, of such amounts as would have been received by them had no such withholding or deduction been required.

Natural persons having the nationality of a GCC country other than Saudi Arabia who are not Resident but have a Permanent Establishment in Saudi Arabia and legal entities established under the laws of a GCC country other than Saudi Arabia with a Permanent Establishment in Saudi Arabia are subject to Saudi Arabian corporate income tax at the rate of 20 per cent. in respect of any interest payments received under the Notes but will not be subject to zakat.

A Noteholder, whether such a Noteholder is Resident in Saudi Arabia or not Resident in Saudi Arabia and whether such a Noteholder has or does not have a Permanent Establishment in Saudi Arabia, will be subject to capital gains tax at the rate of 20 per cent. on any gain realised on the disposal or repurchase (including on transfer of Notes to heirs on death) of its holding of Notes if such Notes were not traded on the Tadawul in accordance with the Capital Market Law of Saudi Arabia and its implementing regulations.

Indirect and Transfer Taxes

There are no indirect or transfer taxes currently applicable in Saudi Arabia. Value added tax is due to be introduced in Saudi Arabia from 1 January 2018.

General

For the purposes of this summary:

“GCC” means the Kingdom of Bahrain, Kuwait, the Sultanate of Oman, the State of Qatar, Saudi Arabia and the United Arab Emirates.

A “GCC Person” means (a) a natural persons having the nationality of any of the countries within the GCC and (b) any legal entity owned by GCC nationals and established under the laws of a country in the GCC. A GCC Person will include a company owned by both Saudi/GCC and non-Saudi/(non-GCC) nationals, to the extent it is ultimately owned by Saudi/GCC nationals.

Subject to the exceptions stipulated in the Income Tax Regulations, a “Permanent Establishment” of a non-Resident in Saudi Arabia represents a permanent place for the non-Resident’s activity where he conducts the activity either fully or partly; this also includes the activity conducted by the non-Resident through an agent.

A non-Resident carrying out an activity in Saudi Arabia through a licensed branch is considered to have a Permanent Establishment in Saudi Arabia.

A “**Resident**” is defined as follows:

- A natural person is considered Resident in Saudi Arabia for a taxable year if he meets either of the two following conditions: (i) he has a permanent place of abode in Saudi Arabia and is physically present in Saudi Arabia for a total of not less than 30 days in the taxable year; or (ii) he is physically present in Saudi Arabia for a period of not less than 183 days in the taxable year; and
- A company is considered Resident in Saudi Arabia during a taxable year if it meets either of the following conditions: (i) it is formed in accordance with the Saudi Companies Law; or (ii) its place of central control and management is located in Saudi Arabia.

Noteholders will not be deemed to be Resident, domiciled or carrying on business in Saudi Arabia solely by reason of holding any Notes.

United States Federal Income Taxation

The following summary discusses the principal U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes. Except as specifically noted below, this discussion applies only to Notes held as capital assets and U.S. Holders (as defined below).

This discussion assumes that the Notes will be treated as debt for U.S. federal income tax purposes. Prospective investors should note, however, that the classification of an instrument as debt is highly factual. No rulings have been or will be sought from the U.S. Internal Revenue Service (the “**IRS**”) with respect to the classification of the Notes in general or with respect to any particular Notes.

This discussion does not describe all of the tax consequences that may be relevant in light of a Noteholder’s particular circumstances or to Noteholders subject to special rules, such as:

- financial institutions;
- insurance companies;
- dealers in securities or foreign currencies;
- traders in securities or foreign currencies electing to mark their positions to market;
- regulated investment companies;
- real estate investment trusts;
- tax-exempt organisations;
- persons subject to the alternative minimum tax;
- persons holding Notes as part of a hedging transaction, “straddle”, conversion transaction or other integrated transaction;
- U.S. Holders whose functional currency is not the U.S. dollar; or
- entities classified as partnerships for U.S. federal income tax purposes.

This summary is based on Code, administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury Regulations, changes to any of which subsequent to the date of this Base Prospectus may affect the tax consequences described below. This summary does not address any U.S. federal tax consequences other than U.S. federal income tax consequences, such as the estate tax, gift tax or the medicare tax on net investment income. Moreover, this summary deals only with Notes with a term of 30 years or less. persons considering the purchase of a particular Tranche of Notes should consult the relevant supplement to the Base Prospectus (if any) issued in connection with that Tranche of Notes for any

discussion regarding U.S. federal income taxation and should consult their tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations, as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

To the extent applicable, the tax treatment of certain Notes such as Notes that are not principal protected will be specified in the relevant supplement to the Base Prospectus issued in connection with those Notes. This summary does not discuss Bearer Notes. In general, U.S. federal income tax law imposes significant limitations on U.S. Holders of Bearer Notes, including the limitations provided in Sections 165(j) and 1287(a) of the Code. U.S. Holders should consult their tax advisors regarding the U.S. federal income and other tax consequences of the acquisition, ownership and disposition of Bearer Notes.

As used herein, the term “**U.S. Holder**” means a beneficial owner of a Note that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation created or organised in or under the laws of the United States or of any political subdivision thereof;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (i) if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) if such trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

The term “**U.S. Holder**” also includes certain former citizens and residents of the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partners of partnerships holding Notes should consult with their tax advisors regarding the U.S. federal tax consequences of an investment in the Notes.

Payments of Stated Interest

Interest paid on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the Noteholder’s method of accounting for U.S. federal income tax purposes, *provided* that the interest is “qualified stated interest” (as defined below).

“Qualified stated interest” is stated interest that is unconditionally payable, or constructively received under Section 451 of the Code, in cash or property (other than in debt instruments of the issuer) at least annually during the entire term of the Note and equal to the outstanding principal balance of the Note multiplied by a single fixed rate of interest. In addition, interest on a Floating Rate Note that is unconditionally payable, or will be constructively received under Section 451 of the Code, in cash or property (other than debt instruments issued by the Issuer) at least annually will constitute “qualified stated interest” if the Note is a “variable rate debt instrument” (“**VRDI**”) under the rules described below and the interest is payable at a single “qualified floating rate” or single “objective rate” (each as defined below). If the Note is a VRDI but the interest is payable other than at a single qualified floating rate or at a single objective rate, special rules apply to determine the portion of such interest that constitutes “qualified stated interest.” See “*Original Issue Discount—Floating Rate Notes that are VRDIs*” below. Interest income earned by a U.S. Holder with respect to a Note will generally constitute foreign source income for U.S. federal income tax purposes, which may be relevant in calculating the Noteholder’s foreign tax credit limitation. The rules regarding foreign tax credits are complex and prospective investors should consult their tax advisors about the application of such rules to them in their particular circumstances. Special rules governing the treatment of interest paid with respect to short-term Notes, original issue discount Notes, contingent payment debt instruments and foreign currency Notes are described under “*Short-Term Notes*”, “*Original Issue Discount*”, “*Contingent Payment Debt Instruments*” and “*Foreign Currency Notes*”.

Definition of Variable Rate Debt Instrument. A Note is a VRDI if all of the four following conditions are met. First, the “issue price” of the Note (as described below) must not exceed the total noncontingent principal payments by more than an amount equal to the lesser of (i) 0.015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date (or, in the case of a Note that provides for payment of any amount other than qualified stated interest before maturity, its weighted average maturity) and (ii) 15 per cent. of the total noncontingent principal payments. Second, the Note must generally provide for stated interest (compounded or paid at least annually) at (a) one or more qualified floating rates, (b) a single fixed rate and one or more qualified floating rates, (c) a single objective rate or (d) a single fixed rate and a single objective rate that is a “qualified inverse floating rate” (as defined below). Third, the Note must provide that a qualified floating rate or objective rate in effect at any time during the term of the Note is set at the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day. Fourth, the Note may not provide for any principal payments that are contingent except as provided in the first requirement set forth above.

Subject to certain exceptions, a variable rate of interest on a Note is a “qualified floating rate” if variations in the value of the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Note is denominated. A variable rate will be considered a qualified floating rate if the variable rate equals (i) the product of an otherwise qualified floating rate and a fixed multiple (i.e., a spread multiplier) that is greater than 0.65, but not more than 1.35 or (ii) an otherwise qualified floating rate (or the product described in clause (i)) plus or minus a fixed rate (i.e., a spread). If the variable rate equals the product of an otherwise qualified floating rate and a single spread multiplier greater than 1.35 or less than or equal to 0.65, however, such rate will generally constitute an objective rate, described more fully below. A variable rate will not be considered a qualified floating rate if the variable rate is subject to a cap, floor, governor (i.e., a restriction on the amount of increase or decrease in the stated interest rate) or similar restriction that is reasonably expected as of the issue date to cause the yield on the Note to be significantly more or less than the expected yield determined without the restriction (other than a cap, floor or governor that is fixed throughout the term of the Note).

Subject to certain exceptions, an “objective rate” is a rate (other than a qualified floating rate) that is determined using a single fixed formula and that is based on objective financial or economic information that is neither within the Issuer’s control (or the control of a related party) nor unique to the Issuer’s circumstances (or the circumstances of a related party). Notwithstanding the first sentence of this paragraph, a rate on a Note is not an objective rate if it is reasonably expected that the average value of the rate during the first half of the Note’s term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Note’s term. An objective rate is a “qualified inverse floating rate” if (a) the rate is equal to a fixed rate minus a qualified floating rate and (b) the variations in the rate can reasonably be expected to reflect inversely contemporaneous variations in the cost of newly borrowed funds (disregarding any caps, floors, governors or similar restrictions that would not, as described above, cause a rate to fail to be a qualified floating rate).

Unless otherwise provided in the relevant supplement to the Base Prospectus (if any) issued in connection with a particular Tranche of Notes, it is expected, and this discussion assumes, that a Floating Rate Note will qualify as a VRDI. If a Floating Rate Note does not qualify as a VRDI, then the Floating Rate Note will generally be treated as a contingent payment debt instrument, as discussed below under “*Contingent Payment Debt Instruments*”.

Original Issue Discount

Except in the case of a short-term Note, a Note that has an “issue price” that is less than its “stated redemption price at maturity” will be considered to have been issued at an original issue discount (“**OID**”) for U.S. federal income tax purposes (and will be referred to as an “original issue discount Note”) unless the Note satisfies a *de minimis* threshold (as described below). The “issue price” of a Note generally will be the first price at which a substantial amount of the Notes are sold to the public (which does not include sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement

agents or wholesalers). The “stated redemption price at maturity” of a Note generally will equal the sum of all payments required to be made under the Note other than payments of qualified stated interest.

If the difference between a Note’s stated redemption price at maturity and its issue price is less than a *de minimis* amount, i.e., 1/4 of 1 per cent. of the stated redemption price at maturity multiplied by the number of complete years to maturity (or, in the case of a Note that provides for payment of any amount other than qualified stated interest prior to maturity, the weighted average maturity of the Note), the Note will not be considered to have OID. U.S. Holders of Notes with a *de minimis* amount of OID will include this OID in income, as capital gain, on a *pro rata* basis as principal payments are made on the Note.

A U.S. Holder of original issue discount Notes will be required to include any qualified stated interest payments in income in accordance with the Noteholder’s method of accounting for U.S. federal income tax purposes.

A U.S. Holder may make an election to include in gross income all interest that accrues on any Note (including qualified stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium or acquisition premium) in accordance with a constant yield method based on the compounding of interest, and may revoke such election only with the permission of the IRS (a “**constant yield election**”).

We may have an unconditional option to redeem, or U.S. Holders may have an unconditional option to require us to redeem, a Note prior to its stated maturity date. Under applicable regulations, if we have an unconditional option to redeem a Note prior to its stated maturity date, this option will be presumed to be exercised if, by utilising any date on which the Note may be redeemed as the maturity date and the amount payable on that date in accordance with the terms of the Note as the stated redemption price at maturity, the yield on the Note would be lower than its yield to maturity. If the U.S. Holders have an unconditional option to require us to redeem a Note prior to its stated maturity date, this option will be presumed to be exercised if making the same assumptions as those set forth in the previous sentence, the yield on the Note would be higher than its yield to maturity. If this option is not in fact exercised, the Note would be treated, solely for purposes of calculating OID, as if it were redeemed, and a new Note were issued, on the presumed exercise date for an amount equal to the Note’s adjusted issue price on that date. The adjusted issue price of an original issue discount Note is defined as the sum of the issue price of the Note and the aggregate amount of previously accrued OID, less any prior payments other than payments of qualified stated interest.

Fixed Rate Notes. In the case of a Fixed Rate Note that is an original issue discount Note, U.S. Holders of such Note will be required to include OID in income for U.S. federal tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, regardless of whether cash attributable to this income is received.

Floating Rate Notes that are VRDIs. In the case of a Floating Rate Note that is a VRDI and that provides for interest at a single variable rate, the amount of qualified stated interest and the amount of OID, if any, includible in income during a taxable year are determined under the rules applicable to Fixed Rate Notes (described above) by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or a qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), the rate that reflects the yield that is reasonably expected for the Note. Qualified stated interest allocable to an accrual period is increased (or decreased) if the interest actually paid or accrued during an accrual period exceeds (or is less than) the interest assumed to be paid or accrued during the accrual period.

If a Note that is a VRDI does not provide for interest at a single variable rate as described above, the amount of interest and OID accruals are determined by constructing an equivalent fixed rate debt instrument, as follows:

- *First*, in the case of an instrument that provides for stated interest at one or more qualified floating rates or at a qualified inverse floating rate and, in addition, at a fixed rate (other than a fixed rate that is treated as, together with a variable rate, a single qualified floating rate or objective rate), replace the fixed rate with a qualified floating rate (or qualified inverse floating rate) such that the fair market

value of the instrument, so modified, as of the issue date would be approximately the same as the fair market value of the unmodified instrument.

- *Second*, determine the fixed rate substitute for each variable rate provided by the Note. The fixed rate substitute for each qualified floating rate provided by the Note is the value of that qualified floating rate on the issue date. If the Note provides for two or more qualified floating rates with different intervals between interest adjustment dates (for example, the 30-day commercial paper rate and quarterly LIBOR), the fixed rate substitutes are based on intervals that are equal in length (for example, the 90-day commercial paper rate and quarterly LIBOR, or the 30-day commercial paper rate and monthly LIBOR). The fixed rate substitute for an objective rate that is a qualified inverse floating rate is the value of the qualified inverse floating rate on the issue date. The fixed rate substitute for an objective rate (other than a qualified inverse floating rate) is a fixed rate that reflects the yield that is reasonably expected for the Note.
- *Third*, construct an equivalent fixed rate debt instrument that has terms that are identical to those provided under the Note, except that the equivalent fixed rate debt instrument provides for the fixed rate substitutes determined in the second step, in lieu of the qualified floating rates or objective rate provided by the Note.
- *Fourth*, determine the amount of qualified stated interest and OID for the equivalent fixed rate debt instrument under the rules (described above) for Fixed Rate Notes. These amounts are taken into account as if the U.S. Holder held the equivalent fixed rate debt instrument. See “*Payments of Stated Interest*” and “*Original Issue Discount—Fixed Rate Notes*” above.
- *Fifth*, make appropriate adjustments for the actual values of the variable rates. In this step, qualified stated interest or, in certain circumstances, OID allocable to an accrual period is increased (or decreased) if the interest actually accrued or paid during the accrual period exceeds (or is less than) the interest assumed to be accrued or paid during the accrual period under the equivalent fixed rate debt instrument.

Market Discount

If a U.S. Holder purchases a Note (other than a short-term Note) for an amount that is less than its stated redemption price at maturity or, in the case of an original issue discount Note, its adjusted issue price, the amount of the difference will be treated as market discount for U.S. federal income tax purposes, unless this difference is less than a specified *de minimis* amount.

A U.S. Holder will be required to treat any principal payment (or, in the case of an original issue discount Note, any payment that does not constitute qualified stated interest) on, or any gain on the sale, exchange, retirement or other disposition of a Note, including disposition in certain non-recognition transactions, as ordinary income to the extent of the market discount accrued on the Note at the time of the payment or disposition unless this market discount has been previously included in income by the U.S. Holder pursuant to an election by the Noteholder to include market discount in income as it accrues, or pursuant to a constant yield election (as described under “*Original Issue Discount*”) by the Noteholder. In addition, the U.S. Holder may be required to defer, until the maturity of the Note or its earlier disposition (including certain non-taxable transactions), the deduction of all or a portion of the interest expense on any indebtedness incurred or maintained to purchase or carry such Note.

If a U.S. Holder makes a constant yield election for a Note with market discount, such election will result in a deemed election for all market discount bonds acquired by the Noteholder on or after the first day of the first taxable year to which such election applies. This election may only be revoked with the consent of the IRS.

Acquisition Premium and Amortisable Bond Premium

A U.S. Holder who purchases a Note for an amount that is greater than the Note’s adjusted issue price, but less than or equal to the sum of all amounts payable on the Note after the purchase date other than payments

of qualified stated interest will be considered to have purchased the Note at an acquisition premium. Under the acquisition premium rules, the amount of OID that the U.S. Holder must include in its gross income with respect to the Note for any taxable year will be reduced by the portion of acquisition premium properly allocable to that year.

If a U.S. Holder purchases a Note for an amount in excess of the sum of the remaining amounts payable on the Note (other than qualified stated interest), the Noteholder will be considered to have purchased the Note with amortisable bond premium equal in amount to such excess. The Noteholder may elect to amortise this premium as an offset to qualified stated interest, using a constant yield method, over the remaining term of the Note. Special rules may apply in the case of a Note that is subject to optional redemption. A Noteholder who elects to amortise bond premium must reduce its tax basis in the Note by the amount of the premium amortised in any year. An election to amortise bond premium applies to all taxable debt obligations then owned and thereafter acquired by the Noteholder and may be revoked only with the consent of the IRS.

If a U.S. Holder makes a constant yield election (as described under “*Original Issue Discount*”) for a Note with amortisable bond premium, such election will result in a deemed election to amortise bond premium for all of the Noteholder’s debt instruments with amortisable bond premium.

Sale, Exchange, Retirement or the Taxable Disposition of the Notes

Upon the sale, exchange, retirement or other taxable disposition of a Note, a U.S. Holder will generally recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange, retirement or other taxable disposition and the Noteholder’s adjusted tax basis in the Note. A U.S. Holder’s adjusted tax basis in a Note generally will equal the acquisition cost of the Note increased by the amount of OID and market discount included in the Holder’s gross income and decreased by any payment received from the Issuer other than a payment of qualified stated interest and any amortisable bond premium taken into account. Gain or loss, if any, will generally be U.S. source income for purposes of computing a U.S. Holder’s foreign tax credit limitation. For these purposes, the amount realised does not include any amount attributable to accrued interest on the Note. Amounts attributable to accrued interest (including OID) are treated as interest as described under “*Payments of Stated Interest*” and “*Original Issue Discount*”.

Except as described below, gain or loss realised on the sale, exchange, retirement or other taxable disposition of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange, retirement or other taxable disposition the U.S. Holder has held the Note for more than one year. Exceptions to this general rule apply to the extent of any accrued market discount or, in the case of a short-term Note, to the extent of any accrued discount not previously included in the Noteholder’s taxable income. See “*Original Issue Discount*” and “*Market Discount*”. In addition, other exceptions to this general rule apply in the case of short-term Notes, foreign currency Notes, and contingent payment debt instruments. See “*Short-Term Notes*”, “*Foreign Currency Notes*” and “*Contingent Payment Debt Instruments*”. The deductibility of capital losses is subject to limitations.

Short-Term Notes

A Note that matures one year or less from its date of issuance (a “**short-term Note**”) will be treated as being issued at a discount and none of the interest paid on the Note will be treated as qualified stated interest. In general, a cash method U.S. Holder of a short-term Note is not required to accrue the discount for U.S. federal income tax purposes unless it elects to do so, with the consequence that the reporting of such income is deferred until it is received. Noteholders who so elect and certain other Noteholders, including those who report income on the accrual method of accounting for U.S. federal income tax purposes, are required to include the discount in income as it accrues on a straight-line basis, unless another election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. Holder who is not required and who does not elect to include the discount in income currently, any gain realised on the sale, exchange, or retirement of the short-term Note will be ordinary income to the extent of the discount accrued on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, those U.S. Holders will be required to defer deductions for any interest paid on indebtedness incurred to purchase or carry short-term

Notes in an amount not exceeding the accrued discount (which includes interest that is payable but that has not been included in gross income) interest income with respect to such short-term Note until the accrued discount is included in income. A U.S. Holder's tax basis in a short-term Note is increased by the amount included in such holder's income on such a Note.

Contingent Payment Debt Instruments

If the terms of the Notes provide for certain contingencies that affect the timing and amount of payments (including certain Floating Rate Notes that do not qualify as VRDIs) they will be "contingent payment debt instruments" for U.S. federal income tax purposes. Under the rules that govern the treatment of contingent payment debt instruments, no payment on such Notes qualifies as qualified stated interest. Rather, a U.S. Holder must accrue interest for U.S. federal income tax purposes based on a "comparable yield" and account for differences between actual payments on the Note and the Note's "projected payment schedule" as described below. The comparable yield is determined by us at the time of issuance of the Notes and equals the greater of (i) annual yield an issuer would pay, as of the issue date, on a fixed-rate, nonconvertible debt instrument with no contingent payments, but with terms and conditions otherwise comparable to the contingent payment debt instrument and (ii) the applicable federal rate. The comparable yield may be greater than or less than the stated interest, if any, with respect to the Notes. Solely for the purpose of determining the amount of interest income that a U.S. Holder will be required to accrue on a contingent payment debt instrument, we will be required to construct a "projected payment schedule" that represents a series of payments the amount and timing of which would produce a yield to maturity on the contingent payment debt instrument equal to the comparable yield.

Neither the comparable yield nor the projected payment schedule constitutes a representation by us regarding the actual amount, if any, that the contingent payment debt instrument will pay.

For U.S. federal income tax purposes, a U.S. Holder will be required to use the comparable yield and the projected payment schedule established by us in determining interest accruals and adjustments in respect of an contingent payment debt instrument, unless the Noteholder timely discloses and justifies the use of a different comparable yield and projected payment schedule to the IRS.

A U.S. Holder, regardless of its method of accounting for U.S. federal income tax purposes, will be required to accrue interest income on a contingent payment debt instrument at the comparable yield, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of any contingent payments on the contingent payment debt instrument (as set forth below). As such, a U.S. Holder may be required to include interest in income each year in excess of any stated interest payments actually received in that year, if any.

A U.S. Holder will be required to recognise interest income equal to the amount of any net positive adjustment, i.e., the excess of actual payments over projected payments, in respect of a contingent payment debt instrument for a taxable year. A net negative adjustment, i.e., the excess of projected payments over actual payments, in respect of a contingent payment debt instrument for a taxable year:

- will first reduce the amount of interest in respect of the contingent payment debt instrument that a Noteholder would otherwise be required to include in income in the taxable year;
- to the extent of any excess, will give rise to an ordinary loss equal to the extent of the U.S. Holder's interest income on the contingent debt obligation during prior taxable years, reduced to the extent such interest was offset by prior net negative adjustments; and
- to the extent of any excess after the application of the previous two bullet points, will be carried forward as a negative adjustment to offset future interest income with respect to the contingent debt obligation or to reduce the amount realised on a sale, exchange or retirement of the contingent debt obligation.

A net negative adjustment is not subject to the 2.0 per cent. floor limitation imposed on miscellaneous deductions. Where a U.S. Holder purchases a contingent payment debt instrument for a price other than its

adjusted issue price, the difference between the purchase price and the adjusted issue price must be reasonably allocated to the daily portions of interest or projected payments with respect to the contingent payment debt instrument over its remaining term and treated as a positive or negative adjustment, as the case may be, with respect to each period to which it is allocated.

Upon a sale, exchange, retirement or other taxable disposition of a contingent payment debt instrument, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the Noteholder's adjusted basis in the contingent payment debt instrument. A U.S. Holder's adjusted basis in a Note that is a contingent payment debt instrument generally will be the acquisition cost of the Note, increased by the interest previously accrued by the U.S. Holder on the Note under these rules, disregarding any net positive and net negative adjustments, and decreased by the amount of any non-contingent payments and the projected amount of any contingent payments previously made on the Note. A U.S. Holder generally will treat any gain as interest income, and any loss as ordinary loss to the extent of the excess of previous interest inclusions in excess of the total net negative adjustments previously taken into account as ordinary losses, and the balance as capital loss. The deductibility of capital losses is subject to limitations. In addition, if a Noteholder recognises loss above certain thresholds, the Noteholder may be required to file a disclosure statement with the IRS (as described under "*Other Reporting Requirements*").

Special rules will apply if one or more contingent payments on a contingent debt obligation become fixed. For purposes of the preceding sentence, a payment (including an amount payable at maturity) will be treated as fixed if (and when) all remaining contingencies with respect to it are remote or incidental within the meaning of the contingent debt regulations. A U.S. Holder's tax basis in the contingent debt obligation and the character of any gain or loss on the sale of the contingent debt obligation would also be affected. U.S. Holders are urged to consult their tax advisers concerning the application of these special rules.

Foreign Currency Notes

The following discussion summarises the principal U.S. federal income tax consequences to a U.S. Holder of the ownership and disposition of Notes that are denominated in a specified currency other than the U.S. dollar or the payments of interest or principal on which are payable in a currency other than the U.S. dollar ("**foreign currency Notes**"). However, the U.S. federal income tax consequences to a U.S. Holder of the ownership and disposition of currency-linked Notes and non-functional currency contingent payment debt instruments are not discussed herein and, if applicable, will be discussed in a supplement to the Base Prospectus issued in connection with the issuance of such Notes and instruments.

The rules applicable to foreign currency Notes could require some or all gain or loss on the sale, exchange or other disposition of a foreign currency Note to be recharacterised as ordinary income or loss. The rules applicable to foreign currency Notes are complex and may depend on the Noteholder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a Noteholder should make any of these elections may depend on the Noteholder's particular U.S. federal income tax situation. U.S. Holders are urged to consult their tax advisors regarding the U.S. federal income tax consequences of the ownership and disposition of foreign currency Notes.

A U.S. Holder who uses the cash method of accounting and who receives a payment of qualified stated interest in a foreign currency with respect to a foreign currency Note will be required to include in income the U.S. dollar value of the foreign currency payment (determined on the date the payment is received) regardless of whether the payment is in fact converted to U.S. dollars at the time, and this U.S. dollar value will be the U.S. Holder's tax basis in the foreign currency.

An accrual method U.S. Holder will be required to include in income the U.S. dollar value of the amount of interest income (including OID or market discount, but reduced by acquisition premium and amortisable bond premium, to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a foreign currency Note during an accrual period. The U.S. dollar value of the accrued income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. The U.S. Holder will recognise ordinary income or loss with respect to accrued interest income

on the date the income is actually received. The amount of ordinary income or loss recognised will equal the difference between the U.S. dollar value of the foreign currency payment received (determined on the date the payment is received) in respect of the accrual period (or, where a Noteholder receives U.S. dollars, the amount of the payment in respect of the accrual period) and the U.S. dollar value of interest income that has accrued during the accrual period (as determined above). Rules similar to these rules apply in the case of a cash method taxpayer required to currently accrue OID or market discount.

An accrual method U.S. Holder may elect to translate interest income (including OID) into U.S. dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

OID, market discount, acquisition premium and amortisable bond premium on a foreign currency Note are to be determined in the relevant foreign currency. Where the taxpayer elects to include market discount in income currently, the amount of market discount will be determined for any accrual period in the relevant foreign currency and then translated into U.S. dollars on the basis of the average rate in effect during the accrual period. Exchange gain or loss realised with respect to such accrued market discount shall be determined in accordance with the rules relating to accrued interest described above.

If an election to amortise bond premium is made, amortisable bond premium taken into account on a current basis shall reduce interest income in units of the relevant foreign currency. In that event, amortisable bond premium will be computed in foreign currency. A U.S. Holder making the election to amortise bond premium may recognise exchange gain or loss each period equal to the difference between the U.S. dollar value of bond premium with respect to such period determined on the date the interest attributable to such period is received and the U.S. dollar value of such amortised bond premium determined on the date of the acquisition of the Notes. Any exchange gain or loss will be ordinary income or loss as described below. If the election is not made, any loss realised on the sale, exchange or retirement of a foreign currency Note with amortisable bond premium by a U.S. Holder who has not elected to amortise the premium will be a capital loss to the extent of the bond premium.

A U.S. Holder's adjusted tax basis in a foreign currency Note will generally equal the "U.S. dollar cost" (as defined herein) of the Note to such holder increased by any previously accrued OID or market discount and decreased by any amortised premium and cash payments on the Note other than qualified stated interest. The "U.S. dollar cost" of a Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price based on the spot rate of exchange on the date of purchase (or based on the spot rate of exchange on the settlement date of the purchase, in the case of Notes traded on an established securities market that are purchased by a cash basis U.S. Holder or an electing accrual basis U.S. Holder). If a U.S. Holder receives foreign currency on a sale, exchange, retirement, or other taxable disposition of a Note, the amount realised generally will be based on the U.S. dollar value of such foreign currency translated at the spot rate on the date of disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. Holder and, if it so elects, an accrual basis U.S. Holder, will determine the U.S. dollar value of such foreign currency by translating such amount at the spot rate on the settlement date of the disposition. The special election available to accrual basis U.S. Holders in regard to the purchase and disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. Holder and cannot be changed without the consent of the IRS. If the Notes are not traded on an established securities market (or the relevant holder is an accrual basis U.S. Holder that does not make the special settlement date election), a U.S. Holder will recognise exchange gain or loss to the extent that there are exchange rate fluctuations between the disposition date and the settlement date.

Gain or loss realised upon the sale, exchange, retirement or other taxable disposition of a foreign currency Note that is attributable to fluctuation in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the U.S. dollar value of the foreign currency purchase price of the Note, determined on the date the payment is received or the Note is disposed of, and (ii) the U.S. dollar value of

the foreign currency purchase price of the Note, determined on the date the U.S. Holder acquired the Note (adjusted, in each case, for any amortised bond premium that has been taken into account prior to the date of the sale, exchange or retirement). Payments received attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on foreign currency Notes described above. The foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by the Noteholder on the sale, exchange, retirement or other taxable disposition of the foreign currency Note. The source of the foreign currency gain or loss will be determined by reference to the residence of the Noteholder or the “qualified business unit” of the Noteholder on whose books the Note is properly reflected. Any gain or loss realised by these Noteholders in excess of the foreign currency gain or loss will be capital gain or loss except that any gain will be treated as ordinary income to the extent of any accrued market discount or, in the case of short term Note, to the extent of any discount not previously included in the Noteholder’s income. Noteholders should consult their tax advisors with respect to the tax consequences of receiving payments in a currency different from the currency in which payments with respect to such Note accrue.

Backup Withholding and Information Reporting

Information returns may be filed with the IRS in connection with payments on the Notes (including any accrued OID) and the proceeds from a sale or other disposition of the Notes. A U.S. Holder may be subject to U.S. backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the Noteholder’s U.S. federal income tax liability and may entitle them to a refund, *provided* that the required information is timely furnished to the IRS.

Other Reporting Requirements

A U.S. taxpayer that participates in a “reportable transaction” will be required to disclose its participation to the IRS by attaching Form 8886 to their tax returns and retaining a copy of all documents and records relating to the transaction. The scope and application of these rules is not entirely clear and whether an investment in a Note constitutes a “reportable transaction” for any holder depends on the holder’s particular circumstances. For example, a U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if the loss exceeds certain thresholds. In the event the acquisition, ownership or disposition of Notes constitutes participation in a “reportable transaction” for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. Prospective purchasers should consult their tax advisors regarding the application of these rules to the acquisition, ownership or disposition of Notes and should be aware that we (or other participants in the transaction) may determine that the investor list maintenance requirement applies to the transaction and comply accordingly with this requirement.

Certain U.S. Holders who are individuals (which may include certain entities treated as individuals for these purposes) are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions). U.S. Holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the Notes.

The U.S. federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a Noteholder’s particular situation. Noteholders should consult their tax advisors with respect to the tax consequences to them of the ownership and disposition of the Notes, including the tax consequences under state, local, foreign and other tax laws and the possible effects of changes in U.S. federal or other tax laws.

The Proposed Financial Transaction Tax

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common financial transactions tax (“**FTT**”) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes may, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, 'established' in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the Commission's Proposal remains subject to negotiation between the participating Member States. Additional EU Member States may decide to participate. It may therefore be altered prior to any implementation, the timing of which remains unclear. Prospective Noteholders are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Notes may be offered from time to time by the Issuer to any one or more of the Arrangers and any additional dealer(s) appointed under the Programme from time to time by the Issuer (the “**Dealers**”). The arrangements under which Notes may from time to time be offered by the Issuer to, and purchased by, the Dealers are set out in the amended and restated dealer agreement dated 22 September 2017 (the “**Dealer Agreement**”) and made between the Issuer, the Arrangers and the Dealers. The Issuer and the Dealers will agree the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and the sale of the Notes. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

Certain of the Dealers and their respective affiliates may, from time to time, engage in transactions with, and perform services for, the Issuer in the ordinary course of their respective businesses. Certain of the Dealers or their respective affiliates are also lenders under the U.S.\$10 billion term loan facility entered into by the Issuer in May 2016. The Issuer may apply all or part of the proceeds of any of Notes issued under the Programme in repayment of all or part of any credit facilities that may have been, or may in the future be, extended to the Issuer by the Dealers or their affiliates.

General

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out below) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

No representation is made that any action has been or will be taken in any jurisdiction which would, or is intended to, permit a public offering of any Notes, or possession or distribution of this Base Prospectus or any other offering materials or Final Terms in any country or jurisdiction where action for that purpose is required.

United States

The Notes have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the Code and Treasury regulations promulgated thereunder.

In respect of Bearer Notes where TEFRA D is specified in the applicable Final Terms each Dealer has represented and agreed and each additional Dealer appointed under the Programme will be required to represent, undertake and agree, that:

- (a) except to the extent permitted under the TEFRA D Rules, (i) that it has not offered or sold, and during the restricted period it will not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person, and (ii) that it has not delivered and it will not deliver within the United States or its possessions Definitive Notes that are sold during the restricted period;
- (b) it has and throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;
- (c) if it is a United States person, it is acquiring Bearer Notes for purposes of resale in connection with their original issuance and if it retains Bearer Notes for its own account, it will only do so in accordance with the requirements of U.S. Treasury Regulations §1.163-5(c)(2)(i)(D)(6) (or any substantially identical successor regulations issued for the purposes of Section 4701 of the Code);
- (d) with respect to each affiliate that acquires Bearer Notes from a Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer either (i) repeats and confirms the representations and agreements contained in subparagraphs (a), (b) and (c) on such affiliate's behalf or (ii) agrees that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in subparagraphs (a), (b) and (c); and
- (e) it will obtain from any distributor (within the meaning of U.S. Treasury Regulations §1.163-5(c)(2)(i)(D)(4)(ii)) (or any substantially identical successor United States Treasury regulation issued for the purposes of Section 4701 of the Code) that purchases any Bearer Notes from it pursuant to a written contract with such Dealer (except a distributor that is one of its affiliates or is another Dealer), for the benefit of the Issuer and each other Dealer, the representations contained in, and such distributor's agreement to comply with, the provisions of subclauses (a), (b), (c) and (d) of this paragraph insofar as they relate to the TEFRA D Rules, as if such distributor were a Dealer hereunder.

Terms used in this paragraph have the meanings given to them by the Code and Treasury regulations thereunder, including the TEFRA D Rules.

In addition, to the extent that the Final Terms or the subscription agreement relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is TEFRA C, such Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, such Notes within the United States or its possessions in connection with their original issuance. Further, in connection with the original issuance of such Notes, it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions, or otherwise involve its U.S. office in the offer or sale of such Notes. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including TEFRA C.

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Bearer Notes in global form, the Bearer Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the U.S. Internal Revenue Code of 1986, as amended.”

Until 40 days after the commencement of the offering of any Tranche of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering of such Tranche of Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A.

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States, other than any QIB to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate.

Prohibition of sales to EEA Retail Investors

From 1 January 2018, unless the Final Terms in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
 - (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “**Insurance Mediation Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “**Prospectus Directive**”); and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Prior to 1 January 2018, and from that date if the Final Terms in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the EEA (each, a “**Relevant Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- (i) the expression “**an offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and
- (ii) the expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the “**FSMA**”) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Saudi Arabia

No action has been or will be taken in Saudi Arabia that would permit a public offering of the Notes. Any investor in Saudi Arabia or who is a Saudi person (a “**Saudi Investor**”) who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 10 of the “*Offers of Securities Regulations*” as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 3-151-2016 dated 21 December 2016 (the “**Offers of Securities Regulations**”), through a person authorised by the Capital Market Authority (“**CMA**”) to carry on the securities activity of arranging and following a notification to the CMA under the Offers of Securities Regulations.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes to a Saudi Investor will be made in compliance with the Offers of Securities Regulations, as amended and/or supplemented from time to time.

Investors are informed that Article 18 of the Offers of Securities Regulations places restrictions on secondary market activity with respect to the Notes, including as follows:

- (a) a Saudi Investor (referred to as a “transferor”) who has acquired Notes pursuant to a private placement may not offer or sell Notes to any person (referred to as a “transferee”) unless the offer or sale is made through an authorised person where one of the following requirements is met:
 - (i) the price to be paid for the Notes in any one transaction is equal to or exceeds SAR 1 million or an equivalent amount;
 - (ii) the Notes are offered or sold to a sophisticated investor; or
 - (iii) the Notes are being offered or sold in such other circumstances as the CMA may prescribe for these purposes;
- (b) if the requirement of paragraph (a)(i) above cannot be fulfilled because the price of the Notes being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Notes to the transferee if their purchase price during the period of the original private placement was equal to or exceeded SAR 1 million or an equivalent amount;
- (c) if the requirement in paragraph (b) above cannot be fulfilled, the transferor may offer or sell Notes if he/she sells his entire holding of Notes to one transferee; and
- (d) the provisions of paragraphs (a), (b) and (c) above shall apply to all subsequent transferees of the Notes.

State of Qatar (including the Qatar Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes except in compliance with Article 81 of the Central Bank of Bahrain and Financial Institutions Law promulgated by Legislative Decree No. 64 of 2006 on a private placement basis to persons in the Kingdom of Bahrain who are “accredited investors”.

For this purpose, an accredited investor means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more excluding that person’s principal place of residence; or
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in

compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (a) an “Exempt Offer” in accordance with the Market Rules (MKT) Module of the Dubai Financial Services Authority (the “**DFSA**”) rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “**FIEA**”) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold Notes and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than: (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Korea

Each Dealer has represented and agreed that Notes have not been and will not be offered, sold or delivered, directly or indirectly, in Korea or to or for the account or benefit of any Korean resident (as such term is defined in the Foreign Exchange Transaction Law of Korea) except as otherwise permitted under applicable Korean laws and regulations.

Furthermore, a holder of Notes will be prohibited from offering, delivering or selling any Notes, directly or indirectly, in Korea or to any Korean resident for a period of one year from the date of issuance of Notes except:

- (a) in the case where the Notes are issued as bonds other than equity-linked bonds, such as convertible bonds, bonds with warrants and exchangeable bonds (but with respect to exchangeable bonds, only those which are exchangeable into shares, convertible bonds or bonds with warrants), Notes may be offered, sold or delivered to or for the account or benefit of a Korean resident which falls within certain categories of professional investors as specified in the Financial Investment Services and Capital Markets Act, its Enforcement Decree and the Regulation on Securities Issuance and Disclosure, provided that such professional investors are registered as “qualified institutional buyers” (“Korean QIBs”) with the Korea Financial Investment Association (the “KOFIA”) in advance and complies with the requirement for monthly reports to the KOFIA of their holding of Korean QIB Bonds, and provided further that:
- (i) the Notes are denominated, and the principal and interest payments thereunder are made, in a currency other than Korean Won,
 - (ii) the amount of the Notes acquired by such Korean QIBs in the primary market is limited to less than 20% of the aggregate issue amount of the Notes,
 - (iii) the Notes are listed on one of the major overseas securities markets designated by the Financial Supervisory Service of Korea, or certain procedures, such as registration or report with a foreign financial investment regulator, have been completed for offering of the Notes in a major overseas securities market,
 - (iv) the one-year restriction on offering, delivering or selling of the Notes to a Korean resident other than a Korean QIB is expressly stated in the Notes, the relevant underwriting agreement, subscription agreement and the Offering Circular, and
 - (v) the Issuer and the relevant Dealers shall individually or collectively keep the evidence of fulfillment of conditions (a) through (d) above after having taken necessary actions therefore; or
- (b) as otherwise permitted under applicable Korean laws and regulations.

Each Dealer undertakes to use commercially reasonable best measures as a Dealer in the ordinary course of its business so that any securities dealer to which it sells Notes confirms that it is purchasing such Notes as principal and agrees with such Dealer that it will comply with the restrictions described above.

Singapore

Each Dealer has acknowledged that this Base Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore, and the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor pursuant to Section 274 of the SFA; (ii) to a relevant person under Section 275(1) of the SFA or to any person pursuant to Section 275(1A) of the SFA and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:
 - (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
 - (ii) where no consideration is or will be given for the transfer;
 - (iii) where the transfer is by operation of law;
 - (iv) as specified in Section 276(7) of the SFA; or
 - (v) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Malaysia

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) this Base Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the "CMSA"); and
- (b) accordingly, the Notes have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Notes has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3), read together with Schedule 9 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time. Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Notes. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Managers is responsible for any invitation, offer, sale or purchase of the Notes as aforesaid without the necessary approvals being in place.

State of Kuwait

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no Notes will be offered in the State of Kuwait unless all necessary approvals from the Kuwait Capital Markets Authority pursuant to Law No. 7 of 2010, and its executive bylaws (each as amended) together with the various resolutions, regulations, guidance principles and instructions issued pursuant thereto, or in connection therewith (regardless of nomenclature) or any other applicable law or regulation in Kuwait, have been given in respect of the offering, marketing, and sale, of the Notes. For the avoidance of doubt, no Notes shall be offered, marketed and/or sold in the State of Kuwait except on a private placement basis to Professional Clients (as defined in Module 1 of the executive bylaws of Law No. 7 of 2010 (each as amended)).

Switzerland

This Base Prospectus is not intended to constitute an offer or solicitation to purchase or invest in any Notes. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated facility in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to the Notes

constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other exchange or regulated facility in Switzerland, and neither this Base Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Indonesia

Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes will not be offered or sold directly or indirectly, in Indonesia or to any citizen of Indonesia (wherever they are domiciled) or to any resident of Indonesia in a manner that constitutes a public offering under the laws and regulations of Indonesia (including Law Number 8 of 1995 regarding Capital Markets) and that the Base Prospectus will not be distributed in Indonesia or passed on in a manner which constitutes a public offering in Indonesia under the laws and regulations of Indonesia (including Law Number 8 of 1995 regarding Capital Markets).

Brunei

This Base Prospectus has not been registered, delivered to, licensed or permitted by the Autoriti Monetari Brunei Darussalam with the Authority designated under the Brunei Darussalam Securities Markets Order (the “SMO”) nor has it been registered with the Registrar of Companies, Registrar of International Business Companies. As such the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may the Base Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of Notes be circulated or distributed, whether directly or indirectly, to any person in Brunei other than: (a) to an accredited investor under Section 20 of the SMO; (b) an expert investor under Section 20 of the SMO; or (c) an institutional investor under Section 20 of the SMO, and in accordance with the conditions specified in Section 117 of the SMO.

This Base Prospectus is for informational purposes only and does not constitute an invitation or offer to the public. It must not be distributed or redistributed to and may not be relied upon or used by any person in Brunei other than the person to whom it is directly communicated: (i) in accordance with the conditions of section 21(3) of the International Business Companies Order 2000; or (ii) whose business or part of whose business is in the buying and selling of shares within the meaning of section 308(4) of the Companies Act (Cap. 39).

Any offers, acceptances, subscription, sales and allotments of the Notes shall be made outside Brunei. Nothing in this Base Prospectus shall constitute legal, tax, accounting or investment advice. The recipient should independently evaluate any specific investment with consultation with professional advisors in law, tax, accounting and investments.

Italy

The offering of the Notes has not been registered with the Commissione Nazionale per le Società e la Borsa (“CONSOB”) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (a) to qualified investors (investitori qualificati) as defined under Article 100 of the Legislative Decree No. 58 of 24 February 1998, as amended (the “Italian Financial Act”), as implemented by Article 26, paragraph 1(d) of CONSOB Regulation No. 16190 of 29 October 2007, as amended (“CONSOB Regulation No. 16190”), pursuant to Article 34-ter, first paragraph, letter b), of CONSOB Regulation No. 11971 of 14 May 1999, as amended (“CONSOB Regulation No. 11971”); or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and its implementing CONSOB Regulations including CONSOB Regulation No. 11971.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy will be made in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver any Notes or distribute copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy, except in any circumstances where an express exemption from compliance with the offer restrictions applies, as provided under the Italian Financial Act or CONSOB Regulation No. 11971.

Any such offer, sale or delivery of the Notes or distribution of copies of this this Base Prospectus or any other document relation to the Notes in the Republic of Italy must be:

- (i) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the relevant provisions of the Italian Financial Act, CONSOB Regulation No. 16190, Legislative Decree No. 385 of 1 September 1993 as amended (the “Banking Act”) and any other applicable laws or regulation;
- (ii) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy or by Italian persons outside of Italy; and
- (iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

Investors should also note that, in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies Notes which are initially offered and placed in Italy or abroad to qualified investors only but in the following year are regularly (“sistematicamente”) distributed on the secondary market in Italy to non-qualified investors become subject to the public offer and the prospectus requirement rules provided under the Italian Financial Act and CONSOB Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the Notes for any damages suffered by such-non qualified investors

TRANSFER RESTRICTIONS

The Notes are being sold in the United States only to qualified institutional buyers within the meaning of and in reliance on Rule 144A. Because of the following restrictions, purchasers of Notes sold in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

The Issuer is a foreign government as defined in Rule 405 under the Securities Act and is eligible to register securities on Schedule B of the Securities Act. Therefore the Issuer is not subject to the information provision requirements of Rule 144A(d)(4)(i) under the Securities Act.

Regulation S Notes

Each purchaser of Bearer Notes or Unrestricted Registered Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Base Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

- (a) Within the meaning of Regulation S, it is, or at the time Notes are purchased will be, the beneficial owner of such Notes, it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S).
- (b) it understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period (as defined in Regulation S), it will not offer, sell, pledge or otherwise transfer such Notes except:
 - (i) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; or
 - (ii) to the Issuer or any affiliate thereof; or
 - (iii) in the case of Unrestricted Registered Notes only, in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB; or
 - (iv) pursuant to an effective registration statement under the Securities Act,in each case in accordance with any applicable securities laws of any State of the United States; and
- (c) it understands that the Issuer, the Agents, the Arrangers, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify the Issuer and the Dealer(s).

On or prior to the fortieth day after the relevant issue date, Notes represented by an interest in an Unrestricted Global Certificate may be transferred to a person who wishes to hold such Notes in the form of an interest in a Restricted Global Certificate only upon receipt by the relevant Registrar of a written certification from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. After such fortieth day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Global Certificate, as described above under “*Form of the Notes*”.

Notes represented by an interest in a Restricted Global Certificate may also be transferred to a person who wishes to hold such Notes in the form of an interest in an Unrestricted Global Certificate, but only upon receipt by the relevant Registrar of a written certification from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any interest in a Note represented by an Unrestricted Global Certificate that is transferred to a person who takes delivery in the form of an interest in a Note represented by a Restricted Global Certificate will, upon transfer, cease to be an interest in a Note represented by an Unrestricted Global Certificate and become an interest in a Note represented by a Restricted Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Notes represented by a Restricted Global Certificate.

Rule 144A Notes

Each prospective purchaser of Notes in reliance on Rule 144A (a “**144A Offeree**”), by accepting delivery of this Base Prospectus, will be deemed to have represented, agreed and acknowledged as follows:

- (i) such 144A Offeree acknowledges that this Base Prospectus is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes. Distribution of this Base Prospectus, or disclosure of any of its contents to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is unauthorized, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.
- (ii) such 144A Offeree agrees to make no photocopies of this Base Prospectus or any documents referred to herein.

Each purchaser of Restricted Registered Notes in reliance on Rule 144A, by accepting delivery of this Base Prospectus, will be deemed to have represented, agreed and acknowledged as follows (terms used in the following paragraphs that are defined in Rule 144A have the respective meanings given to them in Rule 144A):

- (i) the purchaser is (a) a QIB, (b) acquiring the Notes for its own account or for the account of one or more QIBs, (c) not formed for the purpose of investing in the Notes or the Issuer and (d) is aware, and each beneficial owner of such Notes has been advised that the sale of the Notes to it is being made in reliance on Rule 144A;
- (ii) the purchaser understands that (1) the Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (d) pursuant to an effective registration statement under the Securities Act or (e) to the Issuer or any of their respective affiliates, in each case in accordance with any applicable securities laws of any State of the United States; and (2) it will, and each subsequent holder of the Restricted Registered Notes is required to, notify any purchaser of the Restricted Registered Notes from it of the resale restrictions applicable to the Restricted Registered Notes;
- (iii) the purchaser understands that the Restricted Global Certificate and any restricted Individual Note Certificate (a “**Restricted Individual Note Certificate**”) will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, REPRESENTS THAT IT IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”)) PURCHASING THIS SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS, AND, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES

REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATIONS UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (4) TO THE ISSUER OR ITS AFFILIATES, OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND ANY OTHER JURISDICTION, AND AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND;

- (iv) if it is acquiring any Notes for the account of one or more QIBs, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
- (v) the purchaser understands that the Issuer, the Agents, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify the Issuer and the Dealer(s).

Upon the transfer, exchange or replacement of a Restricted Global Certificate or a Restricted Individual Note Certificate, or upon specific request for removal of the legend, the Issuer will deliver only a Restricted Global Certificate or one or more Restricted Individual Note Certificates that bear such legend or will refuse to remove such legend, unless there is delivered to the Issuer and the relevant Registrar such satisfactory evidence (which may include a legal opinion) as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Any interest in a Restricted Global Certificate that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Certificate will, upon transfer, cease to be an interest in a Restricted Global Certificate and become an interest in an Unrestricted Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in an Unrestricted Global Certificate. Prospective purchasers that are QIBs are hereby notified that sellers of the Restricted Registered Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

CLEARING AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear and/or Clearstream (together, the “Clearing Systems”) currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing Systems. Neither the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuers nor any Agent or Dealer takes any responsibility for the accuracy thereof. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

DTC Book-Entry System

Registered Notes whether as part of the initial distribution of the Notes or in the secondary market, are eligible to be held in book-entry form in DTC.

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a “banking organisation” within the meaning of the New York Banking Law, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (“**Participants**”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants (“**Direct Participants**”) include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “**DTC Rules**”), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (“**DTC Notes**”) as described below, and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the U.S. Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (“**Owners**”) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest with respect to the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each actual purchaser of each DTC Note (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not

receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, DTC will exchange the DTC Notes for Individual Note Certificates, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Restricted Global Note Certificate, will be legended as set forth under "*Transfer Restrictions*".

Book-entry Ownership of and Payments in respect of DTC Notes

The Issuer may apply to DTC in order to have each Tranche of Notes represented by the Restricted Global Certificate, and if applicable, the Unrestricted Global Certificate, accepted in its book-entry settlement system. Upon the issue of any Global Registered Notes, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Global Registered Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer.

Ownership of beneficial interests in a Global Registered Note will be limited to Direct Participants or Indirect Participants. Ownership of beneficial interests in a Global Registered Note will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Global Registered Note registered in the name of DTC's nominee will be made to the order of such nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the relevant Paying

Agent on behalf of DTC's nominee and the relevant Paying Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Global Registered Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Paying Agents, the Registrars or the Issuer. Payments of principal, premium, if any, and interest, if any, on Notes to DTC are the responsibility of the Issuer.

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system. Investors may hold their interests in Global Certificates directly through Euroclear or Clearstream if they are accountholders or indirectly through organisation which are accountholders therein.

Transfers of Notes Represented by Global Registered Notes

Transfers of any interests in Notes represented by a Global Registered Note will be effected in accordance with the customary rules and operating procedures of Euroclear, Clearstream and/or DTC, as the case may be. The laws of some states within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Global Registered Note to such persons may depend upon the ability to exchange such Notes for Individual Note Certificates. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Global Registered Note held by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or to otherwise take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Global Registered Note held by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Transfers at any time by a holder of a book-entry interest in a Restricted Global Certificate to a transferee who takes delivery of such book-entry interest through an Unrestricted Global Certificate for the same Series of Notes will only be made upon delivery to the relevant Registrar of a certificate setting forth compliance with the provisions of Regulation S. Prior to the expiration of the distribution compliance period (as defined in Regulation S), ownership of book-entry interests in an Unrestricted Global Certificate will be limited to persons that have accounts with Euroclear, Clearstream and/or DTC, as the case may be, or persons who hold such book-entry interest through Euroclear, Clearstream and/or DTC, as the case may be, and any sale or transfer of such book-entry interest to a US person (within the meaning of Regulation S) shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A. Transfers at any time by a holder of a book-entry interest in an Unrestricted Global Certificate to a transferee who takes

delivery of such book-entry interest through a Restricted Global Note Certificate for the same Series of Notes will only be made upon receipt by the relevant Registrar or the relevant Transfer Agent of a written certificate from the transferor of such book-entry interest to the effect that such transfer is being made to a person whom such transferor, and any person acting on its behalf, reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Transfer Restrictions*” and in accordance with any applicable securities laws of any state of the United States.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under “*Transfer Restrictions*”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrars, and/or the Paying Agents, as the case may be, and any custodian with whom the relevant Global Registered Notes have been deposited.

On or after the relevant issue date for any Series, transfers of Notes of such Series between accountholders in Euroclear or Clearstream and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in DTC and Euroclear or Clearstream participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear or Clearstream on the other, transfers of interests in the relevant Global Registered Notes will be effected through the relevant Registrar and/or the relevant Transfer Agent, as the case may be, and the custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payments must be made separately.

Euroclear, Clearstream and DTC have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Global Registered Notes among participants and accountholders of Euroclear, Clearstream and DTC. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer(s) will be responsible for any performance by Euroclear, Clearstream and DTC or its respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Global Registered Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

GENERAL INFORMATION

Authorisation

The establishment of the Programme by the Issuer was authorised by a resolution of the Council of Ministers of the Kingdom of Saudi Arabia on 2 May 2016.

Approval, Listing and Admission to Trading of Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the regulated market of the Irish Stock Exchange will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche.

Application has been made to the Irish Stock Exchange for Notes issued under the Programme to be admitted to the Official List and admitted to trading on the regulated market of the Irish Stock Exchange. The approval of the Programme in respect of Notes is expected to be granted on or around 22 September 2017. Unlisted Notes may be issued pursuant to the Programme. Any unlisted notes will not constitute Final Terms for the purposes of Article 5.4 of the Prospectus Directive.

Listing Agent

Matheson is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on its regulated market.

Litigation

The Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Base Prospectus which may have or have had in such period a significant effect on the Issuer's financial position or which are material in the context of the issue of the Notes.

Significant Change

Since 31 December 2016, there has been no significant adverse change in the information set out under the following headings in this Base Prospectus: "*The Economy of Saudi Arabia*", "*Monetary and Financial System*", "*Public Finance*" and "*Balance of Payments and Foreign Trade*".

Documents on Display

Copies of the following documents in electronic form may be inspected during normal business hours at the specified offices of the Fiscal Agent for a period of 12 months from the date of this Base Prospectus:

- (a) the press release relating to the budget for the current fiscal year;
- (b) the Agency Agreement;
- (c) the Deed of Covenant; and
- (d) the Base Prospectus and any future supplements and any Final Terms to this Base Prospectus (save that Final Terms relating to an unlisted Note will only be available for inspection by a Holder of such Note and such Holder must produce evidence satisfactory to the Fiscal Agent as to the identity of such Holder).

Clearing Systems

It is expected that the Notes will be accepted for clearance through Euroclear and Clearstream (which are the entities in charge of keeping the records) and/or DTC. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream will be specified in the Final Terms. In addition, the Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP number for each Tranche of such Registered Notes, together with the relevant ISIN and (if applicable) common code, will be specified in the Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream is Clearstream Banking, S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer in the ordinary course of business for which they may receive fees. They have received, or may in the future receive, customary fees and commission for these transactions. Certain of the Dealers or their respective affiliates are also lenders under the U.S.\$10 billion term loan facility entered into by the Issuer in May 2016. The Issuer may also apply all or part of the proceeds of any of Notes issued under the Programme in repayment of all or part of any credit facilities that may have been, or may in the future be, extended to the Issuer by the Dealers or their affiliates.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its agencies. Certain of the Dealers or their affiliates have a lending relationship with the Issuer, and of those that do, they may hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Tax legend for Bearer Notes

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Bearer Notes in global form, the Bearer Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the U.S. Internal Revenue Code of 1986, as amended.”

ISSUER

The Kingdom of Saudi Arabia
acting through the Ministry of Finance
King Abdulaziz Road
Riyadh 11177
Kingdom of Saudi Arabia

ARRANGERS AND DEALERS

Goldman Sachs International

Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

J.P. Morgan Securities plc

25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

DEALERS

Bank of China Limited, London Branch

1 Lothbury
London EC2R 7DB
United Kingdom

BNP Paribas

10 Harewood Avenue
London NW1 6AA
United Kingdom

Citigroup Global Markets Limited

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

GIB Capital (A Single Shareholder Company)

Low Rise Building 1
Granada Business & Residential Park
Eastern Ring Road
P. O. Box 89589, Riyadh 11692
Kingdom of Saudi Arabia

ICBC International Securities Limited

37/F, ICBC Tower
3 Garden Road
Central
Hong Kong

Mizuho International plc

Mizuho House
30 Old Bailey
London EC4M 7AU
United Kingdom

Morgan Stanley & Co. International plc

25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

MUFG Securities EMEA plc

Ropemaker Place
25 Ropemaker Street
London EC2Y 9AJ
United Kingdom

SMBC Nikko Capital Markets Limited

One New Change
London EC4M 9AF
United Kingdom

**FISCAL AGENT, REG S REGISTRAR AND
REG S TRANSFER AGENT**

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

**RULE 144A PAYING AGENT,
RULE 144A REGISTRAR AND
RULE 144A TRANSFER AGENT**

HSBC Bank USA, National Association
452 Fifth Avenue
8E6, New York
NY 10018
United States of America

LEGAL ADVISERS
to the Kingdom of Saudi Arabia

as to English and United States law

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Dubai, United Arab Emirates

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99 Bishopsgate
London EC2M 3XF
United Kingdom

Latham & Watkins LLP
555 11th St NW #1000
Washington, DC 20004
United States of America

as to Saudi law

**Law Office of Salman Al-Sudairi in association
with Latham & Watkins**
7th Floor, Tower 1, Al-Tatweer Towers
King Fahad Highway
P.O. Box 17411
Riyadh 11484
Kingdom of Saudi Arabia

LEGAL ADVISERS
to the Agents, Arranger and Dealers

as to English and United States law

White & Case LLP
Level 6, Burj Daman
Dubai International Financial Centre
P.O. Box 9705
Dubai, United Arab Emirates

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

as to Saudi law

**White & Case LLP in association with
the Law Firm of Al Salloum and Al Toami**
The Business Gate Building
No. 26 Zone C
Airport Road
Kingdom of Saudi Arabia

IRISH LISTING AGENT

Matheson
70 Sir John Rogerson's Quay
Dublin
Ireland

وزارة المالية
Ministry of Finance



IMPORTANT NOTICE

This Offering is available only to investors who are either (1) QIBs (as defined below) or (2) non-U.S. Persons (as defined below) located outside the United States.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the base prospectus attached to this electronic transmission (the “**Base Prospectus**”) and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Base Prospectus. In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Kingdom of Saudi Arabia (the “**Issuer**”) as a result of such access.

Confirmation of Your Representation: In order to be eligible and by accessing the Base Prospectus, you are deemed to have agreed with Goldman Sachs International, HSBC Bank plc and J.P. Morgan Securities plc (together, the “**Arrangers**”) and Bank of China Limited, London Branch, BNP Paribas, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, GIB Capital (A Single Shareholder Company), ICBC International Securities Limited, Mizuho International plc, Morgan Stanley & Co. International plc, MUFG Securities EMEA plc and SMBC Nikko Capital Markets Limited (together with the Arrangers, the “**Dealers**”) and the Issuer that (i) you have understood and agreed to the terms set out herein, (ii) you and any customer you represent are either (a) not a U.S. person (within the meaning of Regulation S of the United States Securities Act 1933, as amended (the “**Securities Act**”), and are not acting for the account or benefit of any U.S. person, and that the electronic mail address you have given to us is not located in the United States, its territories and possessions, or (b) a person that is a “**Qualified Institutional Buyer**” within the meaning of Rule 144A under the Securities Act (a “**QIB**”), (iii) either you and any customer you represent are QIBs or are outside the United States and you are purchasing the securities being offered in an offshore transaction (within the meaning of Regulation S of the Securities Act), (iv) you consent to delivery by electronic transmission, (v) you will not transmit the Base Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Arrangers and the Dealers, and (vi) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the Notes.

You are reminded that the Base Prospectus has been delivered to you on the basis that you are a person into whose possession the Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Base Prospectus, electronically or otherwise, to any other person and in particular to any U.S. person or to any U.S. address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable securities laws of other jurisdictions.

RESTRICTIONS: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”)) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE BASE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED, AND WILL NOT BE ABLE, TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

Under no circumstances shall the Base Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Base Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of the Base Prospectus is only being made to those persons who are investment professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Financial Promotion Order**”) or falling within any of the categories of persons described in Article 49 of the Financial Promotion Order, or to other persons to whom the Base Prospectus may otherwise be distributed without contravention of the Financial Promotion Order. This communication is being directed only at persons having professional experience in matters relating to investments and any investment or investment activity to which this communication relates will be engaged in only with such persons. No other person should rely on it.

The Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither any of the Arrangers nor any of the Dealers, any person who controls any of the Arrangers or the Dealers, the Issuer, any director, officer, employee or agent of or public official representing any of them, or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from any of the Arrangers or any of the Dealers.

If you received the Base Prospectus by e-mail, you should not reply by e-mail to this communication. Any reply e-mail communications, including those you generate by using the “Reply” function on your email software, will be ignored or rejected. If you receive the Base Prospectus by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Arrangers, the Dealers or any of their respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Arrangers, the Dealers or such respective affiliate(s) on behalf of the Issuer in such jurisdiction.

Recipients of the Base Prospectus who intend to subscribe for or purchase the Notes are reminded that any subscription or purchase may only be made on the basis of the information contained in the Base Prospectus.

The distribution of the Base Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the Base Prospectus comes are required by the Arrangers, the Dealers and the Issuer to inform themselves about, and to observe, any such restrictions.