

BASE PROSPECTUS



SABB Sukuk Limited

(an exempted company incorporated with limited liability in the Cayman Islands)

U.S.\$2,000,000,000

Trust Certificate Issuance Programme

Under the U.S.\$2,000,000,000 trust certificate issuance programme (the “Programme”) described in this base prospectus (this “Base Prospectus”), SABB Sukuk Limited (in its capacities as issuer and trustee, the “Trustee”), subject to compliance with all applicable laws, regulations and directives, may from time to time issue trust certificates (the “Certificates”) denominated in any currency agreed between the Trustee and the relevant Dealer (as defined below). Certificates may be senior and unsubordinated (the “Senior Certificates”) or subordinated, and, on issue, constitute Tier 2 Capital (as defined in the terms and conditions of the Certificates (the “Conditions”)) (“Subordinated Certificates”) as specified in the applicable Final Terms (as defined below).

Certificates may only be issued in registered form. The maximum aggregate face amount of all Certificates from time to time outstanding under the Programme will not exceed U.S.\$2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

Each Series (as defined herein) of Certificates issued under the Programme will be constituted by: (i) a master trust deed (the “Master Trust Deed”) dated 8 August 2017 entered into between the Trustee, The Saudi British Bank (“SABB”) or the “Bank”) and HSBC Corporate Trustee Company (UK) Limited as delegate of the Trustee (the “Delegate”, which expression shall include any co-Delegate or any successor); and (ii) a supplemental trust deed (the “Supplemental Trust Deed” and, together with the Master Trust Deed, each a “Trust Deed”) in relation to the relevant Series. Certificates of each Series confer on the holders of the Certificates from time to time (the “Certificateholders”) the right to receive certain payments (as more particularly described herein), which in the case of the Subordinated Certificates, will be subject to the provisions of Condition 4.2 (*Status of Subordinated Certificates*) and Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*), arising from a *pro rata* interest in the assets of a trust declared by the Trustee in relation to the relevant Series (the “Trust”) over the Trust Assets (as defined below) which will include, *inter alia*, (i) the relevant Mudaraba Assets and Murabaha Assets (each as defined herein); and (ii) the Transaction Documents (as defined herein).

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

The Certificates will be limited recourse obligations of the Trustee. An investment in Certificates issued under the Programme involves certain risks. For a discussion of the principal risk factors that may affect the ability of the Trustee to fulfil its obligations under the Certificates and the ability of the Bank to fulfil its obligations under the Transaction Documents, see “Risk Factors”.

This Base Prospectus has been approved by the United Kingdom Financial Conduct Authority (the “FCA”) under Part VI of the Financial Services and Markets Act 2000 (“FSMA”) as a base prospectus issued in compliance with Directive 2003/71/EC, as amended (the “Prospectus Directive”) and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of Certificates issued under the Programme described in this Base Prospectus during the period of 12 months from the date of approval of this Base Prospectus. This Base Prospectus comprises a base prospectus for the purpose of Article 5.4 of the Prospectus Directive. Applications have been made for such Certificates to be admitted during the period of 12 months from the date of approval of this Base Prospectus to listing on the Official List of the FCA (the “Official List”) and to trading on the Regulated Market of the London Stock Exchange plc (the “London Stock Exchange”). The Regulated Market of the London Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC on markets in financial instruments (the “Market”). References in this Base Prospectus to Certificates being “listed” (and all related references) shall, unless the context otherwise requires, mean that such Certificates have been admitted to the Official List and admitted to trading on the Market.

Notice of the aggregate face amount of the Certificates, periodic distribution amounts (if any) payable in respect of the Certificates and the issue price of the Certificates which are applicable to each Series will be set out in a final terms document (the “applicable Final Terms”) which, with respect to Certificates to be listed on the London Stock Exchange, will be delivered to the London Stock Exchange.

The Programme also permits Certificates 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 Trustee and the relevant Dealer(s).

References in this Base Prospectus to “PD Exempt Instruments” are to instruments for which no prospectus is required to be published under the Prospectus Directive. For the purposes of any PD Exempt Instruments issued pursuant to the Programme, this document does not constitute a base prospectus within the meaning of Article 2.1 of the Prospectus Directive and will constitute listing particulars. Information contained in this Prospectus regarding PD Exempt Instruments and any applicable Final Terms relating thereto shall not be deemed to form part of this Base Prospectus, and the UK Listing Authority has neither approved nor reviewed information contained in this Base Prospectus in connection with the offering and sale of PD Exempt Instruments or in any applicable Final Terms to which the PD Exempt Instruments are subject.

This Base Prospectus may not be distributed in the Kingdom of Saudi Arabia (“Saudi Arabia” or the “Kingdom”) 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 Certificates should conduct their own due diligence on the accuracy of the information relating to the Certificates. If a prospective purchaser does not understand the contents of this Base Prospectus he or she should consult an authorised financial adviser. The Saudi Arabian Monetary Authority (“SAMA”) does not make any representation 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. In particular, prospective purchasers of Subordinated Certificates agree and acknowledge that SAMA assumes no liability whatsoever to any purchaser of the Subordinated Certificates for any loss arising from, or incurred, as a result of, the occurrence of a Non-Viability Event. If you do not understand the contents of this Base Prospectus you should consult an authorised financial adviser. Please see “Risk Factors - The circumstances triggering a Write-down are unpredictable” and “Risk Factors - A Certificateholders’ right to receive payment of the face amount of the Subordinated Certificates and the Certificateholders’ right for any further profit may be written-down upon the occurrence of a Non-Viability Event” of this Base Prospectus.

The Trustee and SABB may agree with the Dealers that Certificates may be issued with terms and conditions not contemplated by the Conditions, in which event a supplemental Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Certificates.

The Certificates have not been nor will be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) nor with any securities regulatory authority of any state or other jurisdiction of the United States and the Certificates may not be offered or sold 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. Accordingly, Certificates may be offered or sold solely to persons who are not U.S. persons (as defined in Regulation S) outside the United States in reliance on Regulation S. Each purchaser of the Certificates is hereby notified that the offer and sale of Certificates to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

SABB has been assigned long-term ratings of “BBB+” with a stable outlook by Standard & Poor’s Credit Market Services Europe Limited (“S&P”), “A-” with a negative outlook by Fitch Ratings Limited (“Fitch”) and “A1” with a stable outlook by Moody’s Investors Service Limited (“Moody’s”). The Programme has been assigned an expected rating of “A-(Exp)” by Fitch and a preliminary rating of “BBB+” by S&P. Certificates issued under the Programme may be rated or unrated. Where a Series of Certificates is rated, such rating, and the credit rating agency issuing such rating, will be disclosed in the applicable Final Terms and will not necessarily be the same as the rating assigned to the Programme by the relevant credit rating agency. Each of Fitch, Moody’s and S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009, as amended (the “CRA Regulation”). Accordingly, each of Fitch, Moody’s and S&P 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. Moody’s Investors Service, Inc. is not established in the European Union and has not applied for registration under the CRA Regulation. The rating has been endorsed by Moody’s in accordance with the CRA Regulation. **A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

The transaction structure relating to the Certificates (as described in this Base Prospectus) has been approved by the *Shari’a* Committee of SABB and the Executive *Shari’a* Committee of HSBC Saudi Arabia Limited. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own *Shari’a* advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with *Shari’a* principles.

Arranger & Dealer



The date of this Base Prospectus is 8 August 2017.

IMPORTANT NOTICES

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

Each of SABB Sukuk Limited as issuer and SABB accepts responsibility for the information contained in this Base Prospectus and the applicable Final Terms for each Series of Certificates issued under the Base Prospectus. To the best of the knowledge of each of the Trustee and SABB (each 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.

This Base Prospectus should be read and construed together with any amendments or supplements hereto and, in relation to any Series of Certificates, should be read and construed together with the applicable Final Terms.

Copies of Final Terms will be available from the registered office of the Trustee and the specified office set out below of the Principal Paying Agent (as defined below) save that, if the relevant Certificates are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Certificateholder holding one or more Certificates and such Certificateholder must produce evidence satisfactory to the Trustee or, as the case may be, the Principal Paying Agent as to its holding of such Certificates and identity.

No person is or has been authorised by the Trustee or SABB to give any information or to make any representation not contained in or not consistent with this Base Prospectus in connection with the Programme or the issue or sale of the Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by the Trustee, SABB, any Dealer, the Delegate, the Agents (each as defined herein) or any other person. Neither the delivery of this Base Prospectus nor any sale of any Certificates shall, under any circumstances, constitute a representation or create any implication that the information contained herein is correct as of any time subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Trustee or SABB since the date hereof or 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 as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Delegate and the Dealers expressly do not undertake to review the financial condition or affairs of the Trustee or SABB at any point, including during the life of the Programme, or to advise any investor in the Certificates of any information coming to their attention.

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Trustee, SABB, the Dealers, the Delegate or the Agents to subscribe for, or purchase, any Certificates.

None of the Dealers, the Delegate or the Agents has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of them as to the accuracy, adequacy, reasonableness or completeness of the information contained in this Base Prospectus or any other information provided by the Trustee or SABB in connection with the Programme.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Certificates is (i) intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Trustee, SABB, the Dealers, the Delegate or the Agents that any recipient of this Base Prospectus should purchase any Certificates. Each investor contemplating purchasing any Certificates should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Trustee and SABB. None of the Dealers, the Trustee, the Delegate or the Agents accepts any liability in relation to the information contained in this Base Prospectus or any other information provided by the Trustee and SABB in connection with the Programme.

The Certificates of any Series may not be a suitable investment for all investors. Each potential investor in Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisors, whether it:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the relevant Certificates, the merits and risks of investing in the relevant Certificates and the information contained in this Base Prospectus or any applicable supplement;
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Certificates and the impact the relevant Certificates will have on its overall investment portfolio;
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Certificates, including where the currency of payment is different from the potential investor's currency;
- (d) understands thoroughly the terms of the relevant Certificates and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

The Certificates are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Certificates which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Certificates will perform under changing conditions, the resulting effects on the value of the Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

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) Certificates are legal investments for it; (ii) Certificates can be used as collateral for various types of borrowing or raising of finance; and (iii) other restrictions apply to its purchase or pledge of any Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules.

No comment is made or advice given by the Trustee, SABB, the Dealers, the Delegate or the Agents in respect of taxation matters relating to any Certificates or the legality of the purchase of the Certificates by an investor under any applicable law.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER, SHARI'A ADVISER AND BUSINESS ADVISER AS TO TAX, LEGAL, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF ANY CERTIFICATES.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Certificates 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 Certificates may be restricted by law in certain jurisdictions. None of the Trustee, SABB, the Dealers, the Delegate or the Agents represents that this Base Prospectus may be lawfully distributed, or that any Certificates 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 assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Trustee, SABB, the Dealers, the Delegate or the Agents which is intended to permit a public offering of any Certificates or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Certificates may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Certificates may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of

the Certificates. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Certificates in the United States, the European Economic Area (including the United Kingdom), the Cayman Islands, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, Japan, Saudi Arabia, the Kingdom of Bahrain (“**Bahrain**”), the State of Qatar (“**Qatar**”) (excluding the Qatar Financial Centre), the Qatar Financial Centre, the State of Kuwait (“**Kuwait**”), Singapore, Hong Kong and Malaysia, see “*Subscription and Sale*”.

This Base Prospectus has been prepared on the basis that any offer of Certificates in any Member State of the European Economic Area 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 Certificates. Accordingly any person making or intending to make an offer in that Relevant Member State of Certificates which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of those Certificates may only do so in circumstances in which no obligation arises for the Trustee, SABB or the Dealers 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. None of the Trustee, SABB or the Dealers have authorised, nor do they authorise, the making of any offer of Certificates in circumstances in which an obligation arises for the Trustee, SABB or the Dealers to publish or supplement a prospectus for such offer.

None of the Dealers, the Trustee, SABB or the Delegate makes any representation to any investor in the Certificates regarding the legality of its investment under any applicable laws. Any investor in the Certificates should be able to bear the economic risk of an investment in the Certificates for an indefinite period of time.

PRESENTATION OF FINANCIAL INFORMATION

Historical financial statements

The financial statements relating to SABB and its consolidated subsidiaries (together, the “**Group**”) which are included elsewhere in this Base Prospectus are as follows:

- audited consolidated financial statements of the Group as at and for the year ended 31 December 2016 (including the comparative information as at and for the year ended 31 December 2015), and the notes thereto (the “**2016 Financial Statements**”);
- audited consolidated financial statements of the Group as at and for the year ended 31 December 2015 (including the comparative information as at and for the year ended 31 December 2014), and the notes thereto (the “**2015 Financial Statements**”, and together with the 2016 Financial Statements, the “**Audited Financial Statements**”); and
- unaudited interim condensed consolidated financial statements of the Group as at and for the six month period ended 30 June 2017 (including the comparative information as at and for the six month period ended 30 June 2016), and the notes thereto (the “**2017 Unaudited Interim Financial Statements**”, and together with the Audited Financial Statements, the “**Financial Statements**”).

The financial information as at, and for the financial years ended 31 December 2016 and 2015, respectively, included in this Base Prospectus has been derived from the 2016 Financial Statements (including the comparative information as at, and for the financial year ended, 31 December 2015, contained therein). The historical financial information as at, and for the financial year ended 31 December 2014, has been derived from the comparative information as at, and for the financial year ended, 31 December 2014, contained in the 2015 Financial Statements. The financial information as at, and for the six month periods ended, 30 June 2017 and 2016, respectively, included in this Base Prospectus has been derived from the 2017 Unaudited Interim Financial Statements (including the comparative information as at, and for the six month period ended, 30 June 2016 contained therein)

The Audited Financial Statements have been prepared in accordance with the Accounting Standards for Commercial Banks promulgated by SAMA and in accordance with International Financial Reporting Standards (“**IFRS**”) and interpretation issued by the IFRS Interpretation Committee as issued by the International Accounting Standards Board (“**IASB**”) and have been jointly audited by Ernst & Young & Co. (Public Accountants) and KPMG Al Fozan & Partners Certified Public Accountants as (“**KPMG**”) without qualification. The 2017 Unaudited Interim Financial Statements have been prepared using International

Accounting Standard (IAS) 34 – Interim Financial Reporting and SAMA guidance on accounting for zakat and income tax and have been jointly reviewed by Ernst & Young and KPMG.

SABB publishes its consolidated financial statements in Saudi Riyals. SABB’s financial year ends on 31 December and references in this Base Prospectus to 2016, 2015 and 2014 are to the 12-month period ending on 31 December in each such year. The audited consolidated financial statements and the unaudited interim condensed consolidated financial statements of the Group are published on the website of the Saudi Arabian Stock Exchange (“**Tadawul**”) (www.tadawul.com.sa).

The Trustee is a special purpose company established in the Cayman Islands. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint an auditor.

Comparability of financial information

In the 2016 Financial Statements, accrued special commission receivable or payable on financial assets or financial liabilities has been shown together with the related asset or liability as required by IFRS. In the 2015 Financial Statements such amounts are recorded under “other assets” or “other liabilities”, as applicable (see also, “*Operating and Financial Review – Financial position as at 31 December 2014, 2015 and 2016 – Funding – Other liabilities*”). Certain other prior year figures included in the 2016 Financial Statements have been reclassified to conform to the presentation in the 2016 Financial Statements. Additionally, certain prior year figures included in the 2015 Financial Statements have been reclassified to conform to the presentation in the 2015 Financial Statements. See further, Note 38 to the Audited Financial Statements.

SABB’s basic and diluted earnings per share is calculated by dividing net income for the year attributable to shareholders by the weighted average number of shares in issue. For the purposes of calculating the earnings per share for 2014, the weighted average number of shares was retrospectively adjusted to reflect the issuance by SABB during 2015 of 500 million bonus shares with a nominal value of SAR 10 each, thereby increasing SABB’s share capital from SAR 10.0 billion to SAR 15.0 billion.

Non-IFRS measures

This Base Prospectus includes certain references to non-IFRS financial measures such as SABB’s “return on average assets”, “return on average equity”, “cost to income ratio”, “net interest margin”, “net profit margin”, “cost of credit”, “loan loss coverage ratio”, “advances to deposits ratio” and “leverage ratio”, which SABB considers constitute Alternative Performance Measures, as defined in the European Securities and Markets Authority Guidelines (“**ESMA Guidelines**”) on Alternative Performance Measures. SABB uses these non-IFRS financial measures to evaluate performance, and this additional financial information is presented in this Base Prospectus (see “*Summary of Financial Information – Key Financial Ratios*” and the table below). This information is not presented in accordance with IFRS and should be viewed as supplemental to the Financial Statements. Investors are cautioned not to place undue reliance on this information and should note that the non-IFRS financial measures listed above, as calculated by SABB, may differ materially from similarly titled financial measures reported by other companies, including SABB’s competitors.

APM	Definition of APM	Method of Calculations
Return on average assets	Return on average assets is a measure of financial performance which expresses the profitability of income producing assets.	Net income divided by average total assets (calculated as the sum of total assets at the beginning of the year and total assets at the end of the year divided by two).
Return on average equity	Return on average equity is an adjusted version of return on equity (“ROE”), which measures profitability by revealing profit generated from the money shareholders have invested and where the denominator is average shareholders' equity.	Net income divided by average shareholders' equity (calculated as the sum of total shareholders' equity at the beginning of the year and total shareholders' equity at the end of the year divided by two).

Cost to income ratio	Cost to income ratio is a measure of efficiency which demonstrates how costs are changing compared to income.	Total operating expenses (excluding net provision for credit losses and reversal of impairment of other financial assets) divided by total operating income.
Net interest margin	Net interest margin is a financial performance metric that measures net special commission income against average earning assets.	Net special commission income divided by average interest earning assets (calculated as the sum of due from banks and other financial institutions, net investments and net loans and advances at the beginning of the year and at the end of the year divided by two).
Net profit margin	Net profit margin is the ratio of net profits to revenues and shows how much of each monetary unit of revenues translates into profit.	Net income divided by total operating income.
Cost of Credit	Cost of credit is a financial measure that compares the loan loss provision against the loan portfolio.	Net provisions for credit losses for the period divided by average gross loans (calculated as the sum of gross loans and advances at the beginning of the year and at the end of the year divided by two).
Loan loss coverage ratio	Loan loss coverage ratio is a financial measure which is used to determine how well a bank has prepared for losses on its loan portfolio.	Net provision for credit losses divided by non-performing loans.
Advances to deposits ratio	Advances to deposits ratio is a financial measure for assessing a bank's liquidity by dividing loans and advances by deposits.	Net loans and advances divided by the sum of customers' deposits, debt securities in issue and borrowings.
Leverage ratio	Leverage ratio is a financial measure showing the proportion of debt that a bank has compared to its total shareholders' equity.	Long term debt (consisting of the sum of debt securities in issue and borrowings) divided by total shareholders' equity.

PRESENTATION OF OTHER INFORMATION

Certain defined terms

In this Base Prospectus, references to:

- “**Group**” are to SABB and its consolidated subsidiaries and associates taken as a whole;
- “**Saudi Arabia**” and the “**Kingdom**” are to the Kingdom of Saudi Arabia;
- the “**GCC**” are to the Cooperation Council for the Arab States of the Gulf;
- the “**MENA region**” are to the Middle East and North Africa region;
- references to a “**Member State**” are references to a Member State of the European Economic Area;
- “**U.S.\$**” or “**U.S. dollars**” are to the lawful currency of the United States;
- “**euro**” and “**€**” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union;

- “SAR”, “Saudi Riyal” and “Riyal” are to the lawful currency of Saudi Arabia; and
- references to a “billion” are to a thousand million.

Certain conventions

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.

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.

Dates are referred to in accordance with the Hijri (H) and the Gregorian calendar.

Certain publicly available information

Certain information under the headings “*Risk Factors*”, “*Operating and Financial Review*”, “*Description of SABB*”, “*Overview of the Kingdom of Saudi Arabia*”, “*The Banking Sector in the Kingdom of Saudi Arabia*” and “*Banking Regulation and Supervision in the Kingdom of Saudi Arabia*” has been extracted from publicly available information and, in each case, the relevant source of such information is specified where it appears under those headings. None of the Dealers, the Trustee or SABB accepts responsibility for the factual correctness of any such statistics or information but both the Trustee and SABB accept responsibility for accurately reproducing such statistics and, so far as the Trustee and SABB are aware and have been able to ascertain from such statistics, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Statistical information relating to Saudi Arabia included in this Base Prospectus has been derived from official public sources. All such statistical information may differ from that stated in other sources for a variety of reasons, including the use of different definitions and cut-off times. This data may subsequently be revised as new data becomes available and any such revised data will not be circulated by SABB to investors who have purchased any Certificates.

Where information has not been independently sourced, it is SABB’s own information.

No incorporation of website information

SABB’s website is <http://www.sabb.com>. The information on this website or any other website mentioned in this Base Prospectus or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Base Prospectus, and investors should not rely on it.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Base Prospectus may be deemed to be “forward-looking statements”. Forward-looking statements include statements concerning SABB’s plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. When used in this Base Prospectus, the words “anticipates”, “estimates”, “expects”, “believes”, “intends”, “plans”, “aims”, “seeks”, “may”, “will”, “should” and any similar expressions generally identify forward-looking statements. These forward-looking statements are contained in the sections entitled “*Risk Factors*”, “*Operating and Financial Review*” and “*Description of SABB*” and other sections of this Base Prospectus. SABB has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although SABB believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise, including those identified below or which SABB has otherwise identified in this Base Prospectus, or if any of SABB’s underlying assumptions prove to be incomplete or inaccurate, SABB’s actual results of operation may vary from those expected, estimated or predicted. Investors are therefore strongly advised to read the sections “*Operating and Financial Review*”, “*Description of SABB*”, “*Risk Factors*”, “*The Banking Sector in the Kingdom of Saudi Arabia*” and the “*Banking Regulation and Supervision in the Kingdom of Saudi Arabia*”, which include a more detailed description of the factors that might have an impact on SABB’s business development and on the industry sector in which SABB operates.

The risks and uncertainties referred to above include:

- macro-economic and financial market conditions generally and in particular the current economic challenges driven by ongoing volatility in international oil prices and challenging conditions in the international debt and equity capital markets;
- SABB's ability to successfully manage the growth of its business;
- credit risks, including the impact of a higher level of credit defaults arising from the economic conditions and the impact of provisions and impairments and concentrations in SABB's asset book;
- liquidity risks, including the inability of SABB to meet its contractual and contingent cash flow obligations or the inability to fund its operations;
- changes in profit rates and other market conditions, including changes in SIBOR spreads and net profit margins;
- economic and political conditions in the Kingdom and the impact of worldwide economic and political conditions on the Kingdom;
- the ability of SABB to realise the benefits it expects from the existing and future projects and investments it is undertaking or plans to or may undertake;
- changes in the political, legal or economic conditions in the markets in which SABB operates; and
- actions taken by SABB's single largest shareholder, HSBC Holdings B.V., that may not be in accordance with SABB's policies and objectives.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*".

These forward-looking statements speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws and regulations, SABB 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 forward-looking statement is based.

NOTICE TO RESIDENTS OF THE UK

Any Certificates to be issued under the Programme which do not constitute "alternative finance investment bonds" within the meaning of Article 77A of the Financial Services and Markets Act 2000 (the "FSMA") as amended by the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010 ("Non-Regulatory AFIBs") will represent interests in a collective investment scheme (as defined in the FSMA) which has not been authorised, recognised or otherwise approved by the United Kingdom Financial Conduct Authority. Accordingly, this Base Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The distribution in the United Kingdom of this Base Prospectus, any Final Terms and any other marketing materials relating to the Certificates: (A) if effected by a person who is not an authorised person under the FSMA, 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 (the "Financial Promotion Order"); (ii) persons falling within any of the categories of persons described in Article 49 (High net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (B) if the Certificates are Non-Regulatory AFIBs and the distribution is effected by a person who is an authorised person under the FSMA, is being addressed to, or directed at, only the following persons: (i) persons falling within one of the categories of Investment Professional as set out in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the "Promotion of CISs Order"); (ii) persons falling within any of the categories of person described in Article 22 (High net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the

Promotion of CISs Order. Persons of any other description in the United Kingdom may not receive and should not act or rely on this Base Prospectus, any Final Terms or any other marketing materials in relation to any Certificates.

Potential investors in the United Kingdom in any Certificates which are Non-Regulatory AFIBs are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in such Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

Any individual intending to invest in any investment described in this Base Prospectus should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

No invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for any Certificates and this Base Prospectus shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for any Certificates.

NOTICE TO RESIDENTS OF BAHRAIN

In relation to investors in Bahrain, Certificates issued in connection with this Base Prospectus and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain (the “CBB”) in Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in other currency or such other amount as the CBB may determine.

This Base Prospectus does not constitute an offer of securities 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 related offering documents have not been and will not be registered as a prospectus with the CBB. 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 Bahrain, other than to accredited investors for an offer outside Bahrain.

The CBB has not reviewed, approved or registered this Base Prospectus or related offering documents and it has not in any way considered the merits of the Certificates to be offered for investment, whether in or outside Bahrain. Therefore, the CBB 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 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 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 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 Certificates should conduct their own due diligence on the accuracy of the information relating to the Certificates. 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 STATE OF QATAR

The Certificates will not be offered, sold or delivered, at any time, directly or indirectly, in Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Base Prospectus has not been and will not be reviewed or approved by or registered with the Qatar Central Bank, the Qatar Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority in accordance with their

regulations or any other regulations in Qatar. The Certificates are not and will not be traded on the Qatar Exchange.

NOTICE TO RESIDENTS OF KUWAIT

All necessary approvals from the Kuwait Capital Markets Authority (the “CMA”) and the Central Bank of Kuwait pursuant to Law No. 7 of 2010, its Executive Regulations (as amended) and the various Resolutions, Instructions and Announcements issued pursuant thereto, or in connection therewith (“CMA Legislation”), have been obtained in relation to the issue, offer, marketing of, and sale of, the Certificates in the State of Kuwait. The Base Prospectus has been prepared in accordance with CMA Legislation and has been approved by the CMA. With regard to the contents of the Base Prospectus, it is recommended that before making any investment decision prospective investors consult a party licensed by the CMA, pursuant to CMA Legislation, to provide advice about any investment in the Certificates.

NOTICE TO RESIDENTS OF MALAYSIA

The Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase the Certificates in Malaysia may be made, directly or indirectly, and this Base Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories set out in Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia.

The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee or SABB and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Base Prospectus.

STABILISATION

IN CONNECTION WITH THE ISSUE OF ANY SERIES, THE DEALER OR DEALERS (IF ANY) NAMED AS STABILISATION MANAGER(S) (OR ANY PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN THE APPLICABLE FINAL TERMS MAY OVER-ALLOT CERTIFICATES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION ACTION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT SERIES OF CERTIFICATES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE CERTIFICATES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE CERTIFICATES. ANY STABILISATION ACTION SHALL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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RISK FACTORS

The purchase of any Certificates may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Certificates. Before making an investment decision, prospective purchasers of Certificates should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information in this Base Prospectus.

Each of the Trustee and SABB believes that the factors described below represent the principal risks inherent in investing in Certificates, but the inability of the Trustee to pay any amounts on or in connection with any Certificate may occur for other reasons and none of the Trustee or SABB represents that the statements below regarding the risks of holding any Certificate are exhaustive. There may also be other considerations, including some which may not be presently known to the Trustee or SABB or which the Trustee or SABB currently deems immaterial, that may impact any investment in Certificates.

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. Words and expressions defined in “Structure Diagram and Cashflows”, “Form of the Certificates” and “Terms and Conditions of the Certificates” shall have the same meanings in this section.

FACTORS THAT MAY AFFECT THE TRUSTEE’S ABILITY TO FULFIL ITS OBLIGATIONS UNDER CERTIFICATES ISSUED UNDER THE PROGRAMME

The Trustee has no operating history and no material assets and will depend on receipt of payments from SABB to make payments to Certificateholders

The Trustee was incorporated under the laws of the Cayman Islands on 12 August 2015 as an exempted company with limited liability and has no operating history. The Trustee has not engaged, and will not engage, in any business activity other than the issuance of Certificates under the Programme, the acquisition of the Trust Assets as described herein, acting in the capacity as Trustee, the issuance of shares in its capital and other activities incidental or related to the foregoing as required under the Transaction Documents.

The Trustee’s only material assets, which will be held on trust for Certificateholders, will be the Trust Assets relating to each Series of Certificates, including its right to receive payments under the relevant Transaction Documents. The ability of the Trustee to pay amounts due on the Certificates of each Series will primarily be dependent upon receipt by the Trustee of all amounts due from SABB under the relevant Transaction Documents. Therefore the Trustee is subject to all the risks to which SABB is subject to the extent that such risks could limit SABB’s ability to satisfy in full and on a timely basis their respective obligations under the Transaction Documents to which they are a party.

The ability of the Trustee to pay amounts due on Certificates is dependent upon receipt by the Trustee from SABB of amounts to be paid pursuant to the relevant Transaction Documents, which may not be sufficient to meet all claims under the Certificates and the relevant Transaction Documents. See “—Risks relating to SABB and its ability to fulfil its obligations under the Transaction Documents”.

RISKS RELATING TO SABB AND ITS ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE TRANSACTION DOCUMENTS

SABB’s operations and the majority of its assets are located in Saudi Arabia and, accordingly, SABB is exposed to the financial, political and general economic conditions in Saudi Arabia

SABB’s operations and the majority of its assets are located in Saudi Arabia and, accordingly, its business may be affected by the financial, political and general economic conditions prevailing from time to time in Saudi Arabia and/or the Middle East generally as well as global economic conditions that affect the economy of Saudi Arabia. Despite growth in other economic sectors, Saudi Arabia’s economy is still dependent on oil revenues and the price of oil and gas on the world markets. Traditionally, the oil industry has been the basis of development of Saudi Arabia’s economy, which means that economic planning and development has been, and will continue to be, impacted by fluctuations in oil prices. According to the website of the Organisation of Petroleum Exporting Countries (“OPEC”), the price of the OPEC Reference Basket has fluctuated significantly in the last number of years, having a year-end figure in 2011 of U.S.\$107.46 per barrel, a year-end figure in 2012 of U.S.\$109.45 per barrel, a year-end figure in 2013 of U.S.\$105.87 per barrel, a year-end figure in 2014

of U.S.\$96.29 per barrel, a year-end figure in 2015 of U.S.\$49.49 per barrel and a year-end figure in 2016 of U.S.\$51.67 per barrel. During 2016, the minimum monthly average crude oil price was U.S.\$26.50 per barrel in January 2016 while the maximum monthly average crude oil price was U.S.\$51.67 per barrel in December 2016 (representing an increase of 94.98 per cent. between January 2016 and December 2016). The monthly average crude oil price stood at U.S.\$46.93 per barrel in July 2017.

The prevailing low international prices for hydrocarbon products have had a significant effect on the economy of Saudi Arabia as well as other Gulf Cooperation Council (“GCC”) countries that are dependent on oil revenue, resulting in reduced fiscal budgets and public spending plans for 2017, together with increased budgetary deficits across the GCC (the Ministry of Finance has projected a state budget deficit in Saudi Arabia for 2017 of approximately SAR 198 billion). International crude oil prices remain volatile and are expected to continue to fluctuate in the future in response to changes in many factors over which SABB has no control. If the prevailing low oil prices are sustained for a significant period of time, this could have a significant effect on Saudi Arabia’s economy, and the banking sector in particular, which could in turn have a significant effect on SABB’s business, financial condition, results of operations and prospects.

While Saudi Arabia is seen as a relatively stable political environment, certain other jurisdictions in the Middle East are not and there is a risk that regional geopolitical instability could impact Saudi Arabia. Instability in the Middle East may result from a number of factors, including government or military regime change, civil unrest or terrorism. In particular, since early 2011, there has been political unrest in a range of countries in the Middle East and North Africa (“MENA”) region. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict (including the civil war in Yemen that begun in 2015 and the multinational conflict with Islamic State) and the overthrow of existing leadership and has given rise to increased political uncertainty across the region. These situations have caused disruption to the economies of affected countries and have had a destabilising effect on international oil and gas prices. Though the effects of the uncertainty have been varied, it is not possible to predict the occurrence of events or circumstances such as war or hostilities, or the impact of such occurrences, and no assurance can be given that Saudi Arabia would be able to sustain its current economic growth levels if adverse political events or circumstances were to occur. Continued instability affecting certain countries in the MENA region could adversely impact Saudi Arabia although to date there has been no significant impact on Saudi Arabia.

Further, since the political, economic and legal environments in Saudi Arabia remain subject to continuous development, investors face uncertainty as to the security of their investments. SABB’s operations in Saudi Arabia are exposed to risks common to all regions that have recently undergone, or are undergoing, political, economic and social change, including changes relating to an evolving regulatory environment, inflation, changes in disposable income or gross national product, variations in commission rates, levels of economic growth and other similar factors. Many of these factors are entirely beyond SABB’s control.

A general downturn or sustained deterioration in the economy of Saudi Arabia, instability in certain sectors of Saudi Arabia’s economy, any negative change in one or more macroeconomic factors (such as exchange rates, wage levels, unemployment, foreign investment and international trade) or any major political upheaval, war or hostilities could have a material adverse effect on SABB’s business, results of operations, financial condition or prospects. Additionally, adverse social, economic or political developments in neighbouring countries or other countries in the MENA region may also have a material adverse effect on SABB’s business, financial condition, results of operations and prospects.

SABB is exposed to credit risk due to its lending and financing activities and the materialisation of such risks could have a material adverse effect on SABB

Credit risk is the risk of financial loss to SABB if a customer or counterparty to a financial exposure or instrument fails to meet its contractual obligations. Credit risk arises primarily from SABB’s lending and financing activities while concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Although SABB has a credit risk management framework in place and seeks to limit its exposure to credit risk in a number of ways (see further, Note 29 to the 2016 Financial Statements), if these measures prove to be inadequate for any reason such as a deterioration in the credit quality of counterparties, general deterioration in

local or global economic conditions or systemic risks within the financial system, then this could have a material adverse effect on SABB's business, financial condition, results of operations or prospects.

Current macro-economic and financial market conditions have increased the risk of loans and financings being impaired and loan and financing losses have generally increased in the global banking sector

As at 31 December 2016, SABB's non-performing loans and advances ("NPLs") (net of accumulated special commission in suspense) represented 1.34 per cent. of its total net loans and advances (1.18 per cent. as at 31 December 2015). SABB is exposed to the risk that borrowers may not repay their loans according to their contractual terms and that the collateral securing the payment of these loans may be insufficient. SABB continuously reviews and analyses its loan portfolio and credit risks and SABB's provision for losses on loans is based on, among other things, its analysis of current and historical delinquency rates and loan management and the valuation of the underlying assets, as well as a number of other management assumptions. Factors which contribute to an increase in the amount of SABB's NPLs include growth in its loan portfolio as well as any continued or intensified slowdown in the economy of Saudi Arabia.

The prevailing unstable macroeconomic climate has prompted reduced fiscal budgets and public spending plans in Saudi Arabia and across the GCC economies, with particular concerns around the ongoing volatility of global crude oil prices, the effects of the economic slowdown in emerging markets generally, and the broader impact on global debt and equity markets (see also, "*SABB's operations and the majority of its assets are located in Saudi Arabia and, accordingly, SABB is exposed to the financial, political and general economic conditions in Saudi Arabia*" and "*Economic risks relating to Saudi Arabia's economy and its dependency on oil revenues*").

Additionally, the current instability of interest rates across global markets (including the decision of the U.S. federal reserve in December 2015 to raise interest rates for the first time since 2006, and again in December 2016) has also had an adverse impact on the macro-economic environment. Further, in the event of pressure being faced by Saudi Arabia and other regional oil producing countries to remove the foreign exchange "peg" of their domestic currencies to the U.S. dollar, this would pose systemic risks to the banking systems in the GCC (see "*De-pegging of the Saudi Riyal from the U.S. dollar or re-pegging at a different rate could have a material adverse effect on SABB*").

This current economic environment, together with the anticipated reduction in governmental spending and the likely impact on the level of economic activity in Saudi Arabia is expected to have an adverse effect on SABB's credit risk profile. SABB conducts regular stress tests of its credit portfolio under scenarios of differing severity in order to identify key vulnerabilities and to measure resultant impacts on asset quality and performance. However, these stress-testing activities do not provide assurance against impacts that may be realised through external shocks and customer defaults may nevertheless occur. The occurrence of these events and a material increase in loan losses could have a material adverse effect on SABB's business, financial condition, results of operations or prospects.

A substantial increase in impairment provisions for doubtful loans and advances or the occurrence of losses greater than the previously recorded impairment provisions would adversely affect SABB's results of operations and financial condition

In connection with lending and financing activities, SABB periodically establishes impairment allowances for loan and financing losses, which are recorded in its income statement as net provision for credit losses. SABB's overall level of impairment provisioning is based upon its assessment of prior loss experience, the volume and type of lending and financing to its customers, the amount and type of collateral held, industry standards, ageing/past due loans, economic conditions in Saudi Arabia and other factors related to the recoverability of the loans and advances in SABB's portfolio. SABB seeks to provide for an appropriate level of provision for credit losses based on management's best estimate of the amount of loss incurred, however SABB may have to significantly increase its impairment provision for credit losses in the future as a result of any increase in non-performing loans or adverse economic conditions leading to increases in customers defaults, or for other reasons.

IFRS 9 Financial Instruments ("**IFRS 9**") will, when introduced for reporting periods commencing on 1 January 2018, replace IAS 39 Financial Instruments: Recognition and Measurement ("**IAS 39**") and introduce an 'expected credit loss' model for the measurement of the impairment of financial assets, such that it is no longer necessary for a credit event to have occurred before a credit loss is recognised. The expected impact of IFRS 9 on SABB's calculation of impairment allowances is uncertain. As at the date of this Base Prospectus, SABB

has not chosen to adopt IFRS 9 ahead of its mandatory effective date of 1 January 2018 and is continuing to assess and measure its impairment provisions using its existing methodologies. However, any mandatory change to such impairment calculation models imposed by IFRS 9 may adversely impact SABB's provisioning for credit losses which could have an adverse effect on SABB's business, financial condition, results of operations or prospects.

Any considerable increase in SABB's provision for credit losses or change in its estimate of the risk of loss inherent in its loan and financing portfolio, as well as the occurrence of loan and financing losses in excess of the impairment provisions, could have an adverse effect on SABB's business, financial condition, results of operations or prospects.

SABB's investment and financing portfolios and deposit base are subject to concentration risk

Given the nature of the business environment in Saudi Arabia, SABB's investment and financing portfolios and deposits are concentrated in terms of geography, customer segment and currency.

Geographically, SABB's lending and financing portfolio and customers' deposits are concentrated in Saudi Arabia (99.5 per cent. of net loans and advances and 98.8 per cent of customer deposits as at 31 December 2016). Accordingly, any deterioration in general economic conditions in Saudi Arabia or any failure by SABB to effectively manage its geographic risk concentrations could have a material adverse effect on SABB's business, financial condition, results of operations and prospects (see also, "*SABB's operations and the majority of its assets are located in Saudi Arabia and, accordingly, SABB is exposed to the financial, political and general economic conditions in Saudi Arabia*").

SABB's loan and financing portfolio is concentrated in a small number of industry sectors (see, "*Operating and Financial Review – Total assets - Loans and advances, net*"). In addition, a significant proportion of SABB's loan portfolio is made up of loans and advances to a relatively small number of SABB's customers. Accordingly, a material weakening in the credit quality of, or a default by, one or more of SABB's large loan customers could result in it making significant additional loan loss provisions and experiencing reduced special commission income. SABB also has a high concentration of deposits from large institutional depositors. The withdrawal or non-renewal of its deposits by any one or more of SABB's material customers (including any government-related customer) could require SABB to obtain replacement funding from other sources which may not be readily available or may be significantly more expensive. Any of these eventualities would be likely to have a material adverse effect on SABB's business, financial condition, results of operations or prospects.

SABB's investments and loans portfolios are also primarily concentrated in U.S. dollars and Saudi Riyals, respectively. Any significant market movements contrary to the currency position of SABB may cause volatility in the value of these portfolios which in turn may have a material adverse effect on SABB's business, financial condition, results of operations or prospects.

SABB's financial condition and results of operations could be affected by market risks

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as special commission rates, foreign exchange rates and equity prices. For instance, changes in equity prices may affect the values of SABB's investment and trading portfolios (see further, Note 30 to the 2016 Financial Statements). SABB is also exposed to interest rate risk resulting from mismatches between the interest rates on its interest-bearing assets and interest-bearing liabilities. Although SABB monitors interest rates with respect to its assets and liabilities and seeks to match its interest rate positions, it is difficult to accurately predict changes in economic and market conditions and to anticipate the effects that such changes could have on SABB's financial performance and business operations. As a result, interest rate movements may adversely affect SABB's business, financial condition, results of operations or prospects.

Further, SABB is exposed to the effects of fluctuations in foreign currency exchange rates on its financial position and cashflows. Although SABB is subject to limits on its open currency positions pursuant to the Saudi Arabian Monetary Authority ("**SAMA**") rules and SABB's internal policies, significant movements in currency exchange rates may adversely affect SABB's foreign currency positions.

SABB is subject to the risk that liquidity may not always be readily available

Liquidity risk is the risk that SABB will encounter difficulty in repaying its funding or will only be able to secure funding at excessive cost, which could adversely affect SABB's profitability. Liquidity risk arises from the inability to manage unplanned decreases or changes in funding sources. SABB, like other financial services institutions in Saudi Arabia and elsewhere, is exposed to liquidity risk due to the maturity mismatches between its assets and liabilities. Although SABB believes that its level of access to domestic and international interbank markets and its liquidity risk management policy allows, and will continue to allow, SABB to meet its short-term and long-term liquidity needs, any maturity mismatches between SABB's assets and liabilities (including by reason of an unexpected withdrawal of funds by SABB's customers) may have a material adverse effect on SABB's business, financial condition, results of operations or prospects.

As with most Saudi banks, a significant portion of SABB's funding requirements are met through short-term funding sources, primarily in the form of stable customer deposits. For instance, as at 31 December 2016, customer deposits comprised 93.2 per cent. of the SABB's total undiscounted financial liabilities. Of these customer deposits, 29.8 per cent. had a remaining contractual maturity of three months, 7.8 per cent. had a remaining contractual maturity of three to 12 months, 4.2 per cent. had a remaining contractual maturity of one to five years and the remaining had maturity of over five years (see further, Note 31 to the 2016 Financial Statements). In the past, such deposits have been a stable source of funding since it is usual in the Saudi Arabian banking industry for short-term deposits to be rolled over on maturity such that, in practice, they have longer maturities. However, it cannot be certain that customers will continue to roll over or maintain their deposits with SABB. If customers fail to roll over deposits with a substantial aggregate value upon maturity or withdraw their deposits from SABB, SABB's liquidity and financial position could be adversely affected and SABB may be required to seek funding from more expensive alternative sources (or such alternative sources may not be available), which in turn could have a material adverse impact on SABB's business, results of operations, financial condition or prospects (see also, "*SABB's investment and loan portfolios and deposit base are subject to concentration risk*").

In early 2016, SAMA raised the maximum allowable Advance Deposit Ratio ("**ADR**") for banks in the Kingdom from 85 per cent to 90 per cent., to allow banks to continue extending credit while limiting price competition for deposits and the bank's requirement to use expensive long-term borrowing. The ADR is a financial measure for assessing a bank's liquidity by dividing net loans by the sum of customer deposits, debt securities in issue and borrowings. There has been a significant increase in the ADR across the Saudi banking sector with the ADR of banks in the Kingdom rising at times to the 90 per cent. cap introduced earlier this year by SAMA (as at 31 December 2016 SABB's ADR was 82.4). The ADR of banks in Saudi Arabia have, and continue to be, impacted by credit growing at a greater rate than liabilities. The ADR ratios of banks in the Kingdom have been impacted by a slowdown in payments by the government of Saudi Arabia (the "**Government**") resulting in withdrawals of current accounts and increased demand for working capital by corporate clients. A continued slowdown in Government payments would increase demand for credit by SABB's corporate customers and any increased lending and financing activity by SABB would place increased pressure on the ADR which in turn could have a material adverse impact on SABB's business, results of operations, financial condition or prospects.

SABB is exposed to operational risks and the materialisation of such risks could have a material adverse effect on SABB

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems (including as a result of external events). As a financial services institution, SABB is exposed to a wide spectrum of operational risks including those arising from external events or from process error, information technology related failures, fraud, systems failure, unauthorised activities and security protection. SABB has implemented operational risk management controls and loss mitigation strategies, including the implementation of policies and procedures and staff training, however it is not possible to eliminate entirely each of the potential operational risks faced by SABB. Any materialisation of such risks may have a material adverse effect on SABB's business, financial condition, results of operations or prospects.

Legal risk

As a participant in the financial services industry, SABB may take litigation claims against third parties and may also have litigation claims and/or regulatory proceedings brought against it in the ordinary course of its business. Any materially adverse judgment rendered against SABB in a significant legal or regulatory matter or any failure to identify and control legal and/or regulatory risks may have a material adverse effect on SABB's business, financial condition, results of operations or prospects.

SABB is dependent on its information technology systems and any disruption to these systems could have a material adverse effect on SABB

SABB depends on its information technology (“IT”) systems to process a large number of transactions on an accurate and timely basis and to store and process substantially all of SABB’s business and operating data. The proper functioning of SABB’s financial control, risk management, credit analysis and reporting, accounting, customer service and other IT systems, as well as the communication networks between its branches and main data processing centres, are critical to SABB’s business and its ability to compete effectively. SABB’s business activities would be materially disrupted if there were a partial or complete failure of any of the IT systems or communications networks. Such failures can be caused by a variety of reasons some of which are outside of SABB’s control, including natural disasters, extended power outages, computer viruses and other external electronic attacks. The proper functioning of SABB’s IT systems also depends on accurate and reliable data and other system inputs, which are subject to internal human errors. Any failure or delay in recording or processing transaction data could subject SABB to claims for losses and regulatory fines and penalties. There can be no assurance that SABB’s IT safeguards will be fully effective in the event of a disaster and any failure of its IT systems may have a material adverse effect on SABB’s business, financial condition, results of operations or prospects.

SABB’s business is dependent on its information and technology systems which are subject to potential cyber-attack

In common with other financial institutions based in Saudi Arabia, the wider GCC and globally, the threat to the security of SABB’s information and customer data from security breaches and cyber-attacks presents a real and growing risk to SABB’s business. Activists, rogue states and cyber criminals are among those targeting information technology systems around the world. Risks to technology and cyber-security evolve and change rapidly and require continued focus, monitoring and investment in preventative measures. Given the increasing sophistication and scope of potential cyber-attack, it is possible that future attacks may lead to significant breaches of security. A failure to adequately manage cyber-security risk and continually monitor, review and update current processes in response to new threats could have a number of adverse effects on the Bank including disruption to SABB’s business, unauthorised disclosure of confidential information, significant financial and/or legal exposure and damage to SABB’s reputation, which could have a material adverse effect on SABB’s business, results of operations, financial condition and prospects.

SABB’s accounting principles and policies are critical to how it reports its financial condition and results of operations and require management to make estimates about matters that are uncertain.

Accounting principles and policies are fundamental to how SABB records and reports its financial condition and results of operations. Management must exercise judgment in selecting and applying many of these accounting policies and methods so that they comply with IFRS.

Management has identified certain accounting policies in the notes to its financial statements as being critical because they require management’s judgment to ascertain the valuations of assets, liabilities, commitments and contingencies (see, Note 2 to each of the Audited Financial Statements). These judgments include, for example, the determination of impairment allowances and fair values of assets and liabilities.

A variety of factors could affect the ultimate value that is obtained either when recognising income or expenses, recovering an asset or reducing a liability. SABB has established policies and control procedures that are intended to ensure that these critical accounting judgments and estimates are monitored and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding SABB’s judgments and the estimates pertaining to these matters, SABB cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future. Further, potential changes to accounting policies or reclassifications could have a material adverse effect on the financial condition or results of operation of the Group.

SABB’s risk management policies and procedures may leave it exposed to unidentified or unanticipated risks

SABB has a well-defined risk management framework including risk management policies, procedures and internal controls that are designed to identify, monitor and manage its risks. Notwithstanding that SABB invests a significant amount of time and resource into risk management, there can be no assurance that the risk

management framework will be successful in all risk circumstances nor that it will identify all current and potential risks faced by SABB. Failures in risk management may leave SABB exposed to unidentified or unanticipated risks. Even where risks are identified, there can be no assurance that SABB's risk management and internal control policies and procedures will always adequately control, or protect SABB against, such risks, including credit, liquidity, market, operational, legal, compliance and other risks. In addition, certain risks may not be accurately quantified by SABB's risk management systems.

Any material deficiency in SABB's risk management or other internal control policies or procedures, or any failure by staff or management to follow such policies or procedures, may expose it to significant credit, liquidity, market or operational risk, which may have a material adverse effect on SABB's business, financial condition, results of operations or prospects.

SABB may be unable to reverse the recent decline in its net income

SABB has experienced a decline in its net income from SAR 4,330.5 million in 2015 to SAR 3,894.7 million in 2016, representing a decrease of 10.1 per cent. Notwithstanding such decline and the current difficult macro-economic and financial market conditions, SABB intends to grow its business in order to meet its strategic objectives including support of the Saudi Vision 2030 and the National Transformation Plan 2020 (see also, “*Economic risks relating to Saudi Arabia's economy and its dependency on oil revenues*”).

Whether SABB's anticipated growth can be achieved is dependent on a number of factors including the performance of the Saudi Arabian economy and the prevailing market price of oil (see also, “*SABB's operations and the majority of its assets are located in Saudi Arabia and, accordingly, SABB is exposed to the financial, political and general economic conditions in Saudi Arabia*” and “*Economic risks relating to Saudi Arabia's economy and its dependency on oil revenues*”). In addition, management of SABB's growth will require, among other things, continued development of SABB's financial and information management control systems, the ability to integrate new products and services, the ability to attract and retain sufficient numbers of qualified management and other personnel, the continued training of such personnel, the presence of adequate supervision and the maintenance of consistency of customer services. If SABB fails to manage its growth properly, such failure may have a material adverse effect on SABB's business, financial condition, results of operations or prospects.

SABB is a highly regulated entity and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have a material adverse effect on SABB

SABB is subject to the supervision of SAMA, which regulates the banking and financial sector in Saudi Arabia. As a listed company, SABB is also subject to the statutory requirements of the Capital Market Authority applicable to listed companies, including disclosure, governance and other continuing obligations. SABB is subject to a number of laws, regulations, administrative actions and policies designed to maintain the safety and soundness of banks in Saudi Arabia, ensure their compliance with economic and other obligations and limit their exposure to risk. These laws and regulations include Saudi laws and regulations, particularly those issued by SAMA and the Capital Markets Authority (see further, “*Banking Regulation and Supervision in the Kingdom of Saudi Arabia*”). These regulations may limit SABB's activities and the Bank's ability to grow its business and any changes to such regulations may increase SABB's cost of doing business. In addition, a breach or violation of any laws, regulations or regulatory guidelines applicable to SABB could expose the Bank to potential liabilities, sanctions and reputational damage. Changes in these laws and regulations (such as changes pursuant to Basel II and Basel III – see further, “*Banking Regulation and Supervision in the Kingdom of Saudi Arabia*”) and the manner in which they are interpreted or enforced or implemented may have a material adverse effect on SABB's business, financial condition, results of operations or prospects.

There is increased international scrutiny of banks operating in all markets, including Saudi Arabia, in connection with anti-money laundering, anti-terrorist financing, sanctions and other regulations. In addition, over the past ten years, Saudi Arabia has put into place a relatively comprehensive legislative and regulatory framework that deals with money laundering and terrorist financing (see further, “*Banking Regulation and Supervision in the Kingdom of Saudi Arabia*”). These laws and regulations require SABB, among other things, to adopt and enforce “know your customer” (“**KYC**”) policies and procedures and to report suspicious and large transactions (“**AML**”) to the applicable regulatory authorities. SABB has adopted KYC/AML policies and procedures and reviews them regularly in light of any relevant regulatory and market developments. In the event of actual or alleged compliance breaches, SABB may become subject to investigation and judicial or administrative

proceedings, which could result in penalties or lawsuits (including by customers) for damages and/or the loss of SABB's ability to do business in the international banking market or specific jurisdictions and/or even the loss of its banking licence, in each instance, having a material adverse effect on SABB's business, financial condition, results of operations and reputation.

The loss of key personnel could have a material adverse effect on SABB

SABB's performance and future growth is heavily dependent on the efforts, experience, skill, reputation, technical know-how and commercial abilities of key employees and on SABB's ability to attract, motivate and retain appropriately qualified and motivated staff.

There can be no assurance that SABB will always be able to retain its key members of staff or hire appropriately qualified personnel. Competition for personnel with banking expertise is significant in Saudi Arabia and the GCC. SABB may be required to offer more generous salaries and other benefits than it may have budgeted for in order to attract and retain employees. The market price of attracting and retaining employees is outside SABB's control as it is driven by factors such as the packages offered by competitor banks and other employers and general salary rates and cost of living considerations in Saudi Arabia. SABB is not insured against loss that may be incurred in case of the departure of any of its key personnel. The loss of such key personnel may result in a loss of organisational focus, poor execution of operations and corporate strategy or an inability to identify and execute lucrative strategic initiatives. Any failure by SABB to manage its personnel needs successfully, including retaining or replacing key members of its staff and/or recruiting new qualified personnel at a pace consistent with its growth, could have a material adverse effect on SABB's business, financial condition, results of operations or prospects.

Increasing competition may affect SABB's results of operations

All sectors of the Saudi market for financial and banking services are highly competitive. The Bank faces competition from local and foreign banks that operate in Saudi Arabia. As at 31 December 2016, there were 24 banks and financial institutions operating in Saudi Arabia, of which 12 were incorporated in Saudi Arabia. The remaining 12 were branches of foreign banks licensed to operate in Saudi Arabia. In the past few years, the Saudi Arabian Monetary Authority ("SAMA") has awarded banking licences to a number of international banks, which has resulted in increased competition over customers (whether individuals, private companies or public sector bodies) with respect to the sale of products and geographical spread and in the provision of banking services in general. This increases the pressure on SABB to improve the range and sophistication of the products and services currently offered since the Bank will be adversely affected if it is unable to keep up with its competitors with respect to the prices and quality of its products and services offering. The competitive nature of the Saudi banking market may result in some of SABB's customers taking their banking business, or a portion thereof, to a competitor bank instead, which in turn could have a material adverse effect on SABB's business, results of operations, financial condition or prospects.

Contested zakat assessments by the General Authority of Zakat and Tax could lead to additional payment obligations to the GAZT on behalf of SABB's shareholders

SABB has filed and paid its zakat and income tax returns for the financial years up to and including 2016 with the General Authority of Zakat and Tax (the "GAZT"). SABB has received zakat and income tax assessments for the years up to and including 2009 and the GAZT has raised additional demands aggregating to SAR 487 million for the years 2005 to 2009. This additional exposure is mainly on account of the disallowance of certain long-term investments by the GAZT. SABB has formally contested these assessments before the Preliminary Tax Appeal Committee (the "Appeal Committee") and as a result this liability has been further reduced to SAR 433 million based on the favourable decision rendered by the Appeal Committee. The basis for the additional Zakat liability for the period 2005-2009 is being contested by SABB before the Higher Appeal Committee for Zakat and Tax Matters. In the event that the dispute ends unfavourably for SABB any payments would be deducted from shareholders' equity. This is an industry-wide issue. The zakat and income tax assessments for 2010 to 2016 have not been finalised by the GAZT.

SABB is controlled by certain principal shareholders whose interests may not be aligned with the interests of Certificateholders

SABB's principal shareholder, HSBC Holdings B.V. ("HSBC Holdings") holds 40 per cent. of SABB's shares (see further "*Description of SABB – Corporate Organisation – Relationship with HSBC*"). As a result, HSBC Holdings has the ability to significantly influence SABB's business through its ability to influence decisions and

actions that require shareholder approval. If circumstances were to arise where the interests of SABB's principal shareholder conflict with the interests of SABB's creditors (including the Certificateholders), the Certificateholders may be disadvantaged by any such conflict.

Reductions in SABB's credit ratings could adversely affect its ability to access the capital markets and may increase its borrowing costs

SABB's credit ratings, which are intended to measure its ability to meet its debt obligations as they mature, are an important factor in determining SABB's cost of borrowings. The commission rates charged on SABB's borrowings are partly dependent on its credit ratings. As of the date of this Base Prospectus, SABB's long-term corporate rating was assessed BBB+ with a stable outlook by S&P, A- with a negative outlook by Fitch and A1 with a stable outlook by Moody's. There can be no assurance that any of SABB's ratings will remain the same in the future.

The current difficulties in the macro-economic climate, particularly the concerns around the decline in global crude oil prices, have prompted international rating agencies to take rating actions on a number of banks in Saudi Arabia and the wider GCC, triggered largely by, and consistent with, the rating actions taken in respect of the governments of a number of GCC states: on 17 February 2016, S&P lowered Saudi Arabia's long-term and short-term foreign and local-currency sovereign credit ratings from A+/A-1 to A-/A-2 with the outlook changed from negative to stable; in March 2017, Fitch downgraded Saudi Arabia's long-term foreign and local-currency issuer default ratings from AA- to A+ with a stable outlook; and, on 14 May 2016, Moody's downgraded Saudi Arabia's sovereign long-term issuer rating from Aa3 to A1 with a stable outlook). Following the rating actions taken in respect of Saudi Arabia's Government, a number of Saudi banks, including SABB, were also downgraded, resulting in SABB's long term deposit ratings being lowered from A to BBB+ by S&P, from A to A- with a negative outlook by Fitch and from Aa3 to A1 by Moody's.

A further downgrade of SABB's credit ratings (or announcement of a change of outlook) may increase its cost of borrowing and may also limit its or its subsidiaries' or associates' ability to raise capital. Moreover, actual or anticipated changes in SABB's credit ratings may affect the market value of the Certificates.

A securities rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organisation and each rating should be evaluated independently of any other rating.

De-pegging of the Saudi Riyal from the U.S. dollar or re-pegging at a different rate could have a material adverse effect on SABB

The primary exchange rate of relevance to SABB is the Saudi Riyal to the U.S. dollar. The Saudi Riyal is pegged to the U.S. dollar at a fixed exchange rate (in the case of the Saudi Riyal, the exchange rate is currently USD 1: SAR 3.75). The peg to the U.S. dollar has been maintained by SAMA at the same rate since 1986. In response to the ongoing oil crisis, certain regional oil producing countries including Saudi Arabia that have traditionally "pegged" their domestic currencies to the U.S. dollar have faced pressure to remove these foreign exchange "pegs". As at the date of this Base Prospectus, each of Kazakhstan and Azerbaijan have chosen to unwind the U.S. dollar peg of their domestic currencies. There can be no assurance that the U.S. dollar peg will be maintained going forward or that the peg will be retained at its current rate. Any de-pegging of the Saudi Riyal from the U.S. dollar, or its re-pegging at a different rate, could result in a significant fluctuation and revaluation of the Saudi Riyal relative to the U.S. dollar and, by extension, to other GCC currencies pegged to the U.S. dollar.

As with the SAR-USD peg, there can be no assurance that the monetary authorities of other GCC countries will maintain their current peg to the U.S. dollar, or that such pegs will be retained at their current rate. Any de-pegging of these other currencies from the U.S. dollar or their re-pegging at a different rate could result in significant fluctuation and revaluation of such currencies relative to the U.S. dollar and, by extension, to the Saudi Riyal.

The likelihood of SAMA doing so and the timing of any such decision are outside the control of SABB and are difficult to predict.

While the Saudi Riyal is currently pegged to the U.S. dollar, it is not pegged to other major currencies such as the Euro, Pound Sterling or Japanese Yen and thus fluctuates freely against these other currencies in line with prevailing foreign exchange rates. There can be no assurance that SABB's risk management policies and

procedures related to management of currency fluctuations, including any fluctuations caused by any de-pegging or re-pegging, will prove successful at all times. De-pegging or re-pegging of the Saudi Riyal to the U.S. dollar, as well as fluctuations against any other currency, could have a material adverse effect on SABB's business, financial condition, results of operations and prospects.

RISKS RELATING TO THE KINGDOM OF SAUDI ARABIA

Saudi Arabia's banking regulatory environment is continually evolving and may change which could have a material adverse effect on SABB

SABB is subject to regulatory supervision by SAMA, which is the body charged with regulating the banking sector in Saudi Arabia. SABB operates in compliance with SAMA rules, regulations and guidelines, which from time to time may be amended in accordance with economic and political developments in the country. SAMA operates to a standard expected of international regulators and follows the recommendations of the Basel Committee. SABB's business could be directly affected by changes in Saudi Arabia's banking regulatory policies, laws and regulations, such as those affecting the extent to which SABB can engage in specific businesses, as well as changes in other governmental policies. The laws and regulations governing the banking sector are subject to future changes and SABB cannot provide any assurance that such changes will not adversely affect SABB's business, financial condition or results of operations, nor can SABB provide any assurance that it will be able to adapt to all such changes on a timely basis. Failure to comply with the rules, regulations and guidelines of SAMA could have a material adverse effect on SABB's reputation as well as its business, financial condition, results of operations and prospects.

Economic risks relating to Saudi Arabia's economy and its dependency on oil revenues

All of SABB's business and operations and the majority of its assets are located in Saudi Arabia. As a result, it may be affected by the financial and general economic conditions prevailing in Saudi Arabia and/or the Middle East in general and the level of economic activity in Saudi Arabia in particular. While measures have been put in place to diversify the economy in Saudi Arabia, oil revenue continues to play a pivotal role in economic planning and development. The recent downgrading of Saudi Arabia's credit ratings (see also, "*A downgrade in SABB's credit ratings could adversely affect its ability to access the capital markets and may increase its borrowing costs*") reflects concerns relating to the continued volatility in oil prices which has led to pressure on Saudi Arabia's economy including lower growth rates, a reduced fiscal budget (data published by the Ministry of Finance estimates that Saudi Arabia's state budget deficit will be approximately SAR 198 billion for 2017), higher debt levels and lower domestic and external buffers.

The Government has put in place certain initiatives to diversify Saudi Arabia's balance sheet and its economy and to reduce the Kingdom's economic and fiscal dependency on oil. On 25 April 2016, the Cabinet approved a national reform plan called the 'Saudi Vision 2030', which sets out the Government's strategy for economic and developmental action in Saudi Arabia including reducing Saudi Arabia's economic and fiscal dependency on oil. However, there can be no assurance that such initiatives will be successfully implemented in Saudi Arabia or whether the prevailing low international oil prices will continue for a prolonged period of time. Continuing low oil prices and/or a failure to adequately diversify the economy and generate alternative revenues could dramatically slow down or impede the growth of the economy in Saudi Arabia, which would in turn have a negative impact on SABB's business, financial condition, results of operations and prospects.

Future development of Saudi Arabia's banking sector is subject to a number of uncertainties which could have a material adverse effect on SABB

The growth rate of the Saudi banking sector may not be as high and sustainable as in recent years, particularly in light of the current economic difficulties resulting from the volatility in the price of oil (see also, "*Economic risks relating to Saudi Arabia's economy and its dependency on oil revenues*"). The impact on the Saudi banking sector of certain trends and events, such as the pace of economic growth in Saudi Arabia, is currently not clear. The growth and development of the banking sector is subject to a number of uncertainties that are beyond the control of SABB and which could have a material adverse effect on SABB's business, financial condition, results of operations and prospects.

SABB is subject to labour force regulations in Saudi Arabia and non-compliance with such regulations could have a material adverse effect on SABB

Companies in Saudi Arabia are in general required by the Ministry of Labour to ensure that a certain percentage of their staff are Saudi nationals. SABB aims to recruit, train and retain Saudi nationals to comply with the relevant regulations, although in common with other corporate entities in Saudi Arabia, SABB experiences competition and may occasionally find it difficult to recruit and retain qualified Saudi nationals. Failing to achieve the stipulated percentage could cause SABB to be questioned by the Ministry of Labour for non-compliance with these requirements which could in turn have an adverse effect on the business, financial condition, results of operations and reputation of SABB (see further, “*Description of SABB – Human Resources and Employees*”).

In addition, the Kingdom has recently tightened controls on the employment of foreign workers and has introduced amendments to the Labour Law. There is no guarantee that those changes will not have an impact on SABB’s customers in general, or customers in a particular segment of business. If recent changes in the labour law negatively affected one or more of the SABB’s borrowers, this in turn will affect the ability of these borrowers to meet their payment obligations to the Bank. The occurrence of any such effect with respect to a major borrower, or a group of borrowers, could have a substantial negative effect on the Bank’s business, financial position, results of operations and prospects.

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

Risks Relating to the structure of a particular issue of Certificates

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

The Certificates may be subject to early dissolution

In the event that the amount payable by the Trustee under the Certificates of any Series is required to be increased to include an additional amount and/or any amount payable by SABB under the Transaction Documents is required to be increased to include an additional amount, in each case as a result of certain changes affecting taxation in the Cayman Islands (in the case of the Trustee) or Saudi Arabia (in the case of SABB), or in each case any political subdivision or any authority thereof or therein having power to tax, the Trustee may, in accordance with Condition 12.2 (*Early Dissolution for Tax Reasons*) and subject in the case of Subordinated Certificates to the provisions of Condition 12.6 (*Conditions to Redemption*), redeem all but not some only of the Certificates upon giving notice in accordance with the Conditions.

Upon the occurrence of a Capital Disqualification Event, SABB will have the right under the Transaction Documents and the Conditions to oblige the Trustee to redeem all but not some only of the Subordinated Certificates prior to the Scheduled Dissolution Date in accordance with Condition 12.5 (*Dissolution for Regulatory Capital Reasons*).

If so specified in the applicable Final Terms, a Series may, in accordance with Condition 12.3 (*Dissolution at the Option of SABB*) and subject in the case of Subordinated Certificates to the provisions of Condition 12.6 (*Conditions to Redemption*), be redeemed early at the option of SABB.

Any such early redemption feature of any Certificate is likely to limit its market value. During any period when the Trustee may elect to redeem Certificates, the market value of those Certificates generally will not rise substantially above the dissolution amount payable. This also may be true prior to any redemption period. The Trustee may be expected to redeem Certificates when SABB’s financing cost is lower than the profit rate on the Certificates. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective profit rate as high as the profit rate on the Certificates being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider re-investment risk in light of other investments available at that time.

If market interest or profit rates subsequently increase above the rate paid on the Senior Certificates, this will adversely affect the value of the Senior Certificates

Investment in the Senior Certificates involves the risk that if market interest or profit rates subsequently increase above the rate paid on the Senior Certificates, this will adversely affect the value of the Senior Certificates.

Risks relating to the Subordinated Certificates

SABB's payment obligations under the Termination Documents will rank junior to SABB's Senior Obligations.

The payment obligations of SABB under the Transaction Documents entered into in connection with the Subordinated Certificates to fund the Periodic Distribution Amount and Dissolution Amount and any other amounts payable under the Subordinated Certificates will constitute direct, unsecured and subordinated obligations of SABB.

In the event that a particular Series of Certificates is specified as subordinated in the applicable Final Terms and a Subordination Event occurs, SABB will be required to meet its Senior Obligations (as defined in the Conditions) in full before it can make any payments in connection with the relevant Subordinated Certificates. Therefore, unless, SABB has assets remaining after making all such payments, no payments will be made in respect of its obligations under the Transaction Documents in relation to the Subordinated Certificates and any such payments that are made will be made *pari passu* with any payments made by SABB in respect of any other obligations it may have under any Parity Obligations (as defined in the Conditions). Consequently, although the Certificates may pay a higher return than comparable instruments relating to unsubordinated obligations, there is an enhanced risk that an investor in the Certificates will lose all or some of its investment on any distribution of the assets of SABB upon the occurrence of a Subordination Event.

No limitation on incurrence of Senior Obligations or Parity Obligations

There is no restriction on the amount of Senior Obligations or Parity Obligations that SABB may incur. As described above, the incurrence of any such obligations may reduce the amount recoverable by holders of Subordinated Certificates upon the occurrence of a Subordination Event. Accordingly, on such dissolution, winding-up or liquidation, there may not be sufficient amounts to satisfy the amounts owing to the holders of the Subordinated Certificates and this may result in an investor in the Certificates losing all or some of its investment.

The reset of the Rate of Profit in respect of Subordinated Certificates may affect the secondary market for, and the market value of, such Subordinated Certificates

In the case of any Series of Subordinated Certificates (as defined in the Conditions), the Rate of Profit on such Subordinated Certificates will be reset by reference to the then prevailing Mid-Swap Rate, as adjusted for any applicable margin, on the reset dates specified in the applicable Final Terms. This is more particularly described in Condition 8 (*Reset Periodic Distribution Provisions for Subordinated Certificates*).

The reset of the Rate of Profit in accordance with such provisions may affect the secondary market for, and the market value of, such Subordinated Certificates. Following any such reset of the rate of profit applicable to the Certificates, the First Reset Rate of Profit or any Subsequent Reset Rate of Profit on the relevant Subordinated Certificates may be lower than the Initial Rate of Profit, the First Reset Rate of Profit and/or any previous Subsequent Reset Rate of Profit.

There are limited enforcement events in relation to Subordinated Certificates

Each Series of Subordinated Certificates will contain limited enforcement events relating to: (i) where default is made in the payment of the relevant Dissolution Amount on the date fixed for payment thereof or default is made in the payment of any Periodic Distribution Amount on the due date for payment thereof and, in the case of the Dissolution Amount, such default continues unremedied for a period of 7 days and, in the case of a Periodic Distribution Amount, such default continues unremedied for a period of 14 days; or (ii) the occurrence of a Subordination Event. Subject as provided in Condition 16.2 (*Dissolution Events and Enforcement - Dissolution Events for Subordinated Certificates*), the Delegate in the name and on behalf of the Certificateholders may then, in the case of (i) above, institute proceedings for SABB to be declared bankrupt or insolvent or for there otherwise to be a winding up, liquidation or dissolution of SABB, and/or in the case of (ii) above to claim or prove in the winding-up, dissolution or liquidation for and on behalf of Certificateholders in respect of the resulting amounts due and payable by SABB under the Transaction Documents.

Certificateholders may direct the Delegate to bring proceedings against SABB, but SABB will not have any obligation by virtue of the institution of any such proceedings to pay any amount or amounts sooner than such

amount(s) would otherwise have been payable under the Transaction Documents. This is the case whether such proceedings are instituted in respect of any default by SABB in payment or otherwise.

The only remedy of holders of Subordinated Certificates on any default by SABB in payment under any Transaction Document will be to direct the Delegate to bring proceedings in respect of such defaulted payment for SABB's winding-up, dissolution or liquidation and on such winding-up, dissolution or liquidation to prove in the winding-up, dissolution or liquidation as described in Condition 16.2 (*Dissolution Events and Enforcement - Dissolution Events for Subordinated Certificates*).

No remedy other than those described above will be available to any of the Trustee, the Delegate or Certificateholders in respect of the obligations of SABB under the Transaction Documents to which it is a party in relation to the Subordinated Certificates and none of the Trustee, the Delegate or Certificateholders will be able to take any further or other action to enforce, claim or prove for any payment by SABB in respect of such obligations.

If proceedings with respect to a Subordination Event should occur the Delegate or Certificateholders (if permitted in accordance with Condition 17.2 (*Exercise of Rights - Direct Enforcement by Certificateholder*)) would be required to pursue their claims on such Subordinated Certificates in the Kingdom.

Minimum regulatory capital and liquidity requirements

SABB is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements applicable to it. Under Basel III, capital requirements are inherently more sensitive to market movements than under previous regimes and capital requirements will increase if economic conditions or negative trends in the financial markets worsen. Any failure of SABB to maintain its minimum regulatory capital ratios could result in administrative actions or sanctions, which in turn may have a material adverse effect on SABB's business, financial condition, results of operations or prospects. A shortage of available capital might restrict SABB's opportunities for expansion. On 16 December 2010, the Basel Committee issued its final guidance on Basel III in "Basel III: A global regulatory framework for more resilient banks and banking systems". A revised version was subsequently published in June 2011 (the "Basel III June 2011 Guidance"). Following this, in December 2012, SAMA issued its guidance on the Basel III capital reforms.

The Basel Committee's package of reforms includes increasing the minimum common equity (or equivalent) requirement from 2 per cent. (before the application of regulatory adjustments) to 4.5 per cent. (after the application of stricter regulatory adjustments) of risk weighted assets. The total Tier 1 capital requirement will increase from 4 per cent. to 6 per cent. of risk weighted assets. In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer of 2.5 per cent. to withstand future periods of stress, bringing the total common equity (or equivalent) requirements to 7 per cent. of risk weighted assets. If there is excess credit growth in any given country resulting in a system-wide build-up of risk, a countercyclical buffer within a range of 0 per cent. to 2.5 per cent. of common equity (or other fully loss absorbing capital) is to be applied as an extension of the conservation buffer. Furthermore, systemically important banks should have loss absorbing capacity beyond these standards (see the following risk factor "*Basel III reforms and risk of Subordinated Certificates absorbing losses*" and "*A Certificateholders' right to receive payment of the face amount of the Subordinated Certificates and the Certificateholders' right for any further profit may be written-down upon the occurrence of a Non-Viability Event*").

The Basel III reforms also require Tier 1 and Tier 2 capital instruments to be loss-absorbing. The Basel III requirements implemented in the Kingdom in their current form increase the minimum quantity and quality of capital which SABB is obliged to maintain. There can be no assurance as to the availability or cost of such capital for SABB. The Basel III capital requirements have been implemented from 1 January 2013 by Basel Committee members globally and are subject to a series of transitional arrangements, which will be phased in over a period of time, and are expected to be fully effective by 2019. They are also supplemented by a leverage ratio, a liquidity coverage ratio and a net stable funding ratio, all of which are still under review by SAMA. SAMA has maintained their approach to fully implement Basel III as provided by the Basel Committee guidance. However, as other reforms such as trading book reforms are finalised, Basel III may be implemented in the Kingdom in a manner that is different from that which is currently envisaged, or regulations may be introduced in the Kingdom which impose additional capital requirements on, or otherwise affect the capital adequacy requirements relating to, Saudi Arabian banks. If the regulatory capital requirements, liquidity restrictions or ratios applied to SABB are increased in the future, any failure of SABB to maintain such increased regulatory capital ratios could result in administrative actions or sanctions, which may have a material

adverse effect on SABB's ability to perform its obligations (including payment obligations) under the Transaction Documents.

Basel III reforms and risk of Subordinated Certificates absorbing losses

On 13 January 2011, the Basel Committee expanded on the Basel III capital rules with additional non-viability requirements (the "**January 13 Annex**"). The January 13 Annex requires non-common Tier 1 or Tier 2 instruments issued by an internationally active bank to have a provision in their terms and conditions or be included in a statutory legal framework that requires such instruments, at the option of the relevant authority, to either be written off or converted to common equity upon a "trigger event." A "trigger event" is the earlier of: (1) a decision that a write-off, without which SABB would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which SABB would have become non-viable, as determined by the relevant authority. SAMA has required all Saudi banks to implement the additional requirements imposed by the January 13 Annex from 1 January 2013 (see Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*)). The capital treatment recognition of capital instruments issued prior to this date, without such provisions, is expected to be phased out over a 10 year period commencing from 1 January 2013.

There can be no assurance that in the future SAMA will not amend its interpretation and implementation of the January 13 Annex described above. Further, the January 13 Annex may be implemented in the Kingdom in the future in a manner that is different from that which is currently implemented, or regulations may be introduced through the introduction of an Applicable Statutory Loss Absorption Regime (as defined in the Conditions) in the Kingdom. If the regulatory requirements for capital instruments applied to SABB are modified in the future it is possible that authorities could use their powers in such a way as to result in the Subordinated Certificates absorbing losses in the manner described above. Furthermore, the contractual provisions relating to the Subordinated Certificates would be automatically superseded if and when such a statutory framework is implemented in the Kingdom. Accordingly, the operation of any such future legislation or implementation of an Applicable Statutory Loss Absorption Regime may have an adverse effect on the positions of holders of any Subordinated Certificates.

A Certificateholders' right to receive payment of the face amount of the Subordinated Certificates and the Certificateholders' right for any further profit may be written-down upon the occurrence of a Non-Viability Event

If a Non-Viability Event occurs at any time prior to the date on which any Applicable Statutory Loss Absorption Regime becomes effective, the Outstanding Face Amount of the Subordinated Certificates shall, on a pro rata basis, be reduced by the relevant Write-Down Amount, and SABB's corresponding obligations under the relevant Transaction Documents shall (in aggregate) be reduced by the same Write-Down Amount. A Write-Down does not constitute a Subordinated Dissolution Event under the Conditions.

By subscribing for, or otherwise acquiring, the Subordinated Certificates, the Certificateholders have irrevocably and unconditionally waived their right to receive payment of all or part of the face amount of the Certificates and the Certificateholders have irrevocably waived their right to receive payment of all or part of their profit following a Non-Viability Event Write-Down Date. Any Write-Down of the Subordinated Certificates (and the corresponding Write-Down of SABB's payment obligations under the Transaction Documents) would be permanent and none of the Trustee, the Delegate or the Certificateholders will have any further claim against SABB in respect of any Written-Down Amount of the Subordinated Certificates or the corresponding Write-Down of SABB's obligations under the Transaction Documents. Consequently, there is a risk that an investor in the Subordinated Certificates will lose all or some of its investment upon the occurrence of a Non-Viability Event. Therefore, the occurrence of any such event or any suggestion of such occurrence could materially adversely affect the rights of Certificateholders, the market price of investments in the Subordinated Certificates and/or the ability of SABB to satisfy its obligations under the Transaction Documents which would fund payments otherwise due under the Subordinated Certificates. See Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*) for further information on any such potential Write-Down of the Certificates.

The circumstances triggering a Write-Down are unpredictable

The occurrence of a Non-Viability Event is inherently unpredictable and depends on a number of factors, many of which are outside of SABB's control. The occurrence of a Non-Viability Event is subject to, inter alia, a subjective determination by the Regulator. As a result, the Regulator may require a Write-Down of the

Subordinated Certificates (and a corresponding Write-Down of SABB's obligations under the Transaction Documents) in circumstances that are beyond the control of SABB and with which SABB does not agree.

SAMA will assume no liability whatsoever to any purchaser of the Subordinated Certificates for any loss arising from, or incurred, as a result of, the occurrence of a Non-Viability Event.

Applicable Statutory Loss Absorption Regime

With effect on and from the date on which the Applicable Statutory Loss Absorption Regime becomes effective in respect of the Subordinated Certificates, the provisions of Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*) will lapse and cease to have any effect, except to the extent such provisions are required by the Applicable Statutory Loss Absorption Regime. If, on or after such date, an event occurs which under the Applicable Statutory Loss Absorption Regime would lead to a determination of non-viability by the Regulator, in respect of SABB, the Regulator (or SABB following instructions from the Regulator) may take such action in respect of the Subordinated Certificates (and SABB's corresponding obligations under the Transaction Documents) as is required or permitted by such Applicable Statutory Loss Absorption Regime, which may include requiring a Write-Down of the Subordinated Certificates (and a corresponding Write-Down of SABB's Obligations under the Transaction Documents).

Risks Relating to the Certificates generally

The Certificates are limited recourse obligations of the Trustee

Certificates to be issued under the Programme are not debt obligations of the Trustee. Instead, the Certificates represent an undivided ownership interest solely in the relevant Trust Assets. Recourse to the Trustee in respect of each Series is limited to the Trust Assets of that Series and proceeds of such Trust Assets are the sole source of payments on the relevant Certificates. Upon the occurrence of a Dissolution Event, the sole rights of each of the Trustee and the Delegate, and, through the Delegate, the Certificateholders of the relevant Series, will be against SABB to perform its obligations under the Transaction Documents to which it is a party. Certificateholders will have no recourse to any assets of the Trustee or SABB in respect of any shortfall in the expected amounts due under the relevant Trust Assets. SABB is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee, and the Delegate will have direct recourse against SABB to recover such payments due to the Trustee pursuant to the Transaction Documents to which it is a party. In the absence of default by the Delegate, investors have no direct recourse to SABB and there is no assurance that the net proceeds of the realisation of any enforcement action with respect to the Trust Assets (which, as described above, will be by way of enforcing SABB's and the Trustee's respective obligations under the Transaction Documents to which they are a party) will be sufficient to make all payments due in respect of the relevant Certificates. After enforcing or realising the rights in respect of the Trust Assets of a Series (in the manner described above) and distributing the net proceeds of such Trust Assets in accordance with Condition 5.8 (*Application of Proceeds from the Trust Assets*), the obligations of the Trustee in respect of the Certificates of the relevant Series shall be satisfied and neither the Delegate nor any Certificateholder may take any further steps against the Trustee to recover any further sums in respect of such Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall the Trustee, the Delegate or any Certificateholder have (i) any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Transaction Documents or (ii) any other recourse against the Trust Assets except the right to receive distributions derived from the Trust Assets in accordance with the Conditions. The sole right of the Trustee, the Delegate and the Certificateholders against SABB shall be to enforce the obligation of SABB to perform its obligations under the Transaction Documents to which it is a party.

No third-party guarantees

Prospective investors should be aware that no guarantee is or will be given in relation to the Certificates by SABB or any other person.

Shari'a requirements in relation to interest awarded by a court

In accordance with applicable *Shari'a* principles, each of the Trustee and the Delegate will waive all and any entitlement it may have to interest in connection with any dispute under the Certificates and any of the Transaction Documents, whether as a result of any judicial award or by operation of any applicable law or otherwise and will agree that if any such interest is actually received by it, it will promptly donate the same to a registered or otherwise officially recognised charitable organisation. Should there be any delay in the

enforcement of a judgment given against SABB, judgment interest may accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive any part of such interest.

Absence of secondary market/limited liquidity

There is no assurance that a secondary market for the Certificates of any Series will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of those Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates readily or at prices that will enable the Certificateholder to realise a desired yield. The market value of Certificates may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Certificates. Accordingly, the purchase of Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the relevant Certificates and the financial and other risks associated with an investment in the relevant Certificates. An investor in Certificates must be prepared to hold the relevant Certificates for an indefinite period of time or until their maturity. Application has been made for the listing of certain Series to be issued under the Programme on the London Stock Exchange but there can be no assurance that any such listing will occur or will enhance the liquidity of the Certificates of the relevant Series.

Change of law

The structure of each issue of Certificates under the Programme is based on English law, Cayman Islands law, the laws of Saudi Arabia and administrative practices in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible change to, or interpretation of, English, Cayman Islands or Saudi law or administrative practices in such jurisdiction after the date of this Base Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Trustee to make payments under the Certificates or of SABB, to comply with its obligations under the Transaction Documents to which it is a party and/or the Trustee to make payments under any Series of Certificates or the ability of the Trustee or SABB to otherwise comply with their respective obligations under the Transaction Documents to which they are a party.

Investors in Certificates must rely on Euroclear and Clearstream, Luxembourg procedures

Each Series will initially be represented by a global certificate in registered form (a “**Global Certificate**”) that will be deposited with a common depository for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream**”). Except in the circumstances described in each Global Certificate, investors will not be entitled to receive Certificates in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the ownership interests in Global Certificates. While the Certificates of any Series are represented by a Global Certificate, investors will be able to trade their ownership interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

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

Holders of ownership interests in a Global Certificate will not have a direct right to vote in respect of the relevant Certificates. 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.

Investors must make their own determination as to Shari’a compliance

The *Shari’a* Committee of SABB and the Executive *Shari’a* Committee of HSBC Saudi Arabia Limited have approved the transaction structure relating to the Certificates (as described in this Base Prospectus) and confirmed that the Transaction Documents are, in their view, compliant with *Shari’a* principles. However, there can be no assurance that the transaction structure, Transaction Documents or any issue and trading of any Certificates will be deemed to be *Shari’a* compliant by any other *Shari’a* board or *Shari’a* scholars or by any court or adjudicatory authority in Saudi Arabia. None of the Trustee, SABB, the Delegate or the Dealer makes any representation as to the *Shari’a* compliance of any Series and potential investors are reminded that, as with any *Shari’a* views, differences in opinion are possible. Potential investors should obtain their own independent

Shari'a advice as to the compliance of the Transaction Documents and the issue and trading of any Series with *Shari'a* principles.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties would, if in dispute, be the subject of court or judicial committee proceedings under English or Saudi law. In any dispute under English law, the judge will first apply the relevant law of the Transaction Document in determining the obligation of the parties. See also “—*The interpretation of the compliance of the Transaction Documents with Shari'a principles may differ amongst Saudi courts and judicial committees*” above.

Credit ratings assigned to SABB and/or the Certificates are subject to ongoing evaluations and there can be no assurance that the ratings currently assigned to SABB and/or the Certificates will not be downgraded

SABB has been assigned long-term ratings of “BBB+” with a stable outlook by S&P, “A-” with a negative outlook by Fitch and “A1” with a stable outlook by Moody’s. The Certificates of each Series may be unrated or may be rated by one or more independent credit rating agencies who may also assign credit ratings to the Certificates (as disclosed in the applicable Final Terms). Any ratings of either SABB or the Certificates may not reflect the potential impact of all the risks related to the structure, market, additional factors discussed herein and other factors that may affect the value of the Certificates. Nevertheless, real or anticipated changes in SABB’s credit ratings or the ratings of the Certificates generally may affect the market value of the Certificates. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning 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), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. 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 included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade

In relation to any issue of Certificates which have a denomination consisting of the minimum Specified Denomination (as defined in the Conditions) plus a higher integral multiple of another smaller amount, it is possible that the Certificates may be traded in amounts in excess of such minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a Certificateholder who, as a result of trading such amounts, holds a face amount of less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a face amount of Certificates such that it holds an amount equal to at least the minimum Specified Denomination such that its holding amounts to one or more Specified Denomination. Certificateholders should be aware that Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

If a Certificateholder holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time such Certificateholder may not receive a definitive Certificate in respect of such holding (should definitive Certificates be printed) and would need to purchase a face amount of Certificates such that its holding amounts to at least a Specified Denomination in order to be eligible to receive a definitive Certificate.

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

Certificates are subject to modification by a majority of the Certificateholders of a Series without the consent of all of the Certificateholders

The Master Trust Deed contains provisions for calling meetings of the Certificateholders of one or more Series to consider matters affecting their interests. In addition, the Master Trust Deed contains provisions for obtaining written resolutions on matters relating to the Certificates from holders without calling a meeting. A written resolution signed by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates of the relevant Series for the time being outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

In certain circumstances, where the Certificates are held in global form in the clearing systems, the Trustee, SABB and the Delegate (as the case may be) will be entitled to rely upon:

- (i) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Trustee, SABB and the Delegate (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates of the relevant Series for the time being outstanding; and
- (ii) where electronic consent is not being sought, consent or instructions given in writing directly to the Trustee, SABB and the Delegate (as the case may be) by accountholders in the clearing systems with entitlements to such global certificate or, where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held (directly or via one or more intermediaries), provided that the Trustee, the Bank and the Delegate (as the case may be) have obtained commercially reasonable evidence to ascertain the validity of such holding and taken reasonable steps to ensure such holding does not alter following the giving of such consent/ instruction and prior to effecting such resolution.

A written resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Certificateholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Certificateholders satisfying the special quorum in accordance with the provisions of the Master Trust Deed, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held.

These provisions permit defined majorities to bind all of the Certificateholders of the relevant Series (including Certificateholders who did not attend or vote at the relevant meeting as well as Certificateholders who voted in a manner contrary to the majority).

The Master Trust Deed also provides that the Delegate may, without the consent or sanction of Certificateholders, subject, in the case of any Subordinated Certificates, to the provisions of Condition 12.6 (*Conditions for Redemption*): (i) agree to any modification of any of the provisions of the Master Trust Deed, the Transaction Documents or the Trustee's memorandum and articles of association that is of a formal, minor or technical nature or is made to correct a manifest error, or (ii) (a) agree to any other modification of any provisions of the Trust Deed, the Transaction Documents or the Trustee's memorandum and articles of association, or to any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Master Trust Deed or the Transaction Documents or (b) determine that any Dissolution Event shall not be treated as such provided that such modification, waiver, authorisation or determination is in the opinion of the Delegate not materially prejudicial to the interests of the Certificateholders and not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 20 per cent. of the outstanding aggregate face amount of the relevant Series and, in the case of modifications referred to in paragraph (ii) (a) above, other than in respect of a matter which requires a special quorum resolution (as defined in the Master Trust Deed). Any such modification, authorisation, determination or waiver shall be binding on the Certificateholders and, unless the Delegate agrees otherwise, such modification shall be notified by the Trustee to the Certificateholder as soon as practicable thereafter.

European Monetary Union may cause Certificates denominated in certain currencies to be redenominated in euro

If Certificates are issued under the Programme which are denominated in the currency of a country which, at the time of issue, has not adopted the euro as its sole currency and, before the relevant Certificates are redeemed,

the euro becomes the sole currency of that country, a number of consequences may follow including, but not limited to: (i) all amounts payable in respect of the relevant Certificates may become payable in euro, (ii) applicable law may allow or require such Certificates to be redenominated into euro and additional measures to be taken in respect of such Certificates and (iii) there may no longer be available published or displayed rates for deposits in such currency used to determine the rates of Periodic Distribution Amount on such Certificates. Any of these or any other consequences could adversely affect the holders of the relevant Certificates.

Exchange rate risks and exchange controls

The Trustee will make all payments on the Certificates. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. The Trustee does not have any control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been volatile and volatility between such currencies or with other currencies may be expected in the future. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Certificates, (2) the Investor's Currency equivalent value of the principal payable on the Certificates and (3) the Investor's Currency equivalent market value of the Certificates.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payment of any Periodic Distribution Amount or Dissolution Amount on a Certificate. As a result, investors may receive less amounts under the Certificates than expected, or no such amounts. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Certificate may not be available at such Certificate's maturity.

Risk factors relating to enforcement

The choice of English law as the governing law of the Certificates (excluding, in the case of Subordinated Certificates, certain provisions therein in respect of Subordination) and the Transaction Documents (excluding the Mudaraba Agreement) and any judgments made pursuant to English law relating to the Transaction Documents may not be enforceable in the Kingdom

The Certificates (excluding, in the case of Subordinated Certificates, certain specified provisions therein in respect of subordination which are governed by the laws of the Kingdom) and the Transaction Documents (excluding the Mudaraba Agreement) are expressed to be governed by English law and provide for the resolution of disputes by arbitration under the Arbitration Rules of the London Court of International Arbitration, subject only to an option for the Trustee or Delegate to bring proceedings before English courts. Despite this, if these documents were to be adjudicated by the courts and judicial committees of the Kingdom, such courts of judicial committees may not recognise the choice of English law and will likely apply Saudi Arabian law. In addition, whilst the option made in favour of the Trustee and the Delegate to elect for arbitration or the English courts is valid under English law and is not prohibited under Saudi Arabian law, investors should note that the choice of jurisdiction, if contested before a Saudi Arabian court, is ultimately within the discretion of the Saudi Arabian courts and that there is no established track record of Saudi Arabian courts upholding the validity of this option and as such there can be no assurance whether the Saudi Arabian courts will recognise and enforce any arbitral award or judgment made under this option. Accordingly, in any proceedings relating to the Certificates in the Kingdom, *Shari'a* law, as interpreted in the Kingdom, may be applied by the relevant court or judicial committee.

The courts and judicial committees of the Kingdom have the discretion to deny the enforcement of any contractual or other obligations, if, in their opinion, the enforcement thereof would be contrary to the principles of *Shari'a*. In addition, courts in the Kingdom are unlikely to enforce any foreign judgment or arbitral award which are deemed by the relevant courts to be contrary to public policy, order or morals in the Kingdom (including *Shari'a* principles), or to any law of the Kingdom, may not be enforceable in the Kingdom.

Disputes of a commercial nature in the Kingdom are currently heard before a court called the Board of Grievances, which strictly applies *Shari'a* law, although a new law of the judiciary was issued on 30 Ramadan

1428H (corresponding to 12/10/2007) and calls for the establishment of Commercial Courts in the Kingdom. The Board of Grievances has exclusive jurisdiction to supervise insolvency and bankruptcy proceedings of commercial entities and hear claims against Saudi Arabian government bodies. Until relatively recently, the Board of Grievances also had exclusive jurisdiction to consider the enforcement of foreign judgments and arbitral awards. However, with the enactment of the new Enforcement Law (Royal Decree no. M/53 dated 13/08/1433H corresponding to 07/03/2012), this jurisdiction has been transferred to newly-created “Enforcement Departments” within the General Courts staffed by specialised “enforcement judges”. Accordingly, if a judgment from an English court were to be enforced in the Kingdom, it would need to be submitted to the Enforcement Departments in the General Courts for enforcement.

The Enforcement Departments may, at their discretion, enforce all or any part of a foreign judgment or arbitral award provided that: (a) there is reciprocity in the enforcement of Saudi Arabian judgements or arbitral awards in the courts of the relevant jurisdiction; (b) the courts of the Kingdom do not hold exclusive jurisdiction over the dispute and the foreign judgment or arbitral award was issued in accordance with the jurisdictional rules of that country; (c) the respective parties to the foreign judgement or arbitral award were present, duly represented and able to defend themselves; (d) the judgment or arbitral award is final and non-appealable; (e) the judgment or arbitral award does not conflict with any ruling or order issued by a court of competent jurisdiction on the same matter in the Kingdom; and (f) the judgment or arbitral award is not contrary to any public policy of the Kingdom. Reciprocity may be demonstrated by way of the existence of a treaty or protocol between the Kingdom and the relevant jurisdiction or by virtue of a plaintiff providing evidence that the relevant foreign court has recognised and enforced a Saudi Arabian judgment on a previous occasion. In the case of an English judgment or a judgment predicated upon United States federal law or state securities law, there is no relevant treaty and, accordingly, Certificateholders seeking to enforce an English judgment or a judgment predicated upon United States federal law or state securities law might be required to adduce other evidence of such reciprocity. No assurance can be given that investors would be able to meet the requirements of reciprocity of enforcement. In addition, even if Certificateholders were able to meet this requirement, they should be aware that if any terms of the Certificates or the Transaction Documents (including any provisions relating to the payment of profit) were found to be inconsistent with *Shari’a*, they would not be enforced by the Enforcement Departments.

Judicial precedents in Saudi Arabia have no binding effect on subsequent decisions. In addition, court decisions in Saudi Arabia are not generally or consistently indexed and collected in a central place or made publicly available. These factors create greater judicial uncertainty.

Arbitration awards relating to disputes under certain of the Transaction Documents may not be enforceable in the Kingdom

The parties to the Transaction Documents have agreed to refer any unresolved dispute in relation to such Transaction Documents (other than the Mudaraba Agreement) to arbitration under the Arbitration Rules of the London Court of International Arbitration, subject to the option of the Trustee and the Delegate to bring an action in the English courts. Although the Kingdom is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the “**New York Convention**”), enforcement in the Kingdom of a foreign arbitration 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 the Kingdom as contrary to the public policy of the Kingdom may not be enforceable in the Kingdom. Furthermore, the requirements applicable to the enforcement of foreign arbitral awards in Saudi Arabia (see “*The choice of English law as the governing law of the Certificates (excluding, in the case of Subordinated Certificates, certain provisions therein in respect of Subordination) and the Transaction Documents (excluding the Mudaraba Agreement) and any judgments made pursuant to English law relating to the Transaction Documents may not be enforceable in the Kingdom*”) may also mean that a foreign arbitral award in relation to the Transaction Documents is not enforceable in the Kingdom.

The interpretation of the compliance of the Transaction Documents with Shari’a principles may differ amongst Saudi courts and judicial committees

SABB has agreed in the Mudaraba Agreement to which it is a party that the Saudi Arabian Committee for the Resolution of Securities Disputes (the “**Committee**”) and the Appeal Committee for the Resolution of Securities Conflicts (the “**Appeal Panel**”) may have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with matters related to the Mudaraba Agreement. Prospective Certificateholders should note that to the Trustee’s and SABB’s knowledge, no securities of a

similar nature to the Certificates have previously been the subject of adjudicatory interpretation or enforcement in Saudi Arabia. Accordingly, it is uncertain exactly how and to what extent the Mudaraba Agreement to which SABB is a party (or any of them), would be enforced by the Committee and the Appeal Panel or any other adjudicatory authority in Saudi Arabia.

The Government has approved a restructuring of the judicial system, including the establishment of a Supreme Court as well as commercial, personal status and labour tribunals. The new Judiciary Law and Law of the Grievance Board were enacted by Royal Decree No. M/78 dated 1 October 2008 but have not yet been fully brought into force. Under the new judiciary law, the Supreme Court has taken over all the functions other than certain administrative responsibilities of the Supreme Judiciary Council, which currently serves as Saudi Arabia's highest tribunal. The Grievance Board's current jurisdiction over commercial disputes may also pass to a new commercial court as part of the restructuring. It is not clear as at the date of this Base Prospectus what impact this restructuring may have on the Transaction Documents or any claim thereunder.

Prospective Certificateholders should note that different *Shari'a* advisers and courts and judicial committees in Saudi Arabia may form different opinions on identical issues and therefore prospective Certificateholders should consult their own legal and *Shari'a* advisers to receive an opinion, as to the compliance or otherwise of the Certificates and the Transaction Documents with *Shari'a* principles (see "*—Shari'a rules*" below). Prospective Certificateholders should also note that although the *Shari'a* Committee of SABB and the Executive *Shari'a* Committee of HSBC Saudi Arabia Limited has approved the transaction structure relating to the Certificates (as described in this Base Prospectus) and confirmed that, in their view, the Transaction Documents are in compliance with *Shari'a* principles, such approvals and confirmations would not bind a court or judicial committee in Saudi Arabia, including in the context of any insolvency or bankruptcy proceedings relating to SABB, and any court or judicial committee in Saudi Arabia will have the discretion to make its own determination about whether the Transaction Documents comply with the laws of Saudi Arabia and *Shari'a* principles and therefore are enforceable in Saudi Arabia.

There are concerns as to the legality under Saudi Arabian law of a Saudi Arabian company conducting business and generating returns in Saudi Arabia on behalf of foreign nationals and foreign entities, unless a corporate presence is formed in Saudi Arabia and the relevant licensing requirements have been met

The Foreign Investment Law issued under Royal Decree No. M/1 dated 5/1/1421H (corresponding to 10/4/2000) (the "**Foreign Investment Law**") and the Anti-Cover Up Regulations issued in the Official Gazette on 28/5/1425H (corresponding to 16/7/2004) (the "**Anti-Cover Up Regulations**") prohibit Saudi Arabian companies from doing business in Saudi Arabia on behalf of foreign nationals unless a corporate presence is formed in Saudi Arabia and the relevant licensing requirements have been met. The Trustee and SABB could be interpreted as contravening this prohibition by entering into the Mudaraba Agreement.

On the basis of the foregoing, prospective investors should note that there is uncertainty under Saudi Arabian law of the return of investment of any activity in Saudi Arabia, absent compliance with the matters specified above. As a result, if SABB fails to comply with its obligations under the Mudaraba Agreement, a Saudi Arabian court or judicial or administrative tribunal could proceed in one of the following two ways:

- (a) the Saudi Arabian court or judicial or administrative tribunal may consider the Transaction Documents relating to a Series as a whole and give effect to the commercial intention of the parties to treat the arrangements set out therein as a financing transaction without requiring compliance with the Foreign Investment Law (and as not being in breach of the Anti-Cover Up Regulations), and subject to the other risks described in this "*—Risks relating to enforcement*" section (including, without limitation, the risk factor entitled "*—The interpretation of the compliance of the Transaction Documents with Sharia principles may differ amongst Saudi courts and judicial committees*" above), may enforce the payment obligations set out in the Mudaraba Agreement; or
- (b) the Saudi Arabian court or judicial or administrative tribunal may characterise the transactions contemplated by the Mudaraba Agreement as an unlawful investment in Saudi Arabia by the Trustee acting through SABB, which is void as a result of non-compliance with the Foreign Investment Law and the Anti-Cover Up Regulations. If that is the case, the Saudi Arabian court or judicial or administrative tribunal is likely to require that SABB return to the Trustee the relevant Mudaraba Capital less any Mudaraba Profit already paid in respect of the relevant Series, and may appoint an expert to determine the amount of damages (if any) to which the parties may be entitled to.

The Delegate may request the Certificateholders to provide an indemnity and/or security and/or prefunding to its satisfaction

In certain circumstances, including without limitation the giving of a notice pursuant to Condition 16 (*Dissolution Events and Enforcement*) of the Conditions and the taking of action to enforce or realise any relevant Trust Assets or steps against the Trustee or SABB under the relevant Transaction Documents pursuant to Condition 17 (*Exercise of Rights*) of the Conditions, the Delegate may (at its sole discretion) request the holders of the relevant Certificates to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of the holders of such Certificates. The Delegate shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Delegate may not be able to take actions, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms and conditions governing the relevant Certificates or the relevant Transaction Documents and/or in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the relevant Transaction Documents and the applicable law, it will be for the holders of the relevant Certificates to take such actions directly.

SABB Events

Prospective Certificateholders should note that the courts and judicial committees of Saudi Arabia may not give effect to any of the SABB Events (as set out in the Conditions) other than those SABB Events relating to the non-payment of amounts due under the Transaction Documents.

Penalties and indemnities

Prospective Certificateholders should note that should any provision of the Transaction Documents be construed by a court or judicial committee in Saudi Arabia to be an agreement to pay a penalty rather than a genuine estimate of loss incurred, such provision would not be enforced in Saudi Arabia. Further, any indemnity provided by SABB pursuant to the Transaction Documents or in relation to any Series may not be enforceable under the laws and regulations of Saudi Arabia to the extent that it (a) purports to be effective notwithstanding any judgment or order of a court to the contrary or (b) is contrary to any applicable law or public policy relating thereto.

Compliance with bankruptcy law in Saudi Arabia may affect SABB's ability to perform its obligations under the Transaction Documents to which it is a party

In the event of SABB's insolvency, Saudi Arabian bankruptcy law and other laws affecting the rights of creditors generally may adversely affect SABB's ability to perform its obligations under the Transaction Documents to which it is a party and, in turn, affect the Trustee's ability to perform its obligations in respect of the Certificates. Specific performance, injunctive relief and declaratory judgments and remedies are rarely available as judicial and other adjudicative remedies in Saudi Arabia. There is little precedent to predict how claims by or on behalf of the Certificateholders and/or the Delegate would be resolved, and therefore there can be no assurance that Certificateholders will receive payment of their claims in full or at all in these circumstances.

A court may not grant an order for specific performance

In the event that SABB fails to perform its obligations under any Transaction Document to which it is a party, the potential remedies available to the Trustee and the Delegate include (i) obtaining an order for specific performance of SABB's obligations, or (ii) a claim for damages.

There is no assurance that a court will provide an order for specific performance, as this is generally a matter for the discretion of the relevant court. Specific performance, injunctive relief and declaratory judgements and remedies are rarely available as judicial and other adjudicative remedies in the Kingdom. The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors, including an obligation on the Trustee and the Delegate to mitigate any loss arising as a result of such breach. No assurance is provided on the level of damages which a court may award in the event of a failure by SABB to perform its obligations set out in the Transaction Documents to which it is a party. Damages for loss of profits, consequential damages or other speculative damages are not awarded in Saudi Arabia by the courts or other adjudicatory authorities, and only actual, direct and proven damages are awarded.

The terms of Trust Deeds may not be enforceable in Saudi Arabia

The laws of Saudi Arabia do not recognise the concept of a trust or beneficial interests. Accordingly, there is no certainty that the terms of the Master Trust Deed and any Supplemental Trust Deed (each of which will be governed by English law) would be enforced by the courts of Saudi Arabia and, as such, there can be no assurance that the obligations of the Trustee and/or the Delegate under the Master Trust Deed and any Supplemental Trust Deed to act on behalf of the Certificateholders in accordance with their instructions (given in accordance with the Conditions of the Certificates) are enforceable as a matter of contract under the laws of Saudi Arabia.

Risks relating to the Mudaraba Assets

Investment Risk

Pursuant to the mudaraba agreement dated 8 August 2017 entered into between the Trustee and SABB (the “**Mudaraba Agreement**”), at least 51 per cent. of the proceeds of the issuance of each Series of Certificates will be invested in the Islamic banking and finance activities of SABB with a view to earning profit therefrom, which will in turn be applied towards payments due to Certificateholders in respect of the relevant Series of Certificates. While it is intended that the transactions entered into in respect of the Master Murabaha Agreement (as defined below) in respect of each Series will be sufficient to allow the Issuer to pay the Certificateholders the relevant Periodic Distribution Amounts and Dissolution Amount (see “*Structure Diagram And Cashflows*”), in the event that any of the risks relating to the business of SABB mentioned above (see “*—Risks relating to SABB and its ability to fulfil its obligations under the Transaction Documents*”) or otherwise materialise and impact SABB’s business, the value of and profit earned from the investment in such Mudaraba Assets may drop which may, in turn, have a material adverse effect on the Trustee’s ability to fulfil its payment obligations in respect of the Certificates, in the event that SABB also failed to pay the relevant amounts due under the Master Murabaha Agreement.

Risks relating to the Murabaha Transactions

Murabaha investment

Pursuant to the master murabaha agreement dated 8 August 2017 entered into between the Trustee and SABB (the “**Master Murabaha Agreement**”), no more than 49 per cent. of the proceeds from the issuance of each Series of Certificates will be directly invested in commodities (as defined in the Conditions) which will in turn be on-sold to SABB (in its capacity as Purchaser) under a murabaha transaction. Upon completion of the sale of the commodities by the Trustee (in its capacity as Seller) to the Purchaser, the Purchaser may hold the commodities as inventory or elect to sell the commodities in the open market provided that where the Purchaser elects to sell the commodities, it shall sell the commodities to a third party buyer that is not the initial Supplier.

No investigation or enquiry will be made and no due diligence will be conducted in respect of any commodities. The commodities shall be selected by the supplier and the Certificateholders shall have no ability to influence such selection.

Taxation risk

The Trustee will, from time to time and pursuant to the terms of the Murabaha Transactions (as defined in the Conditions), acquire commodities from a supplier for subsequent on-sale to SABB (in its capacity as Purchaser) (the “**Purchaser**”). Upon purchasing commodities from the supplier and prior to selling such commodities to the purchaser, the Trustee (in its capacity as Seller) will for a limited period assume the legal and beneficial title to the commodities.

Notwithstanding that the Trustee is incorporated in a jurisdiction which does not currently impose capital gains tax, stamp duty or capital transfer tax (further details of which are set out in “*Taxation – The Cayman Islands*”), it is possible that the acquisition of the commodities, or the disposal thereof, may be, or may by virtue of a change in law become, subject to taxation. To the extent that taxation costs arise in respect of the Trustee’s acquisition, ownership or disposition of the commodities, there may be a material adverse effect on the Trustee’s ability to perform its obligations in respect of the Certificates.

Commodity Risk

Upon purchasing commodities from the supplier and prior to selling such commodities to the Purchaser, the Trustee (in its capacity as Seller) will for a limited period assume the operational risks associated with taking ownership of the commodities. These risks include, without limitation:

- that the commodities may suffer damage of a nature that reduces their value whilst in storage or during transit;
- that Trustee's storage and/or transfer of the commodities may cause environmental damage, such as pollution, leakage or contamination, which may breach environmental laws or regulations making Trustee susceptible to legal or financial recourse;
- that the commodities may be liable to theft and or vandalism; and
- that the commodities may be damaged by terrorist attacks, natural disasters, fire or other catastrophic events that are beyond the control of Trustee.

To the extent that these risks are not mitigated, or fully covered, by any insurance taken out in respect of the commodities, the occurrence of any of these events may have a material adverse effect on the value of the commodities and/or Trustee's ability to on-sell the commodities, there may be a material adverse effect on the Trustee's ability to perform its obligations in respect of the Certificates.

Supplier risk

The Trustee will, from time to time and pursuant to the terms of the Murabaha Transactions, acquire commodities from a supplier for subsequent on-sale to the Purchaser. The Murabaha Transactions provide a mechanism by which the Trustee or its agent shall prior to any such acquisition specify to the supplier the quality, quantity and type of commodities which are to be the subject of such acquisition. In the event that the Trustee or its agent fails to secure the requisite quantity or type of the commodities from the supplier, or if the commodities are not of the quality specified to the supplier by the Trustee or its agent, the Trustee or its agent may not be able to sell the required quantity, quality or type of commodities to the Purchaser, which may have a material adverse impact on the Purchaser's ability to secure a satisfactory price for the commodities which may, in turn, affect the Trustee's ability to perform its obligations in respect of the Certificates.

Price fluctuation risk

The price at which a commodity changes hands is determined as a function of its market as a whole, and both under- and over-supply of a commodity can have significant implications for the price at which it is traded. If, after SABB has purchased any commodities, the market for the commodities becomes over-supplied or flooded, the price at which the commodities can be on-sold or traded subsequently may be adversely affected. Similarly, if after the Purchaser has purchased the commodities, additional governmental or import or export licences become applicable to the market for the commodities, the price at which the commodities can be sold or traded subsequently may also be adversely affected. The effect of such price fluctuations may have a material adverse impact on SABB's ability to secure satisfactory on-sale prices for the commodities and, in turn, have a material adverse effect on SABB's ability to perform its payment obligations under the Master Murabaha Agreement which, in turn, may be a material adverse effect on the Trustee's ability to perform its obligations in respect of the Certificates.

Risk factors relating to taxation

Taxation risks on payments

Payments made by SABB to the Trustee under, or pursuant to, the Mudaraba Agreement and the Master Murabaha Agreement are, and payments by the Trustee in respect of the Certificates could become, subject to taxation. Each of the Mudaraba Agreement, the Master Murabaha Agreement and the Master Trust Deed requires SABB to pay additional amounts in the event that any withholding or deduction is required by applicable law to be made in respect of payments made by it to the Trustee which are intended to fund Periodic Distribution Amounts and Dissolution Amounts. Condition 13 (*Taxation*) provides that the Trustee is required to pay additional amounts in respect of any such withholding or deduction imposed by Cayman Islands law in certain circumstances. In the event that the Trustee fails to pay any such additional amounts in respect of any

such withholding or deduction on payments due in respect of the Certificates to Certificateholders, SABB has unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to the Trustee (for the benefit of the Certificateholders) an amount equal to the liabilities of the Trustee in respect of any and all additional amounts required to be paid in respect of the Certificates pursuant to Condition 13 (*Taxation*) in respect of any withholding or deduction in respect of any tax as set out in that Condition.

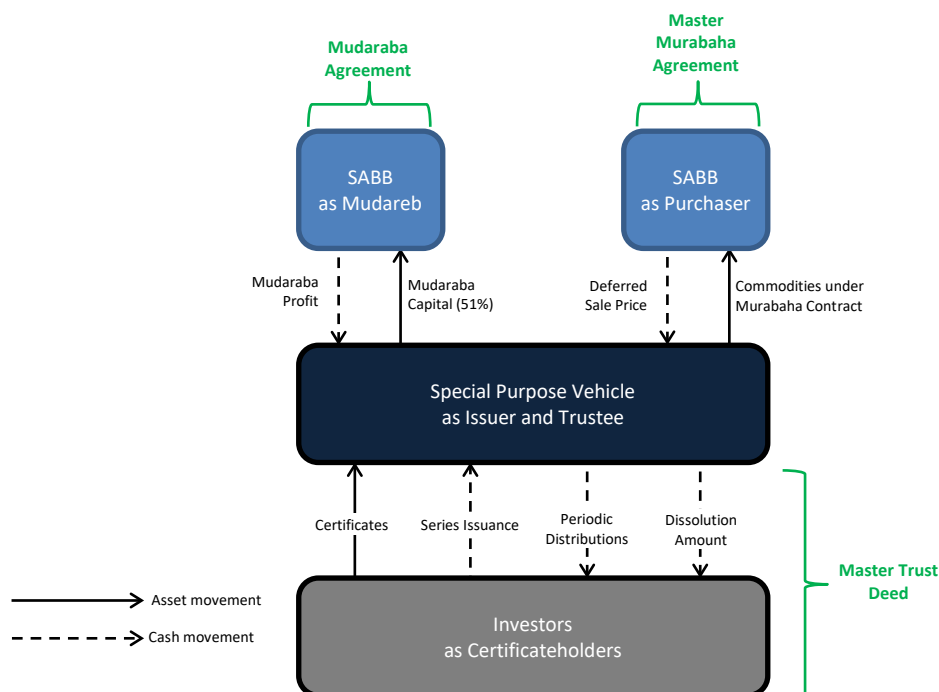
U.S. Foreign Account Tax Compliance Act Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the Cayman Islands and, in substance, Saudi Arabia) have entered into intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, such withholding would not apply prior to 1 January 2019. Prospective investors should consult their own tax advisors regarding how these rules may apply to their investment in the Certificates. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Certificates, no person will be required to pay additional amounts as a result of the withholding.

STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying each Series of Certificates issued under the Programme. Potential investors are referred to the terms and conditions of the Certificates and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Base Prospectus for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.

Structure Diagram



On the issue date of each Series (the “**Issue Date**”), the Certificateholders will pay the issue price in respect of the Certificates to the Trustee. The proceeds from the issuance of each Series of Certificates will be applied by the Trustee on behalf of the Certificateholders, as follows:

- (i) an amount equal to no more than 49 per cent. of the proceeds from the issuance of each Series of Certificates (such percentage to be set out in the applicable Final Terms for each Series of Certificates) (the “**Murabaha Investment Amount**”) will be used to purchase certain *Shari’a*-compliant commodities (the “**Commodities**”) through a buying agent (the “**Buying Agent**”), and the Trustee (in its capacity as seller, the “**Seller**”) will sell such Commodities to SABB (in its capacity as purchaser, the “**Purchaser**”) on a deferred payment basis; and
- (ii) an amount equal to no less than 51 per cent. of the proceeds from the issuance of each Series of Certificates (such percentage to be set out in the applicable Final Terms for each Series of Certificates) (the “**Mudaraba Capital**”) will be provided to SABB, acting as mudareb (the “**Mudareb**”), in order to apply as the capital of the mudaraba constituted by the Mudaraba Agreement (the “**Mudaraba**”).

Murabaha

In respect of each Series of Certificates, the Seller and the Purchaser shall enter into *murabaha* transactions on the terms set out in the Master Murabaha Agreement. The nature of these transaction will vary depending on whether the Certificates are Senior Certificates or Subordinated Certificates.

Senior Certificates

In respect of any Series of Senior Certificates, the Seller will use the Murabaha Investment Amount to purchase the Commodities through the Buying Agent and will sell such Commodities to the Purchaser on a deferred

payment basis pursuant to a murabaha transaction (a “**Fixed Murabaha Transaction**”). The deferred sale price (the “**Deferred Sale Price**”) under the Fixed Murabaha Transaction will be an amount equal to the aggregate of (i) the aggregate face amount of the relevant Series of Senior Certificates on the Issue Date; and (ii) the Periodic Distribution Amounts payable by the Trustee under the relevant Series of Senior Certificates during the period from the Issue Date to the Scheduled Dissolution Date.

The Deferred Sale Price will be payable by the Purchaser in scheduled instalments, which will be due on the last Business Day of each Periodic Distribution Period, with the last instalment due on the last Business Day prior to the Scheduled Dissolution Date. The instalments of the Deferred Sale Price will be used to fund the Periodic Distribution Amount and the Dissolution Amount due under the relevant Series of Senior Certificates.

If the Certificates of the relevant Series are redeemed early, prior to the Scheduled Dissolution Date, on the Business Day immediately preceding such Dissolution Date, all amounts due under the Fixed Murabaha Transaction will become immediately due and payable and will be used to fund the relevant Dissolution Amount and any due but unpaid Periodic Distribution Amounts payable by the Trustee under the relevant Series of Senior Certificates.

Subordinated Certificates

In respect of any Series of Subordinated Certificates, the Seller will use the Murabaha Investment Amount to purchase the Commodities through the Buying Agent and will sell such Commodities to the Purchaser on a deferred payment basis pursuant to a fixed murabaha transaction (a “**First Reset Murabaha Transaction**”). The Deferred Sale Price under the First Reset Murabaha Transaction will be an amount equal to the aggregate of (i) an amount equal to the aggregate face amount of the relevant Series of Subordinated Certificates on the Issue Date; and (ii) the Periodic Distribution Amounts payable by the Trustee under the relevant Series of Subordinated Certificates during the period from the Issue Date to the First Reset Date.

The Deferred Sale Price will be payable by the Purchaser in scheduled instalments, which will be due on the last Business Day of each Periodic Distribution Period, with the last instalment due on the last Business Day prior to the First Reset Date.

The instalments of the Deferred Sale Price will be used to fund the Periodic Distribution Amount due under the Certificates on the Periodic Distribution Dates up to, and including, the First Reset Date and to provide an amount equal to the aggregate face amount of the relevant Series of Subordinated Certificates on the First Reset Date to be used as the purchase price to allow the Seller to purchase Commodities through the Buying Agent and sell such Commodities to the Purchaser on a deferred payment basis pursuant to a subsequent reset murabaha transaction to be entered into on the last Business Day prior to the First Reset Date (the “**Subsequent Reset Murabaha Transaction**”).

The Deferred Sale Price under the Subsequent Reset Murabaha Transaction will be an amount equal to the aggregate of (i) an amount equal to the aggregate face amount of the relevant Series of Subordinated Certificates on the First Reset Date; and (ii) the Periodic Distribution Amounts payable by the Trustee under the relevant Series of Subordinated Certificates during the period from the First Reset Date to the Subsequent Reset Date or, if no such Subsequent Reset Date is specified in the applicable Final Terms, the Scheduled Dissolution Date.

The Deferred Sale Price will be payable by the Purchaser in scheduled instalments, which will be due on the last Business Day of each Periodic Distribution Period, with the last instalment due on the last Business Day prior to the Subsequent Reset Date or, if no such Subsequent Reset Date is specified in the applicable Final Terms, the last Business Day prior to the Scheduled Dissolution Date.

In the event that the Expiry Date of the Subsequent Reset Murabaha Transaction is not the Business Day prior to the Scheduled Dissolution Date, the instalments of the Deferred Sale Price under the Subsequent Reset Murabaha Transaction will be used to fund the Periodic Distribution Amount due under the Certificates on the Periodic Distribution Dates up to, and including, the next Reset Date and to provide an amount equal to the aggregate face amount of the relevant Series of Subordinated Certificates on the next Reset Date to be used as the purchase price to allow the Seller to purchase Commodities through the Buying Agent and sell such Commodities to the Purchaser on a deferred payment basis pursuant to a further Subsequent Reset Murabaha Transaction on the same terms as those set out above.

In the event that the Expiry Date of the Subsequent Reset Murabaha Transaction is the Business Day prior to the Scheduled Dissolution Date, the instalments of the Deferred Sale Price under the Subsequent Reset Murabaha

Transaction will be used to fund the Periodic Distribution Amount due under the Certificates on the Periodic Distribution Dates up to, and including, the Scheduled Dissolution Date and to fund the Dissolution Amount under the Certificates.

If the Certificates of the relevant Series are redeemed early, prior to the Scheduled Dissolution Date, on the Business Day immediately preceding such Dissolution Date, all amounts due under a Reset Murabaha Transaction will become immediately due and payable and will be used to fund the relevant Dissolution Amount and any due but unpaid Periodic Distribution Amounts payable by the Trustee under the Certificates, subject to Condition 4.2 (*Status of Subordinated Certificates*) and Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*).

Mudaraba

The Mudaraba in respect of each Series of Certificates shall constitute an independent Mudaraba and the terms of the Mudaraba Agreement shall apply *mutatis mutandis* separately and independently to such Mudaraba.

In accordance with the terms of the Mudaraba Agreement, the Mudareb shall invest the Mudaraba Capital in the Islamic banking and finance activities of SABB (the “**Business Portfolio**”). The Mudareb and SABB shall each have an undivided ownership share of the Business Portfolio and all assets acquired from or through the Business Portfolio on the basis of the sharing of profit and the bearing of losses *pro rata* to their respective shares. The Mudareb’s and SABB’s respective share in the Business Portfolio on the Issue Date will be set out in the applicable Final Terms.

The Mudareb’s share of the Business Portfolio in respect of each Series of Certificates shall constitute the “**Mudaraba Assets**” and any income from the Mudaraba Assets less total costs (consisting of direct costs and allocated costs of such activities) and any provisions for that year relating to the Mudaraba Assets shall constitute the “**Mudaraba Income**”. The Mudareb shall use its reasonable efforts to ensure that the value of the Mudaraba Assets is at least 33 per cent. of the value of the Trust Assets.

The Trustee shall be entitled to receive 90 per cent. of any Mudaraba Income (the “**Mudaraba Profit**”), while the Mudareb, in consideration for its role as Mudareb, shall be entitled to receive 10 per cent. of any Mudaraba Income (the “**Mudareb Profit**”). The Mudaraba Profit shall be credited to an account to be maintained by the Mudareb in its books for and on behalf of the Trustee (the “**Collection Account**”).

On the Business Day prior to each Periodic Distribution Date, Dissolution Date and/or Non-Viability Event Write-Down Date (as applicable) for the relevant Series, the Mudareb shall use amounts standing to the credit of the Collection Account to pay to the Transaction Account an amount which is intended to be sufficient, together with any monies already standing to the credit of the Transaction Account (as a result of payments of the Deferred Sale Price under the Master Murabaha Agreement), to fund any amounts payable by the Trustee under the Certificates of the relevant Series on the Periodic Distribution Date, Dissolution Date and/or Non-Viability Event Write-Down Date (as applicable) falling one Business Day after such date (the “**Required Amount**”) and any such amount paid into the Transaction Account shall be applied by the Trustee for that purpose.

If, on the Business Day prior to a Periodic Distribution Date, the amounts standing to the credit of the Collection Account are greater than the relevant Required Amount, such excess returns shall be credited by the Mudareb to a separate book-entry ledger account (the “**Reserve Account**”). Any amounts standing to the credit of the relevant Reserve Account shall be held by the Mudareb for the benefit of the Trustee, save that the Mudareb shall be entitled to deduct amounts standing to the credit of the relevant Reserve Account at any time prior to the redemption in full of the relevant Certificates and to use such amounts for its own account, provided that such amounts shall be re-credited to the relevant Reserve Account by it if so required to fund a shortfall in respect of the relevant Series of Certificates in accordance with the following paragraph.

If, on the Business Day prior to a Periodic Distribution Date and/or Dissolution Date, the amounts standing to the credit of the Collection Account are less than the relevant Required Amount, the Mudareb shall deduct amounts standing to the credit of the Reserve Account towards funding such shortfall.

On the Business Day prior to a Dissolution Date (other than a Certificateholder Put Option Date), the Mudareb will liquidate the Mudaraba, following which the Mudaraba shall be dissolved and the Mudareb shall transfer the Mudaraba Capital into the Collection Account. The balance of the monies (if any) standing to the credit of the Collection Account and Reserve Account, following the redemption of the Certificates and after the date on

which all amounts owing to the Certificateholders under the Certificates has been paid in full, will be paid to SABB as an incentive.

Certificateholder Put Option in respect of Senior Certificates

In respect of any Series of Senior Certificates, where the Certificateholder Put Option is specified as being applicable in the applicable Final Terms, if some but not all Certificateholders elect to redeem their Certificates on any Certificateholder Put Option Date, it will trigger an early partial pre-payment of the Deferred Sale Price under the Fixed Murabaha Transaction in an amount equal to the face amount of the Certificates being redeemed on the relevant Certificateholder Put Option Date and any accrued but unpaid Periodic Distribution Amount.

One Business Day prior to a Certificateholder Put Option Date, there will also be a partial liquidation of the Mudaraba in respect of the relevant Series of Senior Certificates. The Mudaraba Assets shall be reduced to an amount that is equal to the value of the Mudaraba Assets immediately prior to the partial liquidation, multiplied by the Relevant Fraction. The Mudareb shall transfer the proceeds of the partial liquidation of the Mudaraba into the Collection Account.

The **Relevant Fraction** will be calculated in accordance with the following formula:

$$\text{Relevant Fraction} = 1 - (A \div B)$$

where:

“A” is an amount equal to the aggregate of the Certificateholder Put Option Certificates; and

“B” is an amount equal to the aggregate face amount of the Certificates outstanding on the Business Day prior to the Certificateholder Put Option Date.

Write-Down on the Point of Non-Viability in respect of Subordinated Certificates

Murabaha Transactions

The Trustee will agree in the Master Murabaha Agreement that when the underlying Murabaha Transactions have been entered into in connection with the issuance of Subordinated Certificates and a Non-Viability Event occurs:

- (i) on a Non-Viability Event Write-Down Date on which the Regulator has determined that a full Write-Down of any Subordinated Certificates is required and where a full Write-Down of the Subordinated Certificates has been specified in the applicable Non-Viability Notice, or if otherwise required by the Regulator pursuant to the Applicable Statutory Loss Absorption Regime, it will trigger an early partial pre-payment of the Deferred Sale Price under the Murabaha Transaction of an amount that is required to allow the Trustee to make payment of the Periodic Distribution Amounts accrued and unpaid to (but excluding) the relevant Non-Viability Event Write-Down Date. After payment of such amount into the Transaction Account, the right of the Trustee to receive the Deferred Sale Price under any such Murabaha Transactions will be cancelled and the remaining Deferred Sale Price of such Murabaha Transaction shall be Written-Down to zero; and
- (ii) on a Non-Viability Event Write-Down Date on which the Regulator has determined that a partial Write-Down of any Subordinated Certificates is required and where a partial Write-Down of the Subordinated Certificates has been specified in the applicable Non-Viability Notice, or if otherwise required by the Regulator pursuant to the Applicable Statutory Loss Absorption Regime, it will trigger an early partial pre-payment of the Deferred Sale Price under the Murabaha Transaction of the amount required to allow the Trustee to make payment of the Periodic Distribution Amounts accrued and unpaid to (but excluding) the relevant Non-Viability Event Write-Down Date, which amount will be paid into the Transaction Account, and the Deferred Sale Price due under the relevant Murabaha Transaction shall then be reduced and Written-Down to be the Relevant Non-Viability Fraction of the Deferred Sale Price that would have otherwise been due under such Murabaha Transaction.

The **Relevant Non-Viability Fraction** will be calculated in accordance with the following formula:

$$\text{Relevant Non-Viability Fraction} = 1 - (A \div B)$$

where:

“A” is an amount equal to the aggregate amount of Subordinated Certificates that have been Written-Down; and

“B” is an amount equal to the aggregate face amount of the Subordinated Certificates outstanding on the Business Day prior to the Non-Viability Event Write-Down Date.

Mudaraba Transaction

The Trustee will agree in the Mudaraba Agreement that when Mudaraba has been entered into in connection with the issuance of Subordinated Certificates and a Non-Viability Event occurs:

- (i) on a Non-Viability Event Write-Down Date in respect of which the Regulator has determined that a full Write-Down of any Subordinated Certificates is required and where a full Write-Down of the Subordinated Certificates has been specified in the applicable Non-Viability Notice, or if otherwise required by the Regulator pursuant to the Applicable Statutory Loss Absorption Regime, there will be a liquidation of the Mudaraba in respect of the relevant Series of Subordinated Certificates and, after payment of an amount into the Transaction Account which is equal to the amount required (when aggregated with the due and payable instalments of the relevant Deferred Sale Price) to allow the Trustee to make payment of the Periodic Distribution Amounts accrued and unpaid to (but excluding) the relevant Non-Viability Event Write-Down Date, any rights that the Trustee has in the Mudaraba Assets shall be automatically paid to the Mudareb (for its own account); and
- (ii) on a Non-Viability Event Write-Down Date in respect of which the Regulator has determined that a partial Write-Down of any Subordinated Certificates is required and where a partial Write-Down of the Subordinated Certificates has been specified in the applicable Non-Viability Notice, or if otherwise required by the Regulator pursuant to the Applicable Statutory Loss Absorption Regime, there will be a partial liquidation of the Mudaraba in respect of the relevant Series of Subordinated Certificates. After payment of an amount into the Transaction Account which is equal to the amount required (when aggregated with the due and payable instalments of the relevant Deferred Sale Price) to allow the Trustee to make payment of the Periodic Distribution Amounts accrued and unpaid to (but excluding) the relevant Non-Viability Event Write-Down Date, the Mudaraba Assets shall be reduced to an amount that is equal to the value of the Mudaraba Assets immediately prior to the partial liquidation, multiplied by the Relevant Non-Viability Fraction. Any rights that the Trustee has in the Mudaraba Assets that have been liquidated shall be automatically paid to the Mudareb (for its own account).

OVERVIEW OF THE PROGRAMME

The following is an overview of the principal features of the Programme. This overview does not contain all of the information that an investor should consider before investing in Certificates and is qualified in its entirety by the remainder of this Base Prospectus and the applicable Final Terms. Each investor should read the entire Base Prospectus and the applicable Final Terms carefully, especially the risks of investing in Certificates issued under the Programme discussed under “Risk Factors”.

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 Prospective Directive.

Words and expressions defined in “Structure Diagram and Cashflows”, “Form of the Certificates” and “Terms and Conditions of the Certificates” shall have the same meanings in this overview.

Issuer and Trustee:	SABB Sukuk Limited, an exempted company with limited liability incorporated in accordance with the laws of, and formed and registered in, the Cayman Islands with registered number 302865 and its registered office at c/o Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands. The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below) to which it is a party.
Purchaser and Mudareb:	The Saudi British Bank
Risk Factors:	There are certain factors that may affect the Trustee’s ability to fulfil its obligations under Certificates issued under the Programme, and SABB’s obligations under the Transaction Documents to which it is a party. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Certificates issued under the Programme. Certain of these factors are set out under “Risk Factors” above.
Ownership of the Trustee:	The authorised share capital of the Trustee is U.S.\$50,000, consisting of 50,000 ordinary shares of U.S.\$1 par value each, of which 250 ordinary shares are fully paid-up and issued as at the date of this Base Prospectus. The Trustee’s entire issued share capital is held by Walkers Fiduciary Limited, a licensed trust company in the Cayman Islands, on trust for charitable purposes.
Administration of the Trustee:	The affairs of the Trustee are managed by Walkers Fiduciary Limited (the “ Trustee Administrator ”), who will provide, amongst other things, certain administrative services, director services and act as share trustee for and on behalf of the Trustee pursuant to a corporate services agreement dated 8 August 2017 between, among others, the Trustee and the Trustee Administrator (the “ Corporate Services Agreement ”). The Trustee Administrator’s registered office is Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands.
Arranger:	HSBC Bank plc.
Dealers:	HSBC Bank plc and any other Dealer appointed from time to time either generally in respect of the Programme or in relation to a particular Series of Certificates.
Delegate:	HSBC Corporate Trustee Company (UK) Limited. Pursuant to the Master Trust Deed, the Trustee shall delegate to the Delegate certain of the present and future duties, powers, trusts, authorities and discretions vested in the Trustee by certain provisions of the Master Trust Deed. In particular, the Delegate shall be entitled

to (and, in certain circumstances, shall, subject to being indemnified and/or secured and/or pre-funded to its satisfaction, be obliged to) take enforcement action in the name of the Trustee against the Seller and/or the Mudareb and/or SABB following a Dissolution Event.

Principal Paying Agent, Registrar and Transfer Agent:	HSBC Bank plc.
Programme Size:	Up to U.S.\$2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Trustee and SABB may increase the size of the Programme in accordance with the terms of the Programme Agreement.
Issuance in Series:	The Certificates will be issued in Series, the specific terms of which will be completed in the applicable Final Terms. The Certificates may be issued on a syndicated or non-syndicated basis.
Distribution:	Certificates may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, Certificates may be denominated in any currency (each a “ Specified Currency ”) agreed between the Trustee, SABB and the relevant Dealer.
Maturities:	The Certificates will have such maturities as may be agreed between the Trustee, SABB and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Trustee or the relevant Specified Currency.
Issue Price:	Certificates may be issued at any price on a fully paid basis, as specified in the applicable Final Terms. The price and amount of Certificates to be issued under the Programme will be determined by the Trustee, SABB and the relevant Dealer at the time of issue in accordance with prevailing market conditions.
Form of Certificates:	The Certificates will be issued in registered form as described in “ <i>Form of the Certificates</i> ”. The Certificates of each Series will be represented on issue by ownership interests in a Global Certificate which will be deposited with, and registered in the name of a nominee of, a common depository for Euroclear and Clearstream, Luxembourg. Ownership interests in each Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by each relevant clearing system and its participants. See “ <i>Form of the Certificates</i> ”. Definitive Certificates evidencing holdings of Certificates will be issued in exchange for interests in a Global Certificate only in limited circumstances.
Clearance and Settlement:	Holders of the Certificates must hold their interest in the relevant Global Certificate in book-entry form through Euroclear or Clearstream, Luxembourg. Transfers within and between Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearance systems.
Face Amount of Certificates:	The Certificates will be issued in such face amounts as may be agreed between the Trustee, SABB and the relevant Dealer save that the minimum face amount of each Certificate will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the

relevant Specified Currency, see “*Certain Restrictions*” above, and save that the minimum face amount of each Certificate admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Certificates are issued in a currency other than euro, the equivalent amount in such currency).

Status of the Certificates:

The Issuer may issue Senior Certificates or Subordinated Certificates, as specified in the applicable Final Terms. Each Certificate will evidence an undivided ownership interest of the Certificateholders in the Trust Assets of the relevant Series, subject to the terms of the Trust Deed, the Supplemental Trust Deed and the Conditions, and is a limited recourse obligation of the Trustee.

The Senior Certificates will be a direct, unconditional, unsecured and unsubordinated obligation of the Trustee and will rank *pari passu*, without any preference or priority, with all other Senior Certificates of the relevant Series issued under the Programme.

The Subordinated Certificates will be a direct, unsecured and unsubordinated obligation of the Trustee and will rank *pari passu*, without any preference or priority, with all other Subordinated Certificates of the relevant Series issued under the Programme.

Subordination:

In respect of the Subordinated Certificates, the payment obligations of SABB under the Transaction Documents to which it is a party, to fund the Periodic Distribution Amounts, the Dissolution Amount and any other amounts payable in respect of the Subordinated Certificates, will constitute direct, unsecured and subordinated obligations of SABB and shall, on the occurrence of any Subordination Event and for so long as that Subordination Event subsist, rank:

- (a) subordinate in right of payment to the payment of all Senior Obligations;
- (b) *pari passu* without any preference among themselves and with all Parity Obligations; and
- (c) in priority to all payments in respect of Junior Obligations.

By virtue of such subordination of the payment obligations of SABB under the Transaction Documents to which it is a party, no amount will, in the case of any Subordination Event and for so long as that Subordination Event subsist, be paid by SABB in respect of its obligations under the Transaction Documents in relation to the Subordinated Certificates until all payment obligations in respect of Senior Obligations have been satisfied.

Trust Assets

The Trust Assets of the relevant Series will be all of the Trustee’s rights, title, interest and benefit, present and future, in, to and under: (i) the relevant Mudaraba Assets and Murabaha Assets; (ii) the Transaction Documents (other than (A) in relation to any representations given to the Trustee and/or the Delegate by SABB pursuant to any of the Transaction Documents and any rights which have been expressly waived by the Trustee in any of the Transaction Documents and (B) the covenant given to the Trustee and/or the Delegate pursuant to Clause 14 of the Master Trust Deed); (iii) all monies standing to the credit of the relevant Transaction Account from time to time; and (iv) all proceeds of the foregoing listed (i) to

(iii) (other than the ordinary share capital of the Trustee and any transaction or corporate benefit fee received by the Trustee) (the “**Trust Assets**”), and such Trust Assets will be held by the Trustee upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder for the relevant Series.

Periodic Distributions: Subject to, and in accordance with, the Conditions, Certificateholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the applicable Final Terms and the Conditions.

Periodic Distributions Payable in respect of Senior Certificates: Senior Certificates will bear profit on their Outstanding Face Amount at such fixed rate per annum and on such date or dates as may be agreed between the Trustee, SABB and the relevant Dealer(s), calculated in accordance with such Day Count Fraction as may be agreed between the Trustee, SABB and the relevant Dealer(s), each as more particularly described in Condition 7 (*Fixed Periodic Distribution Provisions for Senior Certificates*).

Periodic Distributions Payable in respect of Subordinated Certificates: Subordinated Certificates will, in respect of an initial period, bear profit at an initial fixed rate of profit specified in the applicable Final Terms. Thereafter, the fixed rate of profit will be reset on one or more date(s) as specified in the applicable Final Terms by reference to a Mid-Market Swap Rate for the relevant Specified Currency, and for a period equal to the Reset Period, as adjusted for any applicable margin, in each case as may be specified in the applicable Final Terms. See Condition 8 (*Reset Periodic Distribution Provisions for Subordinated Certificates*).

Scheduled Dissolution: Unless the Certificates are previously redeemed or purchased and cancelled, and subject, in the case of Subordinated Certificates, to Condition 4.2 (*Status of Subordinated Certificates*) and Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*), the Certificates shall be redeemed by the Trustee at the relevant Final Dissolution Amount and on the relevant Scheduled Dissolution Date specified in the applicable Final Terms and the Trust in relation to the relevant Series will be dissolved by the Trustee.

Dissolution Events in relation to Senior Certificates: The Dissolution Events in relation to Senior Certificates are set out in Condition 16.1 (*Dissolution Events and Enforcement – Dissolution Events for Senior Certificates*).

Upon the occurrence of a Senior Dissolution Event, the Senior Certificates may be redeemed in full on the Dissolution Date at the relevant Dissolution Amount, together with any accrued but unpaid Periodic Distribution Amount and the relevant Periodic Distribution Period may be adjusted accordingly.

Dissolution Events in relation to Subordinated Certificates: The Dissolution Events in relation to Subordinated Certificates are set out in Condition 16.2 (*Dissolution Events and Enforcement – Dissolution Events for Subordinated Certificates*).

Subject to Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*), following the occurrence of a Subordinated Dissolution Event the Delegate (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) may in its absolute discretion or shall if so requested in writing by the holders of at least one-fifth of the then aggregate face amount of the Series of Certificates outstanding or by Extraordinary Resolution (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), institute proceedings for SABB to be

declared bankrupt or insolvent or for there otherwise to be a winding up, liquidation or dissolution of SABB and/or claim or prove in the winding-up, dissolution or liquidation of SABB for the relevant Dissolution Amount, together with any accrued but unpaid Periodic Distribution Amount, subject to the subordination of SABB's payment obligations under the Transaction Documents to which it is a party (see Condition 4.2 (*Status and Limited Recourse – Status of Subordinated Certificates*)).

Early Dissolution for Tax Reasons: Where (i) the Trustee has or will become obliged to pay any additional amounts in respect of the Certificates, or (ii) SABB has or will become obliged to pay any additional amounts under the Transaction Documents, in each case as a result of a change in the laws of a Relevant Jurisdiction (as defined in the Conditions) and such obligation cannot be avoided by the Trustee or SABB, as applicable, taking reasonable measures available to it, the Trustee may, subject in the case of Subordinated Certificates, to the provisions of Condition 12.6 (*Conditions to Redemption*), redeem the Certificates in whole but not in part at an amount equal to the relevant Early Dissolution Amount (Tax) together with any accrued but unpaid Periodic Distribution Amounts on the Tax Dissolution Date.

Optional Dissolution Right: If so specified in the applicable Final Terms, subject, in the case of Subordinated Certificates to Condition 12.6 (*Conditions to Redemption*), SABB may in its sole discretion require the Trustee to, upon giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 19 (*Notices*) (which notice shall be irrevocable) redeem the Certificates in whole but not in part on any Optional Dissolution Date at the relevant SABB Call Option Amount together with any accrued but unpaid Periodic Distribution Amounts.

If applicable to the relevant Series, the Optional Dissolution Date(s) will be specified in the applicable Final Terms.

Certificateholder Put Option: If so specified in the applicable Final Terms for any Senior Certificates, Certificateholders may elect to redeem their Senior Certificates on any Certificateholder Put Option Date(s) specified in the applicable Final Terms at an amount equal to the relevant Certificateholder Put Option Amount together with any accrued but unpaid Periodic Distribution Amounts in accordance with Condition 12.4 (*Dissolution at the Option of the Certificateholders*) and the Trustee will redeem the relevant Certificates on the relevant Certificateholder Put Option Date.

Early Dissolution upon the occurrence of a Capital Disqualification Event: In the case of Subordinated Certificates, the Trustee may, in accordance with Condition 12.5 (*Dissolution for Regulatory Capital Reasons*) and subject to the provisions of Condition 12.6 (*Conditions to Redemption*), redeem in whole, but not in part, the Subordinated Certificates on the occurrence of a Capital Disqualification Event at an amount equal to the relevant Early Dissolution Amount (Capital Disqualification Event) together with any accrued but unpaid Periodic Distribution Amounts on the Capital Disqualification Dissolution Date.

Cancellation of Certificates held by SABB and/or any of its Subsidiaries: Pursuant to Condition 15 (*Purchase and Cancellation of Certificates*), SABB and/or any of its Subsidiaries may at any time purchase Certificates in the open market or otherwise. Such Certificates may be held, resold or, at the option of SABB, by giving not less than 15 days, nor more than 30 days' notice to the Trustee and the Principal Paying Agent, surrendered to the Principal Paying Agent for

cancellation. Such cancellation to take effect on the next Periodic Distribution Date.

Non-Viability/Write-Down
Subordinated Certificates

of If a Non-Viability Event occurs at any time on or after the Issue Date of a Series of Certificates and prior to the date on which any Applicable Statutory Loss Absorption Regime becomes effective, the then Outstanding Face Amount of any Subordinated Certificates shall be reduced by the relevant Write-Down Amount in the manner described in Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*). See Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*) and Condition 1 (*Interpretation*) for further information on such potential Write-Down, including for the definitions of various terms used in this section.

Withholding Tax:

All payments by SABB under, or pursuant to, the Mudaraba Agreement and the Master Murabaha Agreement shall be made without withholding or deduction for, or on account of, any taxes, levies, imposts, duties, fees, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any Relevant Jurisdiction unless the withholding is required by law. In the event that any such withholding or deduction is made, SABB will be required to pay additional amounts so that the Trustee will receive the full amounts that it would have received in the absence of such withholding or deduction. Under Saudi law, the Mudareb is required to withhold five per cent. in respect of any payments in the nature of profit made to the Trustee (being resident for tax purposes outside Saudi Arabia) under the Mudaraba Agreement. See "*Taxation—Kingdom of Saudi Arabia*".

All payments in respect of Certificates by the Trustee shall be made without withholding or deduction for, or on account of, any taxes, levies, imposts, duties, fees, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any Relevant Jurisdiction. In the event that any such withholding or deduction is made, the Trustee will, save in the limited circumstances provided in Condition 13 (*Taxation*), be required to pay additional amounts so that the holders of the Certificates will receive the full amounts that they would have received in the absence of such withholding or deduction.

Negative Pledge:

The Conditions contain a negative pledge given by SABB.

Cross Default:

The Conditions contain a cross default provision in relation to SABB.

Trustee Covenants:

The Trustee has agreed to certain restrictive covenants as set out in Condition 6 (*Covenants*).

Ratings:

The ratings assigned to certain Series to be issued under the Programme will be specified in the applicable Final Terms. A rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of payment and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. Whether or not each credit rating applied for in relation to the relevant Series of Certificates will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the applicable Final Terms.

Certificateholder Meetings:

The Conditions contain provisions for calling meetings of holders of a Series to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of such Series

including holders of such Series who did not attend and vote at the relevant meeting and holders of such Series who voted in a manner contrary to the majority. A summary of the provisions for convening meetings of Certificateholders of each Series to consider matters relating to their interests is set out in Condition 20 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*).

The Delegate may also subject to Condition 12.6 (*Conditions for Redemption*) in the case of Subordinated Certificates make any modification to the relevant Series of Certificates which is not prejudicial to the interests of the holders of such Series without the consent of the holders of such Series. Any such modification shall be binding on the holders of such Series.

Tax Considerations: See “*Taxation*” for a description of certain tax considerations applicable to the Certificates.

Listing and Admission to Trading: Application has been made to the London Stock Exchange for Certificates issued under the Programme during the period of 12 months from the date hereof to be admitted to the Official List and to trading on the Market.

Certificates may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Trustee, SABB and the relevant Dealer in relation to the Series. Certificates which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms will state whether or not the relevant Certificates are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

In the case of PD Exempt Instruments, the relevant Certificates will not be listed and/or admitted to trading on the Market or any other regulated market.

Transaction Documents: The Transaction Documents are the Master Trust Deed, each Supplemental Trust Deed, the Agency Agreement, the Mudaraba Agreement, the Master Murabaha Agreement and each Murabaha Transaction.

Governing Law and Dispute Resolution: The Certificates of each Series and any non-contractual obligations arising out of or in connection with the Certificates of each Series will be governed by, and construed in accordance with, English law, except for Condition 4.2 (*Status and Limited Recourse – Status of Subordinated Certificates*) and Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*), which will be governed by, and construed in accordance with, the laws of the Kingdom.

The Master Trust Deed, each Supplemental Trust Deed, the Programme Agreement, the Agency Agreement and the Master Murabaha Agreement and any non-contractual obligations arising out of or in connection with the same will be governed by English law. Any dispute under any such agreement or deed shall be referred to and resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration, subject to an option for the Trustee or the Delegate to bring proceedings before English courts.

The Mudaraba Agreement and any non-contractual obligations arising

out of or in connection with the Mudaraba Agreement are governed the laws of the Kingdom and will be subject to the non-exclusive jurisdiction of the Saudi Arabian Committee for the Resolution of Securities Disputes and the Appeal Panel.

The Corporate Services Agreement will be governed by the laws of the Cayman Islands and will be subject to the non-exclusive jurisdiction of the courts of the Cayman Islands.

Limited Recourse:

Each Certificate represents solely an undivided ownership interest in the relevant Trust Assets. No payment of any amount whatsoever shall be made in respect of the Certificates except to the extent that funds for that purpose are available for the relevant Trust Assets. Certificateholders will otherwise have no recourse to any assets of the Trustee or SABB in respect of any shortfall in the expected amounts due under the relevant Trust Assets to the extent the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished.

Selling Restrictions:

There are restrictions on the distribution of this Base Prospectus and the offer or sale of Certificates in the United States, the European Economic Area (including the United Kingdom), the Cayman Islands, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, Saudi Arabia, Bahrain, Qatar (excluding the Qatar Financial Centre), the Qatar Financial Centre, Kuwait, Singapore, Hong Kong and Malaysia.

United States Selling Restrictions:

Regulation S, Category 2.

FORM OF THE CERTIFICATES

The Certificates of each Series will be in registered form. Certificates will be issued outside the United States to persons who are not U.S. persons in reliance on Regulation S.

Each Series will initially be represented by a Global Certificate in registered form. The Global Certificates will be deposited with a common depository for Euroclear and Clearstream, Luxembourg and will be registered in the name of a nominee for the common depository. Persons holding ownership interests in Global Certificates will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Certificates in fully registered form.

Payments of any amount in respect of each Global Certificate will, in the absence of any provision to the contrary, be made to the person shown on the relevant Register as the registered holder of the relevant Global Certificate. None of the Trustee, the Delegate, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

Payment of any amounts in respect of Certificates in definitive form will, in the absence of any provision to the contrary, be made to the persons shown on the relevant Register on the relevant Record Date immediately preceding the due date for payment in the manner provided in the Conditions.

Interests in a Global Certificate will be exchangeable (free of charge), in whole but not in part, for definitive Certificates only upon the occurrence of an Exchange Event. The Delegate will promptly give notice to Certificateholders in accordance with Condition 19 (*Notices*) if an Exchange Event occurs. For these purposes, “**Exchange Event**” means that (i) a Dissolution Event has occurred and is continuing, or (ii) the Trustee has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Delegate is available. In the event of the occurrence of an Exchange Event, any of the Delegate, the Trustee or Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Global Certificate) may give notice to the Registrar requesting exchange.

In such circumstances, the relevant Global Certificate shall be exchanged in full for definitive Certificates and the Trustee will, at the cost of the Trustee (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient definitive Certificates to be executed and delivered to the Registrar within 15 days following the request for exchange for completion and dispatch to the relevant Certificateholders. A person having an interest in a Global Certificate must provide the Registrar with a written order containing instructions and such other information as the Trustee and the Registrar may require to complete, execute and deliver such definitive Certificates.

In the case of Subordinated Certificates, each Global Certificate and definitive Certificate shall state that accrued but unpaid Periodic Distribution Amounts and/or its Outstanding Face Amount may be reduced and cancelled from time to time pursuant to Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*), and/or reduced as otherwise required by any Applicable Statutory Loss Absorption Regime and that details of its Outstanding Face Amount may be obtained during normal business hours at the Specified Office of the Registrar, subject to the Registrar having been notified in writing by SABB of the cancellation or reduction of the Outstanding Face Amount.

General

For so long as any of the Certificates is represented by a Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular face amount of such Certificates in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes (save in the case of manifest error) shall be treated by the Trustee, the Delegate and their respective agents as the holder of such face amount of such Certificates for all purposes other than with respect to any payment on such face amount of such Certificates, for which purpose the registered holder of the relevant Global Certificate shall be treated by the Trustee, the Delegate and their respective agents as the holder of such face amount of such Certificates in accordance with and subject to the terms of the relevant

Global Certificate and the expressions “**Certificateholder**” and “**holder of Certificates**” and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Series issued under the Programme.

[Date]

SABB Sukuk Limited
Issue of [Aggregate Face Amount of Series] [Title of Certificates]
under the
U.S.\$2,000,000,000
Trust Certificate Issuance 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 8 August 2017 [and the supplement[s] to the Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU) (the “**Prospectus Directive**”). [This document constitutes the Final Terms of the Certificates 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].]¹

Full information on the Trustee and The Saudi British Bank and the offer of the Certificates is only available on the basis of a combination of these Final Terms and the Base Prospectus[as so supplemented]. Copies of the Base Prospectus[, the supplement(s) to it] and these Final Terms are available for viewing in accordance with Article 14 of the Prospectus Directive on the market news section of the London Stock Exchange website <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>. The Base Prospectus is available for viewing during normal business hours at the registered office of the Trustee at c/o Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands and copies may be obtained from the registered office of the Principal Paying Agent at 8 Canada Square, London E14 5HQ, United Kingdom.

[Include whichever of the following apply or specify as “Not Applicable” (N/A). N.B. that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]

[When completing or adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

[If the Certificates have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

- | | |
|-------------------------------------|--|
| 1. Issuer and Trustee: | SABB Sukuk Limited |
| 2. Purchaser and Mudareb: | The Saudi British Bank (“ SABB ”) |
| 3. Series Number: | [●] |
| 4. Specified Currency: | [●] |
| 5. Aggregate Face Amount of Series: | [●] |
| 6. Issue Price: | [●] per cent. of the Aggregate Face Amount |

¹ Delete where the Certificates are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive.

7. (a) Specified Denominations: [●]
(this means the minimum integral face amount in which transfers can be made)
- (b) Calculation Amount: [●]
(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)
8. Issue Date: [●]
9. Scheduled Dissolution Date: [Specify date]
10. Periodic Distribution Amount Basis: [[●] per cent. Fixed Periodic Distribution Amount]
 [[specify reference rate]
11. Dissolution Basis: Dissolution at par
12. Change of Periodic Distribution Basis: [Specify details of any provision for convertibility of Certificates into the other Periodic Distribution basis.]
13. Put/Call Options: [Not Applicable]
 [Certificateholder Put Option]
 [SABB Call Option]
14. Status: [Senior/Subordinated]

PROVISIONS RELATING TO PERIODIC DISTRIBUTIONS PAYABLE

15. Fixed Periodic Distribution Provisions for Senior Certificates: [Applicable/Not Applicable]
(N.B. This provision is only applicable to Senior Certificates. If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate[s] of Profit: [●] per cent. per annum payable [annually/semi-annually/quarterly/monthly] in arrear
- (b) Periodic Distribution Date(s): [[●] in each year up to and including the Scheduled Dissolution Date]
(NB: This will need to be amended in the case of long or short Periodic Distribution Periods)
- (c) Fixed Amount(s): [●] per Calculation Amount
- (d) Broken Amount(s): [●] per Calculation Amount
(Insert particulars of any initial or final broken Periodic Distribution Amounts which do not correspond with the Fixed Amount(s) specified under paragraph 15(c))
- (e) Day Count Fraction: [Actual/Actual (ICMA)
 Actual/Actual (ISDA)
 Actual/365 (Fixed)
 Actual/360
 30/360
 30E/360]

30E/360 (ISDA)]

(f) Determination Date(s): [●] in each year

(Insert regular Periodic Distribution Dates, ignoring Issue Date or Scheduled Dissolution Date in the case of a long or short first or last Periodic Distribution Period)

(N.B. This will need to be amended in the case of regular periodic distribution dates which are not of equal duration N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))

16. Reset Periodic Distribution Provisions for Subordinated Certificates: [Applicable/Not Applicable]

(N.B. This provision is only applicable to Subordinated Certificates. If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Initial Rate of Profit: [●] per cent. per annum payable [annually/semi-annually/quarterly/monthly] in arrear

(b) Initial Mid-Swap Rate: [●] per cent.

(c) First Reset Margin: [Plus/Minus][●] per cent. per annum

(d) Subsequent Reset Margin: [[Plus/Minus][●] per cent. per annum/Not Applicable]

(e) Periodic Distribution Date(s): [[●] in each year up to and including the Scheduled Dissolution Date]

(f) Fixed Amount(s) up to (but excluding) the First Reset Date: [[●] per Calculation Amount/Not Applicable]

(N.B. The Fixed Amount will not apply if the Calculation Amount has been adjusted or if any accrued but unpaid amount of profit has been reduced and/or cancelled, as applicable, as described in the Conditions)

(g) Broken Amount(s) up to (but excluding) the First Reset Date: [Not Applicable/[●] per Calculation Amount payable on [●]]

(Insert particulars of any initial or final broken Periodic Distribution Amounts which do not correspond with the Fixed Amount[(s)] specified under paragraph 16(f))

(N.B. The Broken Amount will not apply if the Calculation Amount has been adjusted or if any accrued but unpaid amount of profit has been reduced and/or cancelled, as applicable, as described in the Conditions)

(h) First Reset Date: [●]

(i) Subsequent Reset Date(s): [[●] [and [●]]/Not Applicable]

(j) Relevant Screen Page: [●]

(k) Mid-Swap Rate: [Single Mid-Swap Rate/Mean Mid-Swap Rate]

(l) Mid-Swap Rate Conversion: [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraph of this paragraph)

- (i) Original Mid-Swap Rate Basis: [Annual/Semi-annual/Quarterly/Monthly]
- (m) Mid-Swap Floating Leg Maturity: [●]
- (n) Reset Determination Date(s): [●]
(specify in relation to each Reset Date)
- (o) Relevant Time: [●]
- (p) Day Count Fraction: [Actual/Actual (ICMA)
Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/360
30/360
30E/360
30E/360 (ISDA)]
- (q) Calculation Agent: [Principal Paying Agent]

PROVISIONS RELATING TO DISSOLUTION

17. SABB Call Option: [Applicable/Not Applicable]
(N.B. In respect of Subordinated Certificates, the SABB Call Option must not be less than 5 years from the Issue Date)
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) SABB Call Option Amount: [[●] per Calculation Amount]
(N.B. The SABB Call Option Amount cannot be greater than the Calculation Amount)
- (b) Optional Dissolution Date: [Not Applicable/Specify Periodic Distribution Date(s)]
18. Certificateholder Put Option: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Certificateholder Put Option Amount: [[●] per Calculation Amount] [N.B. This must be par]
(N.B. The Certificateholder Put Option Amount cannot both be greater than the Calculation Amount)²
- (b) Certificateholder Put Option Date(s): [Not Applicable/Specify Periodic Distribution Date(s)]
19. Final Dissolution Amount: [[●] per Calculation Amount] [N.B. This must be par]
20. Early Dissolution Amount (Tax): [[●] per Calculation Amount] [N.B. This must be par]
21. Early Dissolution Amount (Capital Disqualification Event) [(Capital Disqualification Event)] [[●] per Calculation Amount/Not Applicable] [Note: this provision is only applicable to Subordinated Certificates and must be par]

² To be discussed.

22. Dissolution Amount pursuant to Condition [●] per Calculation Amount [N.B. This must be par] 16 (Dissolution Events and Enforcement):

GENERAL PROVISIONS APPLICABLE TO THE CERTIFICATES

23. Form of Certificates: Registered Certificates: Global Certificate exchangeable for Certificates in definitive registered form in the limited circumstances specified in the Global Certificate.

24. Additional Financial Centre(s): [●] [Not Applicable]

(N.B. that this paragraph relates to the place of payment and not Periodic Distribution Period end dates, to which subparagraph 17(d) relates)

PROVISIONS IN RESPECT OF THE TRUST ASSETS

25. Details of Transaction Account: Transaction Account No: [●] with [●]

26. Supplemental Trust Deed: Supplemental Trust Deed dated [●] between [●], SABB and the Delegate

27. Distribution of Proceeds: An amount equal to [●] per cent. of the proceeds from the issuance will be applied as the Murabaha Investment Amount. An amount equal to [●] per cent. of the proceeds from the issuance will be applied as the Mudaraba Capital.

N.B. The percentage applied as the Murabaha Investment Amount shall not be more than 49 per cent. of the proceeds and the percentage applied as Mudaraba Capital shall not be less than 51 per cent. of the proceeds.

28. Profit Share in any Mudaraba Income: The Mudareb's and the Trustee's respective entitlement to the Business Portfolio on the Issue Date shall be:

Mudareb: [●] per cent.

Trustee: [●] per cent.

Signed on behalf of

SABB SUKUK LIMITED

By:
Duly authorised

Signed on behalf of

THE SAUDI BRITISH BANK

By:
Duly authorised

PART B - OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing and admission to trading: [Application [has been/is expected to be] made by the Trustee (or on its behalf) to the London Stock Exchange for the Certificates to be admitted to the Official List and to trading on the Market with effect from [●].] [Not Applicable.]
- (ii) Estimate of total expenses related to admission to trading: [●] [Not Applicable]

2. RATINGS

- Ratings: [The Certificates to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Certificates of this type issued under the Programme generally:]
- [Fitch: [●]]
- [S&P: [●]]
- [Moody's: [●]]

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

[Save for any fees payable to the [Managers/Dealer], so far as each of the Trustee and SABB is aware, no person involved in the issue of the Certificates 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 Trustee, SABB and their affiliates in the ordinary course of business for which they may receive fees.]

4. [PROFIT OR RETURN (FIXED PERIODIC DISTRIBUTION CERTIFICATES ONLY)]

- Indication of profit or return: [●] per cent. per annum on a [quarterly/semi-annual] basis]

5. OPERATIONAL INFORMATION

- (i) ISIN Code: [●]
- (ii) Common Code: [●]
- (iii) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [●] [Not Applicable]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any): [●]

6. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/give names]

(iii) If non-syndicated, name of relevant Dealers:

[Not Applicable/give names]

(iv) U.S. Selling Restriction

Regulation S, Category 2

(v) Stabilisation Manager

[●]

7. USE OF PROCEEDS

Use of Proceeds:

[●]

8. THIRD PARTY INFORMATION

[[●] has been extracted from [●]. Each of the Trustee and SABB 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]

TERMS AND CONDITIONS OF THE CERTIFICATES

The following is the text of the terms and conditions of the Certificates which, subject to completion by the provisions of Part A of the applicable Final Terms (and save for the text in italics), will be endorsed on each Certificate in definitive form (if any) issued under the Programme and will apply to each Global Certificate. Reference should be made to “Form of Final Terms” for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant Certificates.

SABB Sukuk Limited (in its capacity as issuer and trustee, the “**Trustee**”) has established a programme (the “**Programme**”) for the issuance of up to U.S.\$2,000,000,000 in aggregate face amount of trust certificates (the “**Certificates**”). In these terms and conditions (the “**Conditions**”), references to Certificates shall be references to the trust certificates which are the subject of the applicable Final Terms and references to the “**applicable Final Terms**” are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Certificate.

Certificates issued under the Programme are issued in series (each a “**Series**”). The applicable Final Terms will complete these Conditions.

Each of the Certificates of a Series will represent an undivided ownership interest in the Trust Assets, which are held by the Trustee on trust for, *inter alia*, the benefit of the registered holders of the Certificates pursuant to (i) a master trust deed (the “**Master Trust Deed**”) dated 8 August 2017 and made between the Trustee, The Saudi British Bank (“**SABB**”) and HSBC Corporate Trustee Company (UK) Limited (the “**Delegate**” which expression shall include any co-Delegate or any successor) and (ii) a supplemental trust deed (the “**Supplemental Trust Deed**” and, together with the Master Trust Deed, the “**Trust Deed**”) further details of which are set out in the applicable Final Terms.

Payments relating to the Certificates will be made pursuant to an agency agreement dated 8 August 2017 (the “**Agency Agreement**”) made between the Trustee, the Delegate, SABB, HSBC Bank plc in its capacities as principal paying agent (in such capacity, the “**Principal Paying Agent**”, which expression shall include any successor and, together with any further or other paying agents appointed from time to time in accordance with the Agency Agreement, the “**Paying Agents**”, which expression shall include any successors), registrar (in such capacity, the “**Registrar**”, which expression shall include any successor) and as transfer agent (in such capacity and together with the Registrar, the “**Transfer Agents**”, which expression shall include any successors).

These Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of Certificates referred to below, the Agency Agreement and the remaining Transaction Documents. The Certificateholders are bound by, and are deemed to have notice of, all the provisions applicable to them in the Transaction Documents.

Copies of the Transaction Documents are available for inspection during usual business hours at the principal office of the Delegate and at the specified office of the Principal Paying Agent.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed, in respect of each Series, to authorise and direct the Trustee, on behalf of the Certificateholders, (i) to apply the sums paid by it in respect of its Certificates in accordance with the Conditions and (ii) to enter into each Transaction Document to which it is a party, subject to the provisions of the Trust Deed and these Conditions.

1. INTERPRETATION

Words and expressions defined in the Trust Deed and the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between any such document and the applicable Final Terms, the applicable Final Terms will prevail. In addition, for the purposes of these Conditions, the following expressions have the following meanings:

“**Accountholder**” means each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular aggregate face amount of the Certificates (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the aggregate face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error);

“**Accrual Period**” has the meaning given to it in Condition 7.3 (*Determination of Periodic Distribution Amount*);

“**Agent**” means the Paying Agents, the Calculation Agent and the Transfer Agent;

“**Applicable Capital Regulations**” means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy applicable to SABB including, without limitation to the generality of the foregoing, those regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Regulator (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to SABB);

“**Applicable Statutory Loss Absorption Regime**” means a Statutory Loss Absorption Regime that is applicable to the Subordinated Certificates;

“**Basel III**” means the reforms to the international regulatory capital framework issued by the Basel Committee as part of a package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for international credit institutions (including guidance on the eligibility criteria for Tier 1 Capital and Tier 2 Capital instruments);

“**Basel Committee**” means the Basel Committee on Banking Supervision;

“**Broken Amount**” means the amount specified as such in the applicable Final Terms;

“**Business Day**” means a day which is both:

- (a) 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 Riyadh, London and any Additional Business Centre specified in the applicable Final Terms; and
- (b) either (i) in relation to any sum payable in a Specified Currency other than euro, 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 principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre) or (ii) in relation to any sum payable in euro, a TARGET Settlement Day;

“**Business Portfolio**” has the meaning given to it in Condition 5.4 (*Mudaraba*);

“**Calculation Agent**” means, in relation to any Series, the institution appointed as calculation agent for the purposes of such Series and named as such in the applicable Final Terms;

“**Calculation Amount**” has the meaning given to such term in the applicable Final Terms (for the purpose of Subordinated Certificates, the “**Original Calculation Amount**”), provided that, in respect of Subordinated Certificates, if the Outstanding Face Amount of each Subordinated Certificate is reduced in accordance with Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*), or as otherwise required by the current legislation and/or regulations applicable to SABB, the Calculation Agent shall (a) adjust the Calculation Amount on a pro-rata basis to account for such reduction and (b) notify the Trustee, SABB, the Delegate, the Paying Agent, the Certificateholders and each listing authority, stock exchange and/or quotation system (if any) on which the Certificates have been admitted to listing, trading and/or quotation;

“**Capital Disqualification Event**” means an event where, as a result of any change of any law or regulation, or as a result of any determination by the Regulator, including any changes to the written guidance that the Regulator has provided to SABB in relation to the Certificates, in each case becoming effective after the Issue Date of the Certificates, the Regulator notifies SABB in writing that the Outstanding Face Amount of the Subordinated Certificates may no longer be eligible to qualify in full as Tier 2 Capital, provided however, that no Capital Disqualification Event shall be deemed to have become effective if such non-qualification is as a result of either: (a) any applicable limitation on the amount of such capital as applicable to SABB or (b) such capital ceasing to count towards SABB’s capital base through any amortisation or similar process or any changes thereto (including any amortisation or similar process imposed through any grandfathering arrangement);

“**Capital Disqualification Dissolution Date**” has the meaning given to it in Condition 12.5 (*Dissolution for Regulatory Capital Reasons*);

“**Certificateholder Put Option**” means the right specified in Condition 12.4 (*Dissolution at the Option of the Certificateholders*);

“**Certificateholder Put Option Amount**” means the amount specified as such in the applicable Final Terms;

“**Certificateholder Put Option Certificates**” means the aggregate face amount of Certificates specified as such in a Put Notice;

“**Certificateholder Put Option Date**” means, in relation to any exercise of the Certificateholder Put Option, the date(s) specified as such in the applicable Final Terms and which must be a Periodic Distribution Date;

“**Certificateholders**” means, in relation to each Series, the several persons in whose names the Certificates are for the time being registered (as set out in the Register) as the holders thereof save that for so long as the Certificates or any part of them are represented by a Global Certificate held on behalf of Euroclear or Clearstream, Luxembourg each Accountholder shall be deemed to be the holder of the aggregate face amount of Certificates held in its securities accounts with Euroclear and Clearstream, Luxembourg (and the person in whose name the Global Certificate is registered (as set out in the Register) shall not be deemed to be the holder) for all purposes other than with respect to payments on the Certificates, the right to which shall be vested, as against the Trustee and the Delegate, solely in the registered holder of the Global Certificate in accordance with and subject to its terms and the expressions “Certificateholder” and “holder of Certificates” and related expressions shall (where appropriate) be construed accordingly;

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

“**Collection Account**” has the meaning given to it in Condition 5.4 (*Mudaraba*);

“**Commodities**” has the meaning given to it in Condition 5.1 (*Summary of the Trust*);

“**Day Count Fraction**” means:

- (a) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
 - (i) in the case of Certificates where the number of days in the relevant period from (and including) the most recent Periodic Distribution Date (or, if none, the Issue Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (ii) in the case of Certificates where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (b) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Periodic Distribution Period divided by 365 (or, if any portion of that Periodic Distribution Period falls in a leap year, the sum of (A) the actual number of days

in that portion of the Periodic Distribution Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Periodic Distribution Period falling in a non-leap year divided by 365);

- (c) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Periodic Distribution Period divided by 365;
- (d) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Periodic Distribution Period divided by 360;
- (e) if “30/360” is specified in the applicable Final Terms, the number of days in the Periodic Distribution 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 Periodic Distribution Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Periodic Distribution Period falls;

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

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Periodic Distribution Period falls;

“D₁” is the first calendar day, expressed as a number, of the Periodic Distribution Period, unless such number is 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 Periodic Distribution 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 specified in the applicable Final Terms, the number of days in the Periodic Distribution 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 Periodic Distribution Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Periodic Distribution Period falls;

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

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Periodic Distribution Period falls;

“D₁” is the first calendar day, expressed as a number, of the Periodic Distribution 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 Periodic Distribution Period, unless such number would be 31, in which case D₂ will be 30;

- (g) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Periodic Distribution 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 Periodic Distribution Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Periodic Distribution Period falls;

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

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Periodic Distribution Period falls;

“D₁” is the first calendar day, expressed as a number, of the Periodic Distribution 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 Periodic Distribution Period, unless (i) that day is the last day of February but not the Scheduled Dissolution Date or (ii) such number would be 31, in which case D₂ will be 30;

“**Deferred Sale Price**” means, in relation to a Murabaha Transaction, the deferred sale price that is payable by the Purchaser to the order of the Seller under that Murabaha Transaction, which shall be the aggregate of the relevant Purchase Price and the relevant Murabaha Profit;

“**Deferred Sale Price Instalment**” means, in relation to a Murabaha Transaction, the portion of the Deferred Sale Price that is payable by the Purchaser to the order of the Seller on a relevant Deferred Sale Price Payment Date, as determined pursuant to Condition 5.2 (*Murabaha Transactions – Fixed Periodic Distributions for Senior Certificates*) or Condition 5.3 (*Murabaha Transactions – Reset Periodic Distribution for Subordinated Certificates*)(as applicable);

“**Deferred Sale Price Payment Date**” means, in relation to a Murabaha Transaction, the date(s) on which the Deferred Sale Price, or, if applicable, a Deferred Sale Price Instalment, is due, as determined pursuant to Condition 5.2 (*Murabaha Transactions – Fixed Periodic Distributions for Senior Certificates*) or Condition 5.3 (*Murabaha Transactions – Reset Periodic Distribution for Subordinated Certificates*)(as applicable);

“**definitive Certificate**” means a Certificate in definitive registered form issued by the Trustee in accordance with the provisions of the Trust Deed in exchange for a Global Certificate;

“**Delegate**” means HSBC Corporate Trustee Company (UK) Limited;

“**Determination Period**” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Issue Date or the final Periodic Distribution Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

“**Dispute**” has the meaning given to it in Condition 23.2 (*Governing Law and Dispute Resolution*);

“**Dissolution Amount**” means, as appropriate, the Final Dissolution Amount, the Early Dissolution Amount (Tax), the Early Dissolution Amount (Capital Disqualification Event), the SABB Call Option Amount, the Certificateholder Put Option Amount, the Dissolution Amount for the purposes of Condition 16 (*Dissolution Events and Enforcement*) or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the applicable Final Terms and these Conditions;

“Dissolution Date” means, as the case may be:

- (a) Scheduled Dissolution Date;
- (b) following the occurrence of a Dissolution Event, the date on which the Certificates are redeemed in accordance with the provisions of Condition 16 (*Dissolution Events and Enforcement*);
- (c) any Tax Dissolution Date;
- (d) any Optional Dissolution Date;
- (e) any Capital Disqualification Dissolution Date;
- (f) any Certificateholder Put Option Date on which all the Certificates are (or have been) redeemed in accordance with the provisions of Condition 12.4 (*Dissolution at the Option of the Certificateholders*); or
- (g) such other date as specified in the applicable Final Terms for the redemption of Certificates and dissolution of the Trust in whole or in part prior to the Scheduled Dissolution Date;
- (h) the date on which all Certificates are cancelled following the Purchase of such Certificates by SABB or its Subsidiaries pursuant to Condition 15 (*Purchase and Cancellation of Certificates*);

“Dissolution Event” means a Senior Dissolution Event or a Subordinated Dissolution Event, as applicable;

“Dissolution Notice” has the meaning given to it in Condition 16.1 (*Dissolution Events and Enforcement - Dissolution Events for Senior Certificates*);

“Early Dissolution Amount (Capital Disqualification Event)” means the amount specified as such in the applicable Final Terms;

“Early Dissolution Amount (Tax)” means the amount specified as such in the applicable Final Terms;

“Expiry Date” means the date of the Final Deferred Sale Price Instalment under a Murabaha Transaction, as determined pursuant to Condition 5.2 (*Murabaha Transactions – Fixed Periodic Distributions for Senior Certificates*) or Condition 5.3 (*Murabaha Transactions – Reset Periodic Distribution for Subordinated Certificates*)(as applicable);

“Extraordinary Resolution” means any of: (i) a resolution passed at a meeting duly convened and held by a majority consisting of not less than 75 per cent. of the votes cast; (ii) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates; or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Delegate) by or on behalf of not less than 75 per cent. in face amount of the Certificates for the time being outstanding;

“Euroclear” means Euroclear Bank SA/NV;

“face amount” shall be deemed to include the relevant Dissolution Amount, any additional amounts (other than relating to Periodic Distribution Amounts) which may be payable under Condition 13 (*Taxation*), and any other amount in the nature of face amounts payable pursuant to these Conditions;

“FATCA” has the meaning given to it in Condition 13 (*Taxation*);

“Final Dissolution Amount” means the amount specified as such in the applicable Final Terms;

“Final Deferred Sale Price Instalment” means the portion of the Deferred Sale Price that is payable by the Purchaser to the order of the Seller on the Expiry Date of the relevant Murabaha Transaction, as determined pursuant to Condition 5.2 (*Murabaha Transactions – Fixed Periodic Distributions for Senior Certificates*) or Condition 5.3 (*Murabaha Transactions – Reset Periodic Distribution for Subordinated Certificates*)(as applicable)(subject to amendment in accordance with the Conditions);

“**First Reset Date**” means the date specified as such in the applicable Final Terms;

“**First Reset Margin**” means the margin specified as such in the applicable Final Terms;

“**First Reset Murabaha Transaction**” has the meaning given to it in Condition 5.3 (*Murabaha Transactions – Reset Periodic Distributions for Subordinated Certificates*);

“**First Reset Period**” means the period from (and including) the First Reset Date to (but excluding) the Subsequent Reset Date or, if no such Subsequent Reset Date is specified in the applicable Final Terms, the Schedule Dissolution Date;

“**First Reset Rate of Profit**” means, in respect of the First Reset Period and subject to Condition 8.5 (*Screen Rate Determination*) and Condition 8.6 (*Mid-Swap Rate Conversion*), the rate of profit determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the First Reset Margin;

“**Fixed Amount**” means the amount specified as such in the applicable Final Terms;

“**Fixed Murabaha Transaction**” has the meaning given to it in Condition 5.2 (*Murabaha Transactions – Fixed Periodic Distributions for Senior Certificates*);

“**Indebtedness**” means any indebtedness (whether being principal, premium, profit or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit;

“**Initial Rate of Profit**” means the rate specified as such in the applicable Final Terms

“**Issue Date**” means, in relation to each Series, the date of issue of the relevant Certificates, specified as such in the applicable Final Terms;

“**Junior Obligations**” means any class of share capital (including ordinary and preferred shares) of SABB together with any present and future undated or perpetual subordinated indebtedness, including any obligations arising out of any other subordinated loans or debt instruments or other payment obligations of SABB that rank or are expressed to rank, junior to SABB’s payment obligations under the Transaction Documents in respect of the Subordinated Certificates;

“**Kingdom**” means the Kingdom of Saudi Arabia;

“**LCIA**” has the meaning given to it in Condition 23.2 (*Governing Law and Dispute Resolution*);

“**Liability**” means any loss, damage, cost, fee, charge, claim, demand, expense, judgment, action proceeding or other liability whatsoever (including, without limitation in respect of taxes, duties, levies, imposts and other charges) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis;

“**London Stock Exchange**” means London Stock Exchange plc or any successor or successors thereof;

“**Master Murabaha Agreement**” means the master murabaha agreement dated 8 August 2017 entered into between the Trustee, SABB and the Delegate;

“**Master Trust Deed**” has the meaning given to it in the preamble to these Conditions;

“**Mid-Market Swap Rate**” means for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the Original Mid-Swap Rate Basis (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Floating Leg Maturity (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Calculation Agent);

“**Mid-Market Swap Rate Quotation**” means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

“**Mid-Swap Floating Leg Benchmark Rate**” means EURIBOR (if the Specified Currency is euro), LIBOR for the Specified Currency (if the Specified Currency is U.S. dollars, Pounds Sterling or Swiss Francs) or, in the case of any other Specified Currency, the benchmark rate most closely connected with such Specified Currency and selected by the Calculation Agent in its discretion after consultation with SABB;

“**Mid-Swap Floating Leg Maturity**” has the meaning given in the applicable Final Terms;

“**Mid-Swap Rate**” means, in relation to a Reset Determination Date and subject to Condition 8.3 (*Screen Rate Determination*), either:

- (i) if Single Mid-Swap Rate is specified in the applicable Final Terms, the rate for swaps in the Specified Currency: (a) with a term equal to the relevant Reset Period; and (b) commencing on the relevant Reset Date, which appears on the Relevant Screen Page; or
- (ii) if Mean Mid-Swap Rate is specified in the applicable Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Specified Currency: (a) with a term equal to the relevant Reset Period; and (b) commencing on the relevant Reset Date, which appear on the Relevant Screen Page,

in either case, as at approximately the Relevant Time on such Reset Determination Date, all as determined by the Calculation Agent;

“**Mudaraba**” has the meaning given to it in Condition 5.1 (*Summary of the Trust*);

“**Mudaraba Agreement**” means a mudaraba agreement dated 8 August 2017 entered into between the Trustee and SABB;

“**Mudaraba Assets**” has the meaning given to it in Condition 5.4 (*Mudaraba*);

“**Mudaraba Capital**” has the meaning given to it in Condition 5.1 (*Summary of the Trust*);

“**Mudaraba Income**” has the meaning given to it in Condition 5.4 (*Mudaraba*);

“**Mudaraba Profit**” has the meaning given to it in Condition 5.4 (*Mudaraba*);

“**Mudareb**” has the meaning given to it in Condition 5.1 (*Summary of the Trust*);

“**Mudareb Profit**” has the meaning given to it in Condition 5.4 (*Mudaraba*);

“**Murabaha Assets**” has the meaning given to it in Condition 5.1 (*Summary of the Trust*);

“**Murabaha Assets**” has the meaning given to it in Condition 5.1 (*Summary of the Trust*);

“**Murabaha Investment Amount**” has the meaning given to it in Condition 5.1 (*Summary of the Trust*);

“**Murabaha Profit**” means the profit mark-up generated by a Murabaha Transaction, as determined pursuant to Condition 5.2 (*Murabaha Transactions – Fixed Periodic Distributions for Senior Certificates*) or Condition 5.3 (*Murabaha Transactions – Reset Periodic Distribution for Subordinated Certificates*)(as applicable);

“**Murabaha Transaction**” means a contract created between the Seller and the Purchaser pursuant to the terms of the Master Murabaha Agreement and includes a Fixed Murabaha Transaction, a First Reset Murabaha Transaction and a Subsequent Reset Murabaha Transaction;

“Non-recourse Project Financing” means any financing of all or part of the costs of the acquisition, construction or development of any project, provided that: (i) any Security Interest given by SABB or any of its Subsidiaries in connection therewith is limited solely to the assets of the project; (ii) the Persons providing such financing expressly agree to limit their recourse to the project financed and the revenues derived from such project as the principal source of repayment for the moneys advanced; and (iii) there is no other recourse to SABB or any of its Subsidiaries in respect of any default by any Person under the financing;

“Non-Viability Event” means the circumstances in which the Regulator has notified SABB in writing that it has determined that SABB is, or will be, Non-Viable without: (i) the Write-Down of the Subordinated Certificates (and any other of SABB’s capital instruments or other obligations constituting Tier 1 Capital or Tier 2 Capital that pursuant to their terms or by operation of law are capable of being written down and/or converted into equity) as detailed in Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*); or (ii) a public sector injection of capital (or equivalent support), which determination is published by the Regulator;

“Non-Viable” means insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business or any other event or circumstance specified as constituting non-viability by the Regulator or in Applicable Capital Regulations or any Applicable Statutory Loss Absorption Regime;

“Non-Viability Notice” has the meaning given in Condition 11.2 (*Notification of Non-Viability Event*);

“Non-Viability Event Write-Down Date” has the meaning given in Condition 11.2 (*Write-Down of Certificates*);

“Optional Dissolution Date” means, in relation to any exercise of the SABB Call Option, the date(s) specified as such in the applicable Final Terms;

“Original Calculation Amount” has the meaning given to it in the definition of Calculation Amount;

“Original Mid-Swap Rate Basis” has the meaning given in the applicable Final Terms. The Original Mid-Swap Rate Basis may be annual, semi-annual, quarterly or monthly;

“outstanding” shall be construed in accordance with the Master Trust Deed;

“Outstanding Face Amount” means:

- (i) in respect of a Certificate, its face amount; or
- (ii) if the Certificates are Subordinated Certificates, the outstanding face amount as adjusted from time to time for any reduction of the face amount of the Subordinated Certificates in accordance with Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*), or as otherwise required by any Applicable Statutory Loss Absorption Regime;

“Parity Obligations” means any securities or other instruments issued by or for the benefit of SABB, including any present and future dated subordinated loans or other payment obligations of SABB that rank, or are expressed to rank, *pari passu* with SABB’s payment obligations under the Transaction Documents in respect of the Subordinated Certificates;

“Payment Business Day” means:

- (a) in the case where presentation and surrender of a definitive Certificate is required before payment can be made, a day on which banks in the relevant place of surrender of the definitive Certificate are open for presentation and payment of securities and for dealings in foreign currencies; and
- (b) in the case of payment by transfer to an account:

- (i) if the currency of payment is euro, 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
- (ii) 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;

“Periodic Distribution Amount” means, in relation to a Certificate and a Periodic Distribution Period, the amount of profit distribution payable in respect of that Certificate for that Periodic Distribution Period which amount may be a Fixed Amount, a Broken Amount or an amount otherwise calculated in accordance with Condition 7 (*Fixed Periodic Distribution Provisions for Senior Certificates*) or Condition 8 (*Reset Periodic Distribution Provisions for Subordinated Certificates*)(and all references to Periodic Distribution Amounts shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of a profit distribution payable pursuant to these Conditions);

“Periodic Distribution Date” means the date or dates specified as such in the applicable Final Terms;

“Periodic Distribution Period” means the period from (and including) a Periodic Distribution Date (or the Issue Date) to (but excluding) the next (or first) Periodic Distribution Date;

“Principal Subsidiary” means, at any relevant time, a Subsidiary of SABB:

- (a) whose total assets or gross revenues (or, where the Subsidiary in question prepares consolidated financial statements, whose total consolidated assets or gross consolidated revenues, as the case may be) represents not less than 10 per cent. of the total consolidated assets or the gross consolidated revenues of SABB and its Subsidiaries, all as calculated by reference to the then latest audited financial statements (or consolidated accounts, as the case may be) of such Subsidiary and the then latest audited consolidated financial statements of SABB; or
- (b) to which is transferred all or substantially all of the assets and undertakings of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary;

“Permitted Reorganisation” means:

- (a) any disposal by any Subsidiary of SABB of the whole or a substantial part of its business, undertaking or assets to SABB or any Relevant Subsidiary of SABB;
- (b) any amalgamation, consolidation or merger of a Subsidiary with any other Subsidiary or any other Relevant Subsidiary of SABB; or
- (c) any amalgamation, consolidation, restructuring, merger or reorganisation on terms previously approved by an Extraordinary Resolution;

“Permitted Security Interest” means:

- (a) any Security Interest created or outstanding with the approval of an Extraordinary Resolution;
- (b) any Security Interest arising by operation of law, provided that such Security Interest is discharged within 30 days of arising; and
- (c) any Security Interest granted to secure a Non-recourse Project Financing or to secure any Relevant Indebtedness or Relevant Sukuk Obligation incurred in connection with a Securitisation;

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“Proceedings” has the meaning given to it in Condition 23.5 (*Governing Law and Dispute Resolution*);

“Purchase Price” means the applicable purchase price for the Commodities under the relevant Murabaha Transaction as determined pursuant to Condition 5.2 (*Murabaha Transactions – Fixed Periodic Distributions for Senior Certificates*) or Condition 5.3 (*Murabaha Transactions – Reset Periodic Distribution for Subordinated Certificates*) (as applicable);

“Purchaser” has the meaning given to it in Condition 5.1 (*Summary of the Trust*);

“Put Notice” has the meaning given to it in Condition 12.4 (*Dissolution at the Option of the Certificateholders*);

“Rate of Profit” means the rate or rates (expressed as a percentage per annum) of profit payable in respect of the Certificates specified in the applicable Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the applicable Final Terms and shall include, inter alia, the Initial Rate of Profit, the First Reset Rate of Profit and the Subsequent Reset Rate of Profit, as applicable;

“Record Date” means (i) (where the Certificate is represented by a Global Certificate), at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the Periodic Distribution Date, Scheduled Dissolution Date or Dissolution Date, as the case may be; or (ii) (where the Certificate is in definitive form), in the case of the payment of a Periodic Distribution Amount, the date falling on the fifteenth day before the relevant Periodic Distribution Date and, in the case of the payment of a Dissolution Amount, the date falling two Payment Business Days before the Scheduled Dissolution Date or Dissolution Date, as the case may be.

“Reference Banks” means the principal London office of each of four major banks engaged in the London or Eurozone inter-bank market selected by or on behalf of the Trustee with the approval of SAAB and the Delegate, provided that once a Reference Bank has first been selected by or on behalf of the Trustee, such Reference Bank shall not be changed unless it ceases to be capable of acting as such;

“Reference Rate” means one of the following benchmark rates (specified hereon) in respect of the currency and period specified hereon:

- (a) AUD LIBOR;
- (b) BBSW;
- (c) CAD LIBOR;
- (d) CHF LIBOR;
- (e) CNH HIBOR;
- (f) DKK LIBOR;
- (g) EIBOR;
- (h) EURIBOR;
- (i) GBP LIBOR;
- (j) HIBOR;
- (k) JPYLIBOR;
- (l) KIBOR;
- (m) KLIBOR;
- (n) LIBID;
- (o) LIBOR;

- (p) LIMEAN;
- (q) MIBOR;
- (r) NZD LIBOR
- (s) PRIBOR;
- (t) SAIBOR;
- (u) SEK LIBOR;
- (v) SHIBOR;
- (w) SIBOR;
- (x) TIBOR; or
- (y) TRLIBOR;

“**Register**” has the meaning given to it in Condition 2.2 (*Register*);

“**Regulator**” means SAMA or such other governmental authority which assumes or performs the functions of SAMA, or such other successor authority exercising primary banking supervision, in each case with respect to prudential matters in relation to SABB;

“**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 Principal Paying Agent on or prior to such due date, the date on which the full amount has been so received and notice to that effect has duly been given to the Certificateholders in accordance with Condition 19 (*Notices*);

“**Relevant Reset Margin**” means, in respect of a Reset Period, whichever of the First Reset Margin or the Subsequent Reset Margin is applicable for the purpose of determining the Rate of Profit in respect of such Reset Period;

“**Relevant Fraction**” means the fraction calculated in accordance with the following formula:

$$\text{Relevant Fraction} = 1 - (A \div B)$$

where:

“A” is an amount equal to the aggregate of the Certificateholder Put Option Certificates; and

“B” is an amount equal to the aggregate face amount of the Certificates outstanding on the Business Day prior to the Certificateholder Put Option Date.

“**Relevant Indebtedness**” means any present or future indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

“**Relevant Jurisdiction**” means: (i) in the case of payments to be made by the Trustee, the Cayman Islands; or (ii) in the case of payments to be made by SABB (acting in any capacity), Saudi Arabia or, in each case, any political subdivision or authority thereof or therein having the power to tax;

“**Relevant Non-Viability Fraction**” means the fraction calculated in accordance with the following formula:

$$\text{Relevant Non-Viability Fraction} = 1 - (A \div B)$$

where:

“A” is an amount equal to the aggregate amount of Subordinated Certificates that have been Written-Down; and

“B” is an amount equal to the aggregate face amount of the Subordinated Certificates outstanding on the Business Day prior to the Non-Viability Event Write-Down Date.

“**Relevant Screen Page**” means the page, section or other part of a particular information service specified as the Relevant Screen Page in the applicable 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 Subsidiary**” means any Subsidiary which is, directly or indirectly, wholly-owned by SABB or which is so wholly-owned except for any nominal third party shareholding required by law;

“**Relevant Sukuk Obligation**” means any present or future undertaking or other obligation to pay any money given in connection with any issue of trust certificates or other securities intended to be issued in compliance with the principles of *Shari'a*, whether or not in return for consideration of any kind, which for the time being are, or are intended to be, or are capable of being, quoted, listed or dealt and/or traded on any stock exchange or over-the-counter or other securities market;

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

“**Reserve Account**” has the meaning given to it in Condition 5.4 (*Mudaraba*);

“**Reserved Matter**” has the meaning given to it in the Master Trust Deed;

“**Reset Date**” means the First Reset Date and each Subsequent Reset Date (as applicable);

“**Reset Determination Date**” means, in respect of a Reset Period, the date specified as such in the applicable Final Terms;

“**Reset Murabaha Transaction**” means a First Reset Murabaha Transaction, or a Subsequent Reset Murabaha Transaction, as applicable;

“**Reset Period**” means the First Reset Period or a Subsequent Reset Period, as the case may be;

“**Reset Reference Banks**” means the principal office in the principal financial centre of the Specified Currency of five major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Calculation Agent in its discretion after consultation with SABB;

“**Rules**” has the meaning given to it in Condition 23.2 (*Governing Law and Dispute Resolution*);

“**SABB Event**” means any of the following events:

- (a) *Non-payment*: SABB (acting in any capacity) fails to pay any amount in the nature of principal (corresponding to the relevant Dissolution Amount payable by the Trustee under the Certificates) payable by it pursuant to any Transaction Document on the due date for payment thereof and such failure has continued for a period of 7 days, or fails to pay any amount in the nature of profit (corresponding to the Periodic Distribution Amounts payable by the Trustee under the Certificates) payable by it pursuant to any Transaction Document on the due date for payment thereof and such failure has continued for a period of 14 days;
- (b) *Breach of other obligations*: SABB (acting in any capacity) fails to perform or observe any of its other obligations under the Transaction Documents to which it is a party and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 20 Business Days following the service by the Delegate on SABB of notice requiring the same to be remedied; or

- (c) *Cross default*: (i) any Indebtedness of SABB or any of its Principal Subsidiaries becomes capable of being declared due and repayable prematurely by reason of an event of default (however described); (ii) SABB or any of its Principal Subsidiaries fails to make any payment in respect of any Indebtedness on the due date for payment or, as the case may be, within any applicable grace period; (iii) any security given by SABB or any of its Principal Subsidiaries for any Indebtedness becomes enforceable; or (iv) default is made by SABB or any of its Principal Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness of any other person provided that the amount of Indebtedness referred to in this paragraph (c) individually or in the aggregate exceeds U.S.\$25,000,000 or its equivalent in any other currency or currencies; or
- (d) *Winding-up*: any order is made by any competent court or resolution passed for the winding up, liquidation or dissolution of SABB or any of its Principal Subsidiaries, other than in connection with a Permitted Reorganisation; or
- (e) *Ceasing to conduct business*: SABB or any of its Principal Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, other than in connection with a Permitted Reorganisation, or SABB or any of its Principal Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (f) *Appropriation*: (i) all or a substantial part of the undertaking, assets and revenues of SABB or any of its Principal Subsidiaries is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) SABB or any of its Principal Subsidiaries is prevented by any such person from exercising normal control over all or a substantial part of its undertaking, assets and revenues;
- (g) *Unlawfulness*: it is or becomes unlawful for SABB to perform or comply with any or all of its obligations under or in respect of the Transaction Documents or any of the Transaction Documents are held by a court not to be legally effective, or SABB repudiates any of the Transaction Documents;
- (h) *Insolvency*: (i) proceedings are initiated against SABB or any of its Principal Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to SABB or any of its Principal Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and (ii) in any case (other than the appointment of an administrator) is not discharged within 30 Business Days; or
- (i) *Insolvency proceedings*: SABB or any of its Principal Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (j) *Composition with creditors*: SABB or any of its Principal Subsidiaries takes any action for a re-adjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (including any arrangement under the Saudi Arabian Settlement to Avoid Bankruptcy Law, as enacted by Royal Decree M/16 dated 4/9/1416H) or declares a moratorium in respect of any of its indebtedness or any guarantee of indebtedness given by it provided that the amount of Indebtedness referred to in

paragraph (c) above individually or in the aggregate exceeds U.S.\$25,000,000 or its equivalent in any other currency or currencies; or

- (k) *Analogous events*: any event occurs which under the laws of Saudi Arabia or the laws of the jurisdiction under which the relevant Principal Subsidiary (as applicable) is incorporated or constituted, that has an analogous effect to any of the events referred to in paragraphs (d) and (h) to (j) above;

“**SAMA**” means Saudi Arabian Monetary Authority;

“**Scheduled Dissolution Date**” means the date specified as such in the applicable Final Terms;

“**Securitisation**” means any securitisation (Islamic or otherwise) of existing or future assets and/or revenues, provided that: (i) any Security Interest given by SABB or any of its Subsidiaries in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation; (ii) each Person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues securitised as the principal source of repayment for the moneys advanced or payment of any other liability; and (iii) there is no other recourse to SABB or any of its Subsidiaries in respect of any default by any Person under the securitisation;

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

“**Seller**” has the meaning given to it in Condition 5.1 (*Summary of the Trust*);

“**Senior Certificates**” means the Certificates: (i) specified as such in the applicable Final Terms; and (ii) having the status set out in Condition 4.1 (*Status of Senior Certificates*);

“**Senior Dissolution Event**” has the meaning given to it in Condition 16.1 (*Dissolution Events and Enforcement - Dissolution Events for Senior Certificates*);

“**Senior Dissolution Date**” has the meaning given to it in Condition 16.1 (*Dissolution Events and Enforcement - Dissolution Events for Senior Certificates*);

“**Senior Obligations**” means any of SABB’s present and future unsubordinated indebtedness and other obligations (including, without limitation, obligations to depositors) that rank, or are express to rank, senior to SABB’s payment obligations under the Transaction Documents in respect of the Subordinated Certificates;

“**Settlement Date**” means, in relation to a Murabaha Transaction, the date for the payment of the Purchase Price by or on behalf of the Seller to the relevant Supplier, as determined pursuant to Condition 5.2 (*Murabaha Transactions – Fixed Periodic Distributions for Senior Certificates*) or Condition 5.3 (*Murabaha Transactions – Reset Periodic Distribution for Subordinated Certificates*)(as applicable);

“**Specified Currency**” means the currency specified as such in the applicable Final Terms or, if none is specified, the currency in which the Certificates are denominated;

“**Specified Denomination**” means the amount(s) specified as such in the applicable Final Terms;

“**Statutory Loss Absorption Regime**” means any statutory regime implemented in the Kingdom which provides any Regulator with the powers to implement loss absorption measures in respect of capital instruments (such as the Subordinated Certificates), including, but not limited to, any such regime which is implemented pursuant to Basel III;

“**Stock Exchange**” means the London Stock Exchange or any other or further stock exchange(s) on which any Certificates may from time to time be listed, and references in these Conditions to the “relevant Stock Exchange” shall, in relation to any Certificates, be references to the stock exchange on which such Certificates are, from time to time, or are intended to be, listed;

“**Subordinated Certificate**” means the Certificates (i) specified as such in the applicable Final Terms; and (ii) having the status set out in Condition 4.2 (*Status of Subordinated Certificates*);

“Subordinated Dissolution Event” has the meaning given to it in Condition 16.2 (*Dissolution Events for Subordinated Certificates*);

“Subordination Event” means the making of an order by any competent court or authority, or the government of the Kingdom, or an effective resolution being passed for the winding up, liquidation or dissolution of SABB (otherwise than for the purposes of, or pursuant to, an amalgamation, reorganisation or restructuring while solvent which is approved by an Extraordinary Resolution);

“Supplier” means, in relation to a Murabaha Transaction, the vendor(s) of the Commodities;

“Subsequent Reset Date” means the date or dates specified in the applicable Final Terms;

“Subsequent Reset Margin” means the margin specified as such in the applicable Final Terms;

“Subsequent Reset Murabaha Transaction” has the meaning given to it in Condition 5.3 (*Murabaha Transactions – Reset Periodic Distributions for Subordinated Certificates*);

“Subsequent Reset Period” means the period from (and including) the First Reset Date to (but excluding) the next Subsequent Reset Date, and each successive period from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date or the Schedule Dissolution Date, as the case may be;

“Subsequent Reset Rate of Profit” means, in respect of any Subsequent Reset Period and subject to Condition 8.3 (*Screen Rate Determination*) and Condition 8.6 (*Mid-Swap Rate Conversion*), the rate of profit determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the relevant Subsequent Reset Margin;

“Subsidiary” means any entity:

- (a) which is then directly or indirectly controlled by SABB; or
- (b) (more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned by SABB; or
- (c) whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of SABB.

for the purposes of this definition, for an entity to be controlled by SABB means that SABB (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that entity or otherwise controls, or has the power to control, the affairs and policies of that entity;

“sub-unit” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.;

“Supplemental Trust Deed” has the meaning given to it in the preamble to these Conditions;

“TARGET2 System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereof;

“TARGET Settlement Day” means any day on which the TARGET2 System is open;

“Tax Dissolution Date” has the meaning given to it in Condition 12.2 (*Early Dissolution for Tax Reasons*);

“Tax Event” has the meaning given to it in Condition 12.2 (*Early Dissolution for Tax Reasons*);

“Taxes” means any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature imposed or levied by or on behalf of any Relevant Jurisdiction.

“**Tier 1 Capital**” means capital qualifying as, and approved by the Regulator as tier 1 capital in accordance with the Applicable Capital Regulations;

“**Tier 2 Capital**” means capital qualifying as, and approved by the Regulator as tier 2 capital in accordance with the Applicable Capital Regulations;

“**Transaction Account**” means, in relation to each Series, the account specified as such in the applicable Final Terms;

“**Transaction Documents**” means, in relation to each Series, each of:

- (a) the Mudaraba Agreement;
- (b) the Master Murabaha Agreement and each Murabaha Transaction entered into pursuant thereto;
- (c) the Trust Deed as supplemented by the relevant Supplemental Trust Deed; and
- (d) the Agency Agreement,

each as may be amended, restated and/or supplemented from time to time;

“**Trust**” means, in respect of a Series, the trust created by the Trustee over the Trust Assets pursuant to the Trust Deed;

“**Trust Assets**” means, in relation to each Series:

- (a) all of the Trustee’s rights, title, interest and benefit, present and future, in, to and under the Mudaraba Assets and Murabaha Assets;
- (b) all of the Trustee’s rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than (i) in relation to any representations given to the Trustee and/or the Delegate by SABB pursuant to the Transaction Documents and any rights which have been expressly waived by the Trustee in any of the Transaction Documents and (ii) the covenant given to the Trustee and/or the Delegate pursuant to Clause 14 of the Master Trust Deed);
- (c) all moneys which may now be, or hereafter from time to time are, standing to the credit of the Transaction Account; and
- (d) all proceeds of the foregoing (other than the ordinary share capital of the Trustee and any transaction or corporate benefit fee received by the Trustee);

“**Trust Deed**” has the meaning given to it in the preamble to these Conditions;

“**Trustee Administrator**” means Walkers Fiduciary Limited;

“**SABB Call Option Amount**” means the amount specified as such in the applicable Final Terms;

“**U.S.\$**” and “**U.S. dollars**” each means the lawful currency for the time being of the United States of America;

“**Write-Down**”, “**Written-Down**” and “**Writing-Down**” have the meanings given to them in Condition 11.2 (*Write-Down of Certificates*); and

“**Write-Down Amount**” means, in respect of a Subordinated Certificate, the amount by which the Outstanding Face Amount of such Certificate as of the date of the relevant Write-Down is to be Written-Down, which shall be determined as described in Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*), and “**Written-Down Amount**” shall be construed accordingly.

2. FORM, DENOMINATION AND TITLE

2.1 Form and Denomination

The Certificates are issued in registered form in the Specified Denominations and, in the case of Certificates in definitive form, are serially numbered.

For so long as any of the Certificates is represented by a Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than another clearing system) who is for the time being shown in the records of either such clearing system as the holder of a particular face amount of such Certificates (in which regard any certificate or other document issued by a clearing system as to the face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Trustee, the Delegate, SABB and the Agents as the holder of such face amount of such Certificates for all purposes other than with respect to payment in respect of such Certificates, for which purpose the registered holder of the Global Certificate shall be treated by the Trustee, the Delegate, SABB and any Agent as the holder of such face amount of such Certificates in accordance with and subject to the terms of the relevant Global Certificate and the expressions Certificateholder and holder in relation to any Certificates and related expressions shall be construed accordingly.

In determining whether a particular person is entitled to a particular face amount of Certificates as aforesaid, the Delegate may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Each holder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the registered holder of the Global Certificate. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

2.2 Register

The Registrar will maintain a register (the “**Register**”) of Certificateholders in respect of the Certificates in accordance with the provisions of the Agency Agreement. In the case of Certificates in definitive form, a definitive Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates.

2.3 Title

The Trustee, the Delegate, SABB and the Agents may (to the fullest extent permitted by applicable laws) deem and treat the person in whose name any outstanding Certificate is for the time being registered (as set out in the Register) as the holder of such Certificate or of a particular face amount of the Certificates for all purposes (whether or not such Certificate or face amount shall be overdue and notwithstanding any notice of ownership thereof or of trust or other interest with regard thereto, and any notice of loss or theft or any writing thereon), and the Trustee, the Delegate, SABB and the Agents shall not be affected by any notice to the contrary.

All payments made to such registered holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for moneys payable in respect of such Certificate or face amount.

3. TRANSFERS OF CERTIFICATES

3.1 Transfers of interests in the Global Certificate

Transfers of interests in the Global Certificate will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in the Global Certificate will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Certificates in definitive form only in the Specified Denomination or

integral multiples thereof and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.

3.2 Transfers of Certificates in definitive form

Upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Certificate in definitive form may be transferred in whole or in part (in the Specified Denomination or an integral multiple thereof). In order to effect any such transfer (a) the holder or holders must (i) surrender the definitive Certificate for registration of the transfer thereof (or the relevant part thereof) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such regulations as the Trustee, SABB, the Delegate and the Registrar may from time to time prescribe (the initial such regulations being scheduled to the Master Trust Deed).

Subject as provided above, the relevant Transfer Agent will, within five business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), deliver at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request a new Certificate in definitive form of a like aggregate face amount to the Certificate (or the relevant part of the Certificate) transferred. In the case of the transfer of part only of a Certificate in definitive form, a new Certificate in definitive form in respect of the balance of the Certificate not transferred will be so delivered or (at the risk of the transferor) sent to the transferor.

No Certificateholder may require the transfer of a Certificate in definitive form to be registered during the period of 15 days ending on a Periodic Distribution Date, the Scheduled Dissolution Date, a Dissolution Date or any other date on which any payment of the face amount or payment of any profit in respect of a Certificate falls due.

3.3 Costs of registration

Certificateholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Trustee may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

4. STATUS AND LIMITED RECOURSE

4.1 Status of Senior Certificates

Each Senior Certificate evidences an undivided ownership interest in the Trust Assets, subject to the terms of the relevant Trust Deed and these Conditions, and is a direct, unconditional, unsubordinated, unsecured and limited recourse obligation of the Trustee. Each Senior Certificate ranks *pari passu*, without any preference or priority, with the other Senior Certificates of the relevant Series.

The payment obligations of SABB (in any capacity) to the Trustee under the Transaction Documents in respect of each Series of Senior Certificates are direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 6.2 (*SABB Negative Pledge*)) unsecured obligations of SABB and shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 6.2 (*SABB Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated monetary obligations of SABB, present and future.

4.2 Status of Subordinated Certificates

Each Subordinated Certificate evidences an undivided ownership interest in the Trust Assets, subject to the terms of the relevant Trust Deed and these Conditions, and is a direct, unsecured, unsubordinated and limited recourse obligation of the Trustee. Each Subordinated Certificate ranks *pari passu*, without any preference or priority, with the other Subordinated Certificates of the relevant Series.

The payment obligations of SABB (in any capacity) to the Trustee under the Transaction Documents in respect of each Series of Subordinated Certificates are direct, unsecured and subordinated obligations of SABB and shall at all times rank:

- (a) subordinate in right of payment to the payment of all Senior Obligations;
- (b) *pari passu* without any preference among themselves and *pari passu* with all Parity Obligations; and
- (c) in priority to all payments in respect of Junior Obligations.

By virtue of such subordination of the payment obligations of SABB under the Transaction Documents in respect of each Series of Subordinated Certificates, no amount will, in the case of any Subordination Event and for so long as that Subordination Event subsists, be paid by SABB in respect of its obligations under the Transaction Documents in relation to the Subordinated Certificates until all payment obligations in respect of Senior Obligations have been satisfied.

4.3 Limited Recourse

The proceeds of the Trust Assets are the sole source of payments on the Certificates. Save as provided in the next sentence, the Certificates do not represent an interest in or obligation of any of the Trustee, SABB, the Delegate, the Agents or any of their respective affiliates.

Accordingly, Certificateholders, by subscribing for or acquiring the Certificates, acknowledge that they will have no recourse to any assets of the Trustee (including, in particular, other assets comprised in other trusts, if any), SABB (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), or the Delegate, or the Agents, or any of their respective affiliates, shareholders, directors, officers or corporate service providers in respect of any shortfall in the expected amounts from the Trust Assets to the extent the Trust Assets have been exhausted following which all obligations of the Trustee shall be extinguished.

SABB is obliged to make certain payments under the Transaction Documents directly to the Trustee (for and on behalf of the Certificateholders), and the Delegate (acting in the name and on behalf of the Trustee) will have direct recourse against SABB to recover such payments due to the Trustee from SABB pursuant to the Transaction Documents.

The net proceeds of the realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments due in respect of the Certificates. If, following the distribution of such proceeds, there remains a shortfall in payments due under the Certificates, subject to Condition 16 (*Dissolution Events and Enforcement*), no holder of Certificates will have any claim against the Trustee, SABB (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), or the Delegate, or the Agents, or any of their respective affiliates, shareholders, directors, officers or corporate service providers or against any assets (other than the Trust Assets to the extent not exhausted) in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In particular, no holder of Certificates will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Trustee, SABB (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate, the Agents or any of their respective affiliates as a consequence of such shortfall or otherwise.

The Certificateholders are not secured creditors of the Trustee and/or SABB or any of its subsidiaries and/or affiliates by reason of their respective undivided ownership in or of the rights, title, interests, benefits and entitlements in, to and under the Trust Assets.

4.4 Agreement of Certificateholders

By purchasing Certificates, each Certificateholder is deemed to have agreed that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

- (a) no payment of any amount whatsoever shall be made by or on behalf of the Trustee except to the extent funds are available therefor from the Trust Assets and further agrees that no recourse shall be had for the payment of any amount owing hereunder or under any Transaction Document, whether for the payment of any fee or other amount hereunder or any other obligation or claim arising out of or based upon any Transaction Document, against the Trustee to the extent the Trust Assets have been exhausted following which all obligations of the Trustee shall be extinguished;
- (b) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents have been paid in full, it will not institute against, or join with any other person in instituting against, the Trustee any bankruptcy, reorganisation, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law;
- (c) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee arising under or in connection with these Conditions by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer or director of the Trustee in their capacity as such and any and all personal Liability of every such shareholder, officer or director in their capacity as such for any breaches by the Trustee of any such duty, obligation or undertaking is hereby expressly waived and excluded to the extent permitted by law; and
- (d) whilst each of the Certificateholders shall have a *pro rata* entitlement to any amounts standing to the credit of the Collection Account from time to time, however, following payment of all amounts due and payable under the Certificates on the final Dissolution Date, the Certificateholders relinquish any *pro rata* entitlement to any such amounts and the Mudareb shall be entitled to retain any amounts that remain standing to the credit of the Collection Account for its own account as an incentive payment for acting as the Mudareb.

5. THE TRUST

5.1 Summary of the Trust

The proceeds from the issuance of each Series of Certificates will be applied by the Trustee on behalf of the Certificateholders, as follows:

- (a) an amount equal to no more than 49 per cent. of the proceeds from the issuance of each Series of Certificates (such percentage to be set out in the applicable Final Terms for each Series of Certificates) (the “**Murabaha Investment Amount**”) will be used to purchase certain *Shari’a*-compliant commodities (the “**Commodities**”) through the Buying Agent, and the Trustee (in its capacity as seller, the “**Seller**”) will sell such Commodities to SABB (in its capacity as purchaser, the “**Purchaser**”) on a deferred payment basis pursuant to the Master Murabaha Agreement (the rights of the Seller pursuant to the terms of the Master Murabaha Agreement comprising the “**Murabaha Assets**”); and
- (b) an amount equal to no less than 51 per cent. of the proceeds from the issuance of each Series of Certificates (such percentage to be set out in the applicable Final Terms for each Series of Certificates) (the “**Mudaraba Capital**”) will be provided to SABB, acting as mudareb (the “**Mudareb**”), in order to apply as the capital of a mudaraba constituted by the Mudaraba Agreement (the “**Mudaraba**”).

5.2 Murabaha Transactions – Fixed Periodic Distributions for Senior Certificates

- (a) This Condition 5.2 (*Murabaha Transactions – Fixed Periodic Distributions for Senior Certificates*) is applicable only to Senior Certificates.

- (b) On the relevant Issue Date, the Seller and the Purchaser shall enter into a murabaha transaction (the “**Fixed Murabaha Transaction**”) on the terms set out in the Master Murabaha Agreement.
- (c) The terms of the Fixed Murabaha Transaction shall provide, without limitation, that:
 - (i) the Purchase Price shall be equal to the relevant Murabaha Investment Amount;
 - (ii) the Settlement Date shall be the relevant Issue Date;
 - (iii) the Expiry Date shall be the last Business Day prior to the relevant Scheduled Dissolution Date;
 - (iv) the Deferred Sale Price shall be payable in instalments and each Deferred Sale Price Payment Date shall be the last Business Day of each Periodic Distribution Period and the Final Deferred Sale Price Instalment shall be due on the Expiry Date;
 - (v) the Deferred Sale Price Instalment due on each Deferred Sale Price Payment Date (other than the Final Deferred Sale Price Instalment) shall be paid into the Transaction Account and shall be equal to the Periodic Distribution Amount due on the immediately following Periodic Distribution Date in respect of the relevant Series of Senior Certificates;
 - (vi) the Final Deferred Sale Price Instalment shall be equal to the then outstanding Deferred Sale Price and shall be paid into the Transaction Account;
 - (vii) the Murabaha Profit shall be an amount equal to the aggregate of (i) the aggregate face amount of the relevant Series of Senior Certificates on the Issue Date, less the Purchase Price; and (ii) the aggregate amount of all Periodic Distribution Amounts payable by the Trustee under the relevant Series of Senior Certificates from the Issue Date to the Scheduled Dissolution Date; and
 - (viii) on the Business Day immediately preceding any Dissolution Date which is not the Scheduled Dissolution Date, the outstanding Deferred Sale Price under the Fixed Murabaha Transaction shall become immediately due and payable in full and shall be paid into the Transaction Account.
- (d) If the Certificateholder Put Option is specified as applicable in the applicable Final Terms and some, but not all, of the Certificateholders elect to redeem their Certificates on any Certificateholder Put Option Date(s) specified in the applicable Final Terms in accordance with Condition 12.4 (*Dissolution at the Option of the Certificateholders*), it will trigger an early partial pre-payment of the Deferred Sale Price under the Fixed Murabaha Transaction in an amount equal to the face amount of the Certificates being redeemed on the relevant Certificateholder Put Option Date and any accrued but unpaid Periodic Distribution Amount on those Certificates.
- (e) Following redemption of the Certificates of a Series and payment of all amounts owing to the Certificateholders under the Certificates, any residual unpaid portion of the relevant Deferred Sale Price will be provided by way of rebate to the Purchaser.

5.3 Murabaha Transactions – Reset Periodic Distributions for Subordinated Certificates

- (a) This Condition 5.3 (*Murabaha Transactions – Reset Periodic Distributions for Subordinated Certificates*) is applicable only to Subordinated Certificates.
- (b) On the relevant Issue Date, the Seller and the Purchaser shall enter into a murabaha transaction (the “**First Reset Murabaha Transaction**”) on the terms set out in the Master Murabaha Agreement.
- (c) The terms of the First Reset Murabaha Transaction shall provide, without limitation, that:

- (i) the Purchase Price shall be equal to the relevant Murabaha Investment Amount;
 - (ii) the Settlement Date shall be the relevant Issue Date;
 - (iii) the Expiry Date shall be the last Business Day prior to the relevant First Reset Date;
 - (iv) the Deferred Sale Price shall be payable in instalments and each Deferred Sale Price Payment Date shall be the last Business Day of each Periodic Distribution Period and the Final Deferred Sale Price Instalment shall be due on the Expiry Date;
 - (v) the Deferred Sale Price Instalment due on each Deferred Sale Price Payment Date (other than the Final Deferred Sale Price Instalment) shall be paid into the Transaction Account and shall be equal to the Periodic Distribution Amount due on the immediately following Periodic Distribution Date in respect of the relevant Series of Senior Certificates;
 - (vi) the Final Deferred Sale Price Instalment shall be equal to the then outstanding Deferred Sale Price and shall be paid into the Transaction Account;
 - (vii) the Murabaha Profit shall be an amount equal to the aggregate of (i) the aggregate face amount of the relevant Series of Subordinated Certificates on the Issue Date, less the Purchase Price; and (ii) the aggregate amount of all Periodic Distribution Amounts payable by the Trustee under the relevant Series of Subordinated Certificates from the Issue Date to and including the First Reset Date;
 - (viii) on the Business Day immediately preceding any Dissolution Date which is not the Scheduled Dissolution Date, the outstanding Deferred Sale Price under the First Reset Murabaha Transaction shall become immediately due and payable in full, subject to Condition 4.2 (*Status of Subordinated Certificates*) and Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*), and shall be paid into the Transaction Account; and
 - (ix) on a Non-Viability Event Write-Down Date or as applicable pursuant to the Applicable Statutory Loss Absorption Regime, the Deferred Sale Price will be Written-Down (in full or in part, as applicable) in order to give effect to, and in accordance with, Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*).
- (d) An amount equal to the aggregate face amount of the relevant Series of Subordinated Certificates on the Expiry Date of the maturing Reset Murabaha Transaction, due as part of the Final Deferred Sale Price Instalment of the maturing Reset Murabaha Transaction, shall be reinvested in a subsequent reset murabaha transaction (the “**Subsequent Reset Murabaha Transaction**”) entered into between the Seller and the Purchaser on the Expiry Date of the maturing Reset Murabaha Transaction and, as a result, the Purchaser shall be deemed to have paid such amount to the Trustee and no actual payment of such portion of the Deferred Sale Price Instalment due on the Expiry Date of the maturing Reset Murabaha Transaction shall be due from the Purchaser.
- (e) The terms of the relevant Subsequent Reset Murabaha Transaction shall provide, without limitation, that:
- (i) the Purchase Price shall be equal to the aggregate face amount of the relevant Series of Subordinated Certificates on the Expiry Date of the maturing Reset Murabaha Transaction;
 - (ii) the Settlement Date shall be the Expiry Date of the maturing Reset Murabaha Transaction;

- (iii) the Expiry Date shall be the last Business Day prior to the next Reset Date or, if no such Reset Date is specified in the applicable Final Terms, the Business Day prior to the relevant Scheduled Dissolution Date;
 - (iv) the Deferred Sale Price shall be payable in instalments and each Deferred Sale Price Payment Date shall be the last Business Day of each Periodic Distribution Period and the Final Deferred Sale Price Instalment shall be due on the Expiry Date;
 - (v) the Deferred Sale Price Instalment due on each Deferred Sale Price Payment Date (other than the Final Deferred Sale Price Instalment) shall be paid into the Transaction Account and shall be equal to the Periodic Distribution Amount due on the immediately following Periodic Distribution Date;
 - (vi) the Final Deferred Sale Price Instalment shall be equal to the then outstanding Deferred Sale Price and shall be paid into the Transaction Account;
 - (vii) the Murabaha Profit shall be an amount equal to the aggregate of (i) the Purchase Price; and (ii) the aggregate amount of all Periodic Distribution Amounts payable by the Trustee under the relevant Series of Subordinated Certificates from the Issue Date to and including the next Reset Date, or if no such Reset Date is specified in the applicable Final Terms, to and including the relevant Scheduled Dissolution Date;
 - (viii) on the Business Day immediately preceding a Dissolution Date which is not the Scheduled Dissolution Date, the outstanding Deferred Sale Price under the Subsequent Reset Murabaha Transaction shall become immediately due and payable in full, subject to Condition 4.2 (*Status of Subordinated Certificates*) and Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*), and shall be paid into the Transaction Account; and
 - (ix) on a Non-Viability Event Write-Down Date or as applicable pursuant to the Applicable Statutory Loss Absorption Regime, the Deferred Sale Price will be Written-Down (in full or in part, as applicable) in order to give effect to, and in accordance with, Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*).
- (f) In the event that the Expiry Date of the Subsequent Reset Murabaha Transaction is not the Business Day prior to the Scheduled Dissolution Date, an amount equal to the aggregate face amount of the relevant Series of Subordinated Certificates on the Expiry Date of the maturing Reset Murabaha Transaction, due as part of the Final Deferred Sale Price Instalment of the Subsequent Murabaha Reset Murabaha Transaction, shall be reinvested in a further Subsequent Reset Murabaha Transaction with the same terms set out in paragraph (e) above, and, as a result, the Purchaser shall be deemed to have paid such amount to the Trustee and no actual payment of such portion of the Deferred Sale Price Instalment due on the Expiry Date of the maturing Reset Murabaha Transaction shall be due from the Purchaser.

5.4 Mudaraba

The Mudaraba in respect of each Series of Certificates shall constitute an independent Mudaraba. On the Issue Date of each Series, the Mudareb shall invest the Mudaraba Capital of the Mudaraba constituted in respect of the relevant Series of Certificates in the Islamic banking and finance activities of SABB (the “**Business Portfolio**”). The Mudareb and SABB shall each have an undivided ownership share of the Business Portfolio and all assets acquired from or through the Business Portfolio on the basis of the sharing of profit and the bearing of losses *pro rata* to their respective shares.

The Mudareb shall have the right to act as *mudareb* in respect of each Series of Certificates issued under the Programme and to invest further for its own account (whether from its own funds or funds sourced from credit facilities) and/or for others in the Business Portfolio. The respective entitlement of the Mudareb and SABB in the Business Portfolio shall be *pro rata* to their respective shares from time. The Mudareb’s and SABB’s respective share and corresponding profit sharing ratio in the Business Portfolio on the Issue Date will be set out in the applicable Final Terms.

The Mudareb's share of the Business Portfolio shall constitute the "**Mudaraba Assets**" and any income from the Mudaraba Assets less total costs (consisting of direct costs and allocated costs of such activities) and any provisions for that year relating to the Mudaraba Assets shall constitute the "**Mudaraba Income**".

The Trustee shall be entitled to receive 90 per cent. of any Mudaraba Income (the "**Mudaraba Profit**") and the Mudareb shall be entitled to receive 10 per cent. of any Mudaraba Income (the "**Mudareb Profit**"). The Mudaraba Income shall be credited to an account maintained by the Mudareb in its books for and on behalf of the Trustee (the "**Collection Account**").

On the Business Day prior to each Periodic Distribution Date, Dissolution Date and/or Non-Viability Event Write-Down Date (as applicable) for the relevant Series, the Mudareb shall use amounts standing to the credit of the Collection Account to pay to the Transaction Account an amount which is intended to be sufficient, together with any monies already standing to the credit of the Transaction Account (as a result of payments of the Deferred Sale Price under the Master Murabaha Agreement), to fund any amounts payable by the Trustee under the Certificates of the relevant Series on the Periodic Distribution Date, Dissolution Date and/or Non-Viability Event Write-Down Date falling one Business Day after such date (the "**Required Amount**") and any such amount paid into the Transaction Account shall be applied by the Trustee for that purpose.

If, on the Business Day prior to a Periodic Distribution Date, the amounts standing to the credit of the Collection Account are greater than the relevant Required Amount, such excess returns shall be credited by the Mudareb to a separate book-entry ledger account (the "**Reserve Account**"). Any amounts standing to the credit of the relevant Reserve Account shall be held by the Mudareb for the benefit of the Trustee, save that the Mudareb shall be entitled to deduct amounts standing to the credit of the relevant Reserve Account at any time prior to the redemption in full of the relevant Certificates and to use such amounts for its own account, provided that such amounts shall be re-credited to the relevant Reserve Account by it if so required to fund a shortfall in respect of the relevant Series of Certificates in accordance with following paragraph.

If, on the Business Day prior to a Periodic Distribution Date and/or Dissolution Date, the amounts standing to the credit of the Collection Account are less than the relevant Required Amount, the Mudareb shall deduct amounts standing to the credit of the Reserve Account towards funding such shortfall.

On the Business Day prior to a Dissolution Date, the Mudareb will liquidate the Mudaraba, following which the Mudaraba shall be dissolved and the Mudareb shall transfer the Mudaraba Capital into the Collection Account. The balance of the monies (if any) standing to the credit of the Collection Account and Reserve Account, following the redemption of the Certificates and after the date on which all amounts owing to the Certificateholders under the Certificates has been paid in full, will be paid to SABB as an incentive.

5.5 The impact on the Mudaraba on the exercise of a Certificateholder Put Option in respect of a Series of Senior Certificates

When the Mudaraba has been entered into in connection with the issue of a Series of Senior Certificates and the Certificateholder Put Option is specified as applicable in the applicable Final Terms, if some only of the Certificateholders elect to redeem their Certificates on any Certificateholder Put Option Date(s) specified in the applicable Final Terms in accordance with Condition 12.4 (*Dissolution at the Option of the Certificateholders*), one Business Day prior to the relevant Certificateholder Put Option Date, there will be a partial liquidation of the Mudaraba in respect of the relevant Series of Senior Certificates. The Mudaraba Assets in respect of the relevant Series of Senior Certificates shall be reduced to an amount that is equal to the value of the Mudaraba Assets on the Business Day prior to the Certificateholder Put Option Date, multiplied by the Relevant Fraction. The Mudareb shall transfer the proceeds of the partial liquidation of the Mudaraba into the relevant Collection Account.

5.6 The impact on the Mudaraba of a Non-Viability Event

When the Mudaraba has been entered into in connection with the issue of a Series of Subordinated Certificates, on a Non-Viability Event Write-Down Date in respect of which the Regulator has

determined that a full Write-Down of any Subordinated Certificates is required and where a full Write-Down of the Subordinated Certificates has been specified in the applicable Non-Viability Notice, or if otherwise required by the Regulator pursuant to any Applicable Statutory Loss Absorption Regime, there will be a liquidation of the Mudaraba in respect of the relevant Series of Subordinated Certificates and, after payment of an amount into the Transaction Account which is equal to the amount required (when aggregated with the due and payable instalments of the relevant Deferred Sale Price) to allow the Trustee to make payment of the Periodic Distribution Amounts accrued and unpaid to (but excluding) the relevant Non-Viability Event Write-Down Date, any rights that the Trustee has in the Mudaraba Assets shall be paid automatically to the Mudareb (for its own account).

When the Mudaraba has been entered into in connection with the issuance of Subordinated Certificates, on a Non-Viability Event Write-Down Date in respect of which the Regulator has determined that a partial Write-Down of any Subordinated Certificates is required and where a partial Write-Down of the Subordinated Certificates has been specified in the applicable Non-Viability Notice, or if otherwise required by the Regulator pursuant to any Applicable Statutory Loss Absorption Regime, there will be a partial liquidation of the Mudaraba in respect of the relevant Series of Subordinated Certificates. After payment of an amount into the Transaction Account which is equal to the amount required (when aggregated with the due and payable instalments of the relevant Deferred Sale Price) to allow the Trustee to make payment of the Periodic Distribution Amounts accrued and unpaid to (but excluding) the relevant Non-Viability Event Write-Down Date, the Mudaraba Assets shall be reduced to an amount that is equal to the value of the Mudaraba Assets immediately prior to the partial liquidation, multiplied by the Relevant Non-Viability Fraction. Any rights that the Trustee has in the Mudaraba Assets that have been liquidated shall be automatically paid to the Mudareb (for its own account).

5.7 Transaction Account

The Trustee will establish or procure the establishment of a Transaction Account in respect of each Series by no later than the relevant Issue Date. The Transaction Account shall be operated by the Principal Paying Agent on behalf of the Trustee for the benefit of Certificateholders and shall be the account into which SABB will deposit all amounts payable by it to the Trustee pursuant to the terms of the Transaction Documents.

5.8 Application of Proceeds from the Trust Assets

On each Periodic Distribution Date and on the Scheduled Dissolution Date or any earlier Dissolution Date, the monies standing to the credit of the Transaction Account shall be applied in the following order of priority:

- (a) *firstly*, (to the extent not previously paid) to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate and to any receiver, manager or administrative receiver or any other analogous offices appointed in respect of the Trust by the Delegate in accordance with the Trust Deed;
- (b) *secondly*, only if such payment is due on a Periodic Distribution Date (to the extent not previously paid) to pay, *pro rata* and *pari passu*: (i) the Trustee Administrator in respect of all amounts owing to it under the Transaction Documents and the Corporate Services Agreement in its capacity as trustee administrator; and (ii) the Agents in respect of all amounts owing to them under the Transaction Documents in their capacities as Principal Paying Agent, Registrar, Transfer Agent and Calculation Agent;
- (c) *thirdly*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid;
- (d) *fourthly*, only if such payment is made on the Certificateholder Put Option Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the relevant Certificateholder Put Option Amount; and
- (e) *fifthly*, only if such payment is made on the Scheduled Dissolution Date or a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the relevant Dissolution Amount; and

- (f) *sixthly*, only after all necessary payments above have been made in full, to SABB.

6. COVENANTS

6.1 Trustee Covenants

The Trustee covenants that, for so long as any Certificate is outstanding, it will not (without the prior written consent of the Delegate):

- (a) incur any indebtedness in respect of borrowed money whatsoever (whether structured in accordance with the principles of the *Shari'a* or otherwise), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) or any other certificates except, in all cases, as contemplated in the Transaction Documents;
- (b) secure any of its present or future indebtedness by any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) and other than under or pursuant to any of the Transaction Documents);
- (c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interest in any of the Trust Assets except pursuant to the Transaction Documents;
- (d) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;
- (e) subject to Condition 20 (*Meeting of Certificateholders, Modification, Waiver, Authorisation and Determination*) amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof);
- (f) except as provided in the Trust Deed, act as trustee in respect of any trust other than a trust corresponding to any other Series issued under the Programme;
- (g) have any subsidiaries or employees;
- (h) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders;
- (i) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; and
- (j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or any permitted amendment or supplement thereto or as expressly permitted or required thereunder or engage in any business or activity other than:
 - (i) as provided for or permitted in the Transaction Documents;
 - (ii) the ownership, management and disposal of Trust Assets as provided in the Transaction Documents; and
 - (iii) such other matters which are incidental thereto.

6.2 SABB Negative Pledge

SABB undertakes that, for so long as any Senior Certificate remains outstanding, it will not, and will ensure that none of its Principal Subsidiaries will, create or have outstanding any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or Relevant Sukuk Obligation, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness or Relevant Sukuk Obligation, without: (i) at the same time or prior thereto securing equally and rateably therewith its obligations under the Transaction Documents to which it is party (in whatever capacity) in connection with the Senior Certificates or (ii) providing such other security for those obligations as either: (A) the Delegate (on behalf of the Trustee) shall in its absolute discretion deem not materially less beneficial to the interests of Certificateholders; or (B) shall be approved by an Extraordinary Resolution of the holders of the Senior Certificates.

7. FIXED PERIODIC DISTRIBUTION PROVISIONS FOR SENIOR CERTIFICATES

7.1 Application

This Condition is applicable only to the Senior Certificates.

7.2 Periodic Distribution Amount

Subject to Condition 5.2 (*Murabaha Transactions - Fixed Periodic Distributions for Senior Certificates*) and Condition 9 (*Payment*) and unless otherwise specified in the applicable Final Terms, Senior Certificates will bear profit (payable by the Principal Paying Agent in arrears out of amounts transferred to the Transaction Account on the Periodic Distribution Date(s)) on the Outstanding Face Amount of each Certificate from the Issue Date at the applicable fixed rate or rates per annum specified in the applicable Final Terms as the Rate of Profit.

7.3 Fixed Amount and Broken Amount

Except as provided in the applicable Final Terms, the Periodic Distribution Amount payable in respect of each Certificate in definitive form for any Periodic Distribution Period shall be the Fixed Amount or, if so specified in the applicable Final Terms, the Broken Amount so specified.

Where the Specified Denomination of a Certificate is the Calculation Amount the amount of profit payable in respect of such Certificate shall be the relevant Fixed Amount or the relevant Broken Amount, as the case may be. Where the Specified Denomination of a Certificate is a multiple of the Calculation Amount, the amount of profit payable in respect of such Certificate shall be the product of the relevant Fixed Amount or the relevant Broken Amount, as the case may be, for each Calculation Amount and the amount by which the Calculation Amount is required to be multiplied to reach the Specified Denomination.

7.4 Calculation of Profit Amount

Except where a Fixed Amount or a Broken Amount is specified in the applicable Final Terms, the Periodic Distribution Amount payable in respect of the Certificates for any period shall be calculated by applying the Rate of Profit to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

In the case of Senior Certificates where the Specified Denomination of a Certificate is the Calculation Amount, the amount of profit payable in respect of such Certificates shall be the amount (determined in the manner provided above) for the Calculation Amount. In the case of such Certificates, where the Specified Denomination of a Certificates is a multiple of the Calculation Amount, the amount of profit payable in respect of such Certificates shall be the product of the amount (determined in the manner provided above) for each Calculation Amount and the amount by which the Calculation Amount is required to be multiplied to reach the Specified Denomination, without any further rounding.

7.5 Cessation of Profit Entitlement

No further amounts will be payable on any Certificate from and including the Scheduled Dissolution Date or, as the case may be, the relevant Dissolution Date.

8. RESET PERIODIC DISTRIBUTION PROVISIONS FOR SUBORDINATED CERTIFICATES

8.1 Application

This Condition is applicable only to Subordinated Certificates.

8.2 Periodic Distribution Amount

Subject to Condition 5.3 (*Murabaha Transactions - Reset Periodic Distributions for Subordinated Certificates*) and Condition 9 (*Payment*), Subordinated Certificates will bear profit on the Outstanding Face Amount of each Certificate:

- (i) from (and including) the Issue Date to (but excluding) the First Reset Date at the Initial Rate of Profit;
- (ii) for the First Reset Period at the First Reset Rate of Profit; and
- (iii) for each Subsequent Reset Period thereafter (if any) to (but excluding) the Scheduled Dissolution Date, at the relevant Subsequent Reset Rate of Profit,

payable, in each case, in arrears on each relevant Periodic Distribution Date, as applicable.

The Rate of Profit and the Periodic Distribution Amount payable shall be determined by the Calculation Agent, (A) in the case of the Rate of Profit, at or as soon as practicable after each time at which the Rate of Profit is to be determined, and (B) in the case of the Periodic Distribution Amount in accordance with the provisions for calculating amounts of profit in Conditions 8.3 (*Fixed Amount and Broken Amount*) and Condition 7.4 (*Calculation of Profit Amount*).

8.3 Fixed Amounts and Broken Amount

Where the Specified Denomination of a Certificate is the Calculation Amount and except where the Calculation Amount has been adjusted as described in the definition thereof, the amount of profit payable in respect of such Certificate shall be the relevant Fixed Amount or the relevant Broken Amount, as the case may be. Where the Specified Denomination of a Certificate is a multiple of the Calculation Amount and, except where the Calculation Amount has been adjusted as described in the definition thereof, the amount of profit payable in respect of such Certificate shall be the product of the relevant Fixed Amount or the relevant Broken Amount, as the case may be, for each Calculation Amount and the amount by which the Calculation Amount is required to be multiplied to reach the Specified Denomination.

If the Calculation Amount has been adjusted as described in the definition thereof, Condition 8.4 (*Calculation of Profit Amount*) will apply.

8.4 Calculation of Profit Amount

Except where a Fixed Amount or a Broken Amount is specified in the applicable Final Terms and/or, if the Calculation Amount has been adjusted as described in the definition thereof, the Periodic Distribution Amount payable in respect of the Certificates for any period shall be calculated by applying the Rate of Profit to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

Where the Calculation Amount has not been adjusted as described in the definition thereof, where the Specified Denomination of a Certificate is the Calculation Amount, the amount of profit payable in respect of such Certificates shall be the amount (determined in the manner provided above) for the Calculation Amount. In the case of such Certificates, where the Specified Denomination of a Certificates is a multiple of the Calculation Amount, the amount of profit payable in respect of such Certificates shall be the product of the amount (determined in the manner provided above) for each Calculation Amount and the amount by which the Calculation Amount is required to be multiplied to reach the Specified Denomination, without any further rounding.

Where the Calculation Amount has been adjusted as described in the definition thereof, where the Specified Denomination of a Certificates is the Original Calculation Amount, the amount of profit payable in respect of such Certificate shall be the amount (determined in the manner provided above) for the Calculation Amount. In the case of such Certificates, where the Specified Denomination of a Certificates is a multiple of the Original Calculation Amount, the amount of profit payable in respect of such Certificate shall be the product of:

- (i) the amount of profit per Calculation Amount; and
- (ii) the number by which the Original Calculation Amount is required to be multiplied to equal the Specified Denomination,

without any further rounding.

If pursuant to Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*), or, as otherwise required by then current legislation and/or regulations applicable to SABB, the Outstanding Face Amount is reduced during a Periodic Distribution Period, the Calculation Amount will be adjusted by the Calculation Agent to reflect such Outstanding Face Amount from time to time so that the relevant amount of profit is determined by reference to such Calculation Amount as adjusted from time to time, all as determined by the Calculation Agent.

8.5 Screen Rate Determination

If on any Reset Determination Date, the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page as of the Relevant Time on such Reset Determination Date, the Rate of Profit applicable to the Certificates in respect of each Periodic Distribution Period falling in the relevant Reset Period will be determined by the Calculation Agent on the following basis:

- (i) the Calculation Agent shall request each of the Reset Reference Banks to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately the Relevant Time on the Reset Determination Date in question;
- (ii) if at least three of the Reset Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Profit or the Subsequent Reset Rate of Profit (as applicable) for the relevant Reset Period will be equal to the sum of (A) the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest (or, in the event of equality, one of the lowest) and (B) the Relevant Reset Margin, all as determined by the Calculation Agent;
- (iii) if only two relevant quotations are provided, the First Reset Rate of Profit or the Subsequent Reset Rate of Profit (as applicable) for the relevant Reset Period will be equal to the sum of (A) the arithmetic mean (rounded as aforesaid) of the relevant quotations provided and (B) the Relevant Reset Margin, all as determined by the Calculation Agent;
- (iv) if only one relevant quotation is provided, the First Reset Rate of Profit or the Subsequent Reset Rate of Profit (as applicable) for the relevant Reset Period will be equal to the sum of (A) the relevant quotation provided and (B) the Relevant Reset Margin, all as determined by the Calculation Agent; and

- (v) if none of the Reset Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this Condition 8.3 (*Screen Rate Determination*), the First Reset Rate of Profit or the Subsequent Reset Rate of Profit (as applicable) will be equal to the sum of (A) the Mid-Swap Rate determined on the last preceding Reset Determination Date and (B) the Relevant Reset Margin or, in the case of the first Reset Determination Date, the First Reset Rate of Profit will be equal to the sum of (A) the Initial Mid-Swap Rate and (B) the Relevant Reset Margin, all as determined by the Calculation Agent.

8.6 Mid-Swap Rate Conversion

This Condition 8.6 (*Mid-Swap Rate Conversion*) is only applicable if Mid-Swap Rate Conversion is specified in the applicable Final Terms as being applicable. If Mid-Swap Rate Conversion is so specified as being applicable, the First Reset Rate of Profit and, if applicable, each Subsequent Reset Rate of Profit will be converted from the Original Mid-Swap Rate Basis specified in the applicable Final Terms to a basis which matches the per annum frequency of Profit Payment Dates in respect of the relevant Certificates (such calculation to be determined by the Issuer in conjunction with a leading financial institution selected by it).

8.7 Publication

The Calculation Agent will cause the First Reset Rate of Profit, any Subsequent Reset Rate of Profit and, in respect of a Reset Period, the Profit Amount payable on each Profit Payment Date falling in such Reset Period to be notified to the Trustee, SABB, the Delegate, the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) on which the Certificates have then been admitted to listing, trading and/or quotation as soon as practicable after such determination. Notice thereof shall also promptly be given to the Certificateholders. The Calculation Agent will be entitled to recalculate any Profit Amount (on the basis of the foregoing provisions) in the event of any reduction of the Outstanding Face Amount of a Certificate in accordance with Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*), during a Periodic Distribution Period and any such recalculation will be notified to the Trustee, SABB, the Delegate, the Paying Agent, the Certificateholders and each listing authority, stock exchange and/or quotation system (if any) on which the Certificates have then been admitted to listing, trading and/or quotation

8.8 Notifications etc.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, SABB, the Paying Agents, the Registrar and all Certificateholders and (in the absence of wilful default or fraud) 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.

8.9 Cessation of Profit Entitlement

No further amounts will be payable on any Certificate from and including the Scheduled Dissolution Date or, as the case may be, the relevant Dissolution Date.

9. PAYMENT

9.1 Payments in respect of the Certificates

Subject to Condition 9.2 (*Payments subject to Applicable Laws*), payment of any Dissolution Amount and any Periodic Distribution Amount will be made by transfer to the registered account of each Certificateholder. Payments of any Dissolution Amount will only be made against surrender of the relevant Certificate at the specified office of any of the Paying Agents. Each Dissolution Amount and each Periodic Distribution Amount will be paid to the holder shown on the Register at the close of business on the relevant Record Date.

For the purposes of this Condition:

- (a) a Certificateholder's "**registered account**" means the account maintained by or on behalf of such Certificateholder with a bank that processes payments in the Specified Currency, details of which appear on the Register at the close of business on the relevant Record Date; and
- (b) a Certificateholder's "**registered address**" means its address appearing on the Register at that time.

9.2 Payments subject to Applicable Laws

Payments in respect of Certificates are subject in all cases to any fiscal or other laws and regulations applicable thereto in any jurisdiction, but without prejudice to the provisions of Condition 13 (*Taxation*).

9.3 Payment only on a Payment Business Day

Payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment or, in the case of a payment of any Dissolution Amount, if later, on the Payment Business Day on which the relevant definitive Certificate is surrendered at the specified office of a Paying Agent for value as soon as practicable thereafter.

Certificateholders will not be entitled to any additional payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day or if the relevant Certificateholder is late in surrendering its definitive Certificate (if required to do so).

If the amount of any Dissolution Amount or Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount in fact paid.

10. AGENTS

10.1 Agents of Trustee

In acting under the Agency Agreement and in connection with the Certificates, the Agents act solely as agents of the Trustee and (to the extent provided therein) the Delegate and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificateholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

10.2 Specified Offices

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement. The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided, however, that:

- (a) there will at all times be a Principal Paying Agent;
- (b) there will at all times be a Registrar;
- (c) if a Calculation Agent (other than the Principal Paying Agent) has been appointed in the applicable Final Terms, there will at all times be a Calculation Agent; and
- (d) so long as any Certificates are admitted to listing, trading and/or quotation on any listing authority, Stock Exchange and/or quotation system, there will at all times be a Paying Agent, Registrar and a Transfer Agent having its specified office in such place (if any) as may be required by the rules of such listing authority, Stock Exchange and/or quotation system.

Notice of any termination or appointment and of any changes in specified offices will be given to the Certificateholders promptly by the Trustee in accordance with Condition 19 (*Notices*).

11. WRITE-DOWN AT THE POINT OF NON-VIABILITY FOR SUBORDINATED CERTIFICATES

11.1 Application

This Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*) is only applicable to Subordinated Certificates.

11.2 Write-Down of Certificates

If a Non-Viability Event occurs at any time on or after the Issue Date in respect of a Series of Subordinated Certificates and prior to the date on which any Applicable Statutory Loss Absorption Regime becomes effective, the then Outstanding Face Amount of each Subordinated Certificate shall pro rata with the other Subordinated Certificates be reduced on the Non-Viability Event Write-Down Date by the relevant Write-Down Amount required by the Regulator (any such reduction, a “**Write-Down**”, “**Written-Down**” and “**Writing-Down**” shall be construed accordingly). The relevant Write-Down date shall be no later than 10 Business Days (or such earlier date as determined by the Regulator), after the date of the Non-Viability Notice (such specified date, the “**Non-Viability Event Write-Down Date**”) given in accordance with Condition 11.3 (*Notification of a Non-Viability Event*).

A Non-Viability Event may occur on more than one occasion and the Subordinated Certificates may be Written-Down on more than one occasion, with each such Write-Down resulting in the reduction of the Outstanding Face Amount of the Subordinated Certificates by the relevant Write-Down Amount required by the Regulator and upon any such Write-Down, the Subordinated Certificateholders’ rights to the relevant Trust Assets shall automatically be deemed to be irrevocably and unconditionally written down by the Write-Down Amount.

Neither the Delegate nor any Subordinated Certificateholder may exercise, claim or plead any right to any amount due under the Subordinated Certificates that has been reduced pursuant to this Condition 11.2 (*Write-Down of the Certificates*) and the Delegate and the Subordinated Certificateholders shall be deemed to have waived all such rights to receive such reduced amounts.

Following the occurrence of any reduction to any amount due under the Subordinated Certificates pursuant to this Condition 11.2 (*Write-Down of the Certificates*), any reference to any amount due under the Certificates, or to the Outstanding Face Amount of the Subordinated Certificates, shall be deemed to mean such amount subject to any applicable reduction pursuant to this Condition 11.2 (*Write-Down of the Certificates*) mutatis mutandis.

11.3 Notification of a Non-Viability Event

Within three days following the occurrence of a Non-Viability Event (or such earlier date as determined by the Regulator), SABB shall notify the Trustee, the Principal Paying Agent (with a copy to the Delegate), the Registrar and the Subordinated Certificateholders (in accordance with Condition 19 (*Notices*)) of the occurrence of a Non-Viability Event (a “**Non-Viability Notice**”).

The Non-Viability Notice must: (i) state that a Non-Viability Event has occurred; (ii) state that a Write-Down will take place and whether such Write-Down will be a full Write-Down of the Subordinated Certificates and the relevant Trust Assets or a partial Write-Down of the Subordinated Certificates and the relevant Trust Assets; (iii) specify, in the case of a partial Write-Down of the Subordinated Certificates and the Trust Assets, the Write-Down Amount and the Outstanding Face Amount of the Subordinated Certificates following such Write-Down; (iv) specify in the case of a full Write-down of the Subordinated Certificates and the Trust Assets, that the Outstanding Face Amount of Subordinated Certificates and the Trust Assets will be zero; and (v) specify the Non-Viability Event Write-Down Date.

11.4 Full Write-Down

If, at any time, the Subordinated Certificates are Written-Down in whole:

- (a) the Subordinated Certificateholders' rights to the Trust Assets shall automatically be deemed to be irrevocably and unconditionally waived and cancelled;
- (b) the Outstanding Face Amount of each Subordinated Certificate shall automatically be written down to zero and the Subordinated Certificates shall be cancelled. All references to the Outstanding Face Amount in these Conditions shall be construed accordingly;
- (c) the Mudaraba shall be liquidated and any rights that the Trustee has in respect of the Mudaraba Assets shall be granted to SABB and each Murabaha Transaction shall be terminated and the rights of the Trustee to receive the Deferred Sale Price under each Murabaha Transaction shall be cancelled. The value of the Mudaraba Assets and the Murabaha Assets will therefore be reduced to zero;
- (d) subject to payment of the Periodic Distribution Amounts accrued and unpaid to (but excluding) the relevant Non-Viability Event Write-Down Date, all rights of any Subordinated Certificateholder for payment of any amounts under or in respect of the Subordinated Certificates (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a Subordinated Dissolution Event pursuant to Condition 16.2 (*Dissolution Events and Enforcement - Dissolution Events for Subordinated Certificates*)) shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-Down Date;
- (e) save in respect of a partial Write-Down of the Subordinated Certificates and the relevant Trust Assets, the Trustee shall dissolve the Trust; and
- (f) save in respect of a partial Write-Down of the Subordinated Certificates and the relevant Trust Assets, neither the Trustee nor the Delegate will have any further claim against SABB in respect of any of the Certificates.

11.5 Partial Write-Down

In the event that the Regulator determines that a partial Write-Down of the Subordinated Certificates is required, and where a partial Write-Down of the Subordinated Certificates is specified in the Non-Viability Notice, the events in Condition 11.4 (*Full Write-Down*) above shall be applicable only in respect of the proportion of the Subordinated Certificates and the Trust Assets that the Regulator has determined will be written down and on a *pro rata* basis between the Mudaraba Assets and the Murabaha Assets.

11.6 Applicable Statutory Loss Absorption Regime

With effect on and from the date on which the Applicable Statutory Loss Absorption Regime becomes effective, the foregoing provisions of this Condition 11 (Write-Down at the Point of Non-Viability for Subordinated Certificates) will lapse and cease to have any effect, except to the extent such provisions are required by the Applicable Statutory Loss Absorption Regime. If a Non-Viability Event occurs on or after such date, the Regulator (or SABB following instructions from the Regulator) may take such action in respect of the Subordinated Certificates as is required or permitted by such Applicable Statutory Loss Absorption Regime.

12. CAPITAL DISTRIBUTIONS OF THE TRUST

12.1 Scheduled Dissolution

Unless the Certificates are previously redeemed, or purchased and cancelled, in full, and subject in the case of the Subordinated Certificates to Condition 4.2 (*Status of Subordinated Certificates*) and Condition 11 (*Write-down at the Point of Non-Viability for Subordinated Certificates*) the Trustee will

redeem each Certificate on the Scheduled Dissolution Date at the Final Dissolution Amount together with any Periodic Distribution Amounts payable. Upon payment in full of such amounts to the Certificateholders, the Trust will be dissolved, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

12.2 Early Dissolution for Tax Reasons

The Certificates may, subject, in the case of Subordinated Certificates, to Condition 12.6 (*Conditions to Redemption*), be redeemed by the Trustee in whole, but not in part at any time (such date, the “**Tax Dissolution Date**”) on giving not less than 30 nor more than 60 days’ notice to the Certificateholders in accordance with Condition 19 (*Notices*) (which notice shall be irrevocable), at, subject in the case of the Subordinated Certificates to Condition 4.2 (*Status of Subordinated Certificates*) and Condition 11 (*Write-down at the Point of Non-Viability for Subordinated Certificates*), the Early Dissolution Amount (Tax) together with any accrued but unpaid Periodic Distribution Amount, if a Tax Event occurs where “**Tax Event**” means:

- (a) the determination by SABB that (1) the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the relevant Issue Date and (2) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or
- (b) the receipt by the Trustee of notice from SABB that (1) SABB has or will become obliged to pay an additional amount under the Transaction Documents as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the relevant Issue Date and (2) such obligation cannot be avoided by SABB taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than 60 days prior to the earliest date on which (in the case of (a) above) the Trustee would be obliged to pay such additional amounts if a payment in respect of the Certificates were then due or (in the case of (b) above) SABB would be obliged to pay such additional amounts if a payment to the Trustee under the Transaction Documents was then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Trustee shall deliver to the Delegate (i) a certificate signed by one director of the Trustee (in the case of (a) above) or two directors of SABB (in the case of (b) above) stating that the Trustee is entitled to effect such dissolution and redemption and setting forth a statement of facts showing that the conditions precedent in (a) or (b) above to the right of the Trustee so to dissolve have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Trustee or SABB, as the case may be, has or will become obliged to pay such additional amounts as a result of such change or amendment. The Delegate shall be entitled to accept (without further investigation) any such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Certificateholders. Upon the expiry of any such notice as is referred to in this Condition 12.2 (*Early Dissolution for Tax Reasons*), the Trustee shall be bound to redeem the Certificates at the Early Dissolution Amount (Tax) together with any accrued but unpaid Periodic Distribution Amount and, upon payment in full of such amounts to the Certificateholders, the Trust will be dissolved, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

12.3 Dissolution at the Option of SABB

If the SABB Call Option is specified in the applicable Final Terms as being applicable then, subject, in the case of Subordinated Certificates to Condition 12.6 (*Conditions to Redemption*), SABB may in its sole discretion require the Trustee to, upon giving not less than 30 nor more than 60 days’ notice to the Certificateholders in accordance with Condition 19 (*Notices*) (which notice shall be irrevocable), redeem the Certificates in whole but not in part on any Optional Dissolution Date at, subject in the case

of the Subordinated Certificates to Condition 4.2 (*Status of Subordinated Certificates*) and Condition 11 (*Write-down at the Point of Non-Viability for Subordinated Certificates*), the relevant SABB Call Option Amount together with any accrued but unpaid Periodic Distribution Amounts. Upon such redemption, the Trust will be dissolved, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

12.4 Dissolution at the Option of the Certificateholders

This Condition 12.4 (*Dissolution at the Option of the Certificates*) is only applicable to Senior Certificates. If Certificateholder Put Option is specified in the applicable Final Terms as being applicable, upon the holder of any Senior Certificate giving to the Trustee in accordance with Condition 19 (*Notices*) not less than 15 nor more than 30 days' notice the Trustee will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Certificate on the Certificateholder Put Option Date, which must be a Periodic Distribution Date and at the Certificateholder Put Option Amount together with any accrued but unpaid Periodic Distribution Amounts. Certificates may be redeemed under this Condition 12.4 (*Dissolution at the Option of the Certificateholders*) in any multiple of their lowest Specified Denomination.

To exercise the right to require redemption of any Senior Certificate the holder of the Certificate must, if the Certificate is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of the Registrar at any time during normal business hours of the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from the specified office of the Registrar (a "**Put Notice**") and in which the holder must specify a bank account to which payment is to be made under this Condition 12.4 (*Dissolution at the Option of the Certificateholders*) and the face amount thereof to be redeemed and, if less than the full amount of the Certificates so surrendered is to be redeemed, an address to which a new Certificate in respect of the balance of such Certificate is to be sent subject to and in accordance with the provisions of Condition 3.2 (*Transfers of Certificates in definitive form*).

If this Certificate is represented by a Global Certificate or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Certificate the holder of this Certificate must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Certificateholder's instruction by Euroclear, Clearstream, Luxembourg or any depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and if this Certificate is represented by a Global Certificate, at the same time present or procure the presentation of the relevant Global Certificate to the Principal Paying Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg by a holder of any Certificate pursuant to this Condition 12.4 (*Dissolution at the Option of the Certificateholders*) shall be irrevocable except where, prior to the due date of redemption, a Senior Dissolution Event has occurred and the Delegate has declared the Certificates to be redeemed pursuant to Condition 16.1 (*Dissolution Events for Senior Certificates*), in which event such holder, at its option, may elect by notice to the Trustee to withdraw the notice given pursuant to this Condition 12.4 (*Dissolution at the Option of the Certificateholders*).

12.5 Dissolution for Regulatory Capital Reasons

The Trustee, having given not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 19 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Capital Disqualification Dissolution Date**")), may redeem all (but not some only) of the Subordinated Certificates at any time at, subject to Condition 4.2 (*Status of Subordinated Certificates*) and Condition 11 (*Write-down at the Point of Non-Viability for Subordinated Certificates*), the Early Dissolution Amount (Capital Disqualification Event) provided that no such notice of redemption shall be given unless a corresponding notice has been received by the Trustee from SABB, the delivery of which is subject to SABB having obtained the prior approval of the Regulator for such redemption and having delivered to the Delegate a certificate signed by two directors of SABB stating that a Capital Disqualification Event has occurred and if applicable, a copy

of the notice received from the Regulator, evidencing the occurrence of the Capital Disqualification Event and approving the redemption.

The Delegate shall be entitled to accept (without further investigation or formality) any such certificate as sufficient evidence thereof in which event it shall be conclusive and binding on the Delegate and the Certificateholders.

12.6 Conditions to Redemption

This Condition 12.6 (*Conditions to Redemption*) is only applicable to Subordinated Certificates.

Subordinated Certificates may only be redeemed, purchased, cancelled, varied or modified (as applicable) pursuant to Condition 12.2 (*Early Dissolution for Tax Reasons*), Condition 12.3 (*Dissolution at the option of SABB*), Condition 12.5 (*Early Dissolution for Regulatory Capital Reasons*), Condition 15 (*Purchase and Cancellation*) or Condition 20 (*Meeting of Certificateholders, Modification, Waiver, Authorisation and Determination*), as the case may be, if:

- (i) in the case of any such variation or modification which, in the opinion of the Delegate, could result in the Outstanding Face Amount of the Subordinated Certificates no longer being eligible to qualify in full as Tier 2 Capital, the Regulator has been notified of, and the Regulator has not objected to, such variation or modification (as applicable); and
- (ii) in the case of any such dissolution, purchase or cancellation, the Regulator has been notified of, and the Regulator has consented to, such dissolution, purchase or cancellation (as applicable) and any such dissolution, purchase or cancellation is subject to SABB meeting all applicable capital requirements.

12.7 No other Dissolution

The Trustee shall not be entitled to redeem the Certificates or dissolve the Trust, otherwise than as provided in this Condition 12 (*Capital Distributions of the Trust*), Condition 15 (*Purchase and Cancellation of Certificates*) and Condition 16 (*Dissolution Events and Enforcement*).

12.8 Cancellations

All Certificates which are redeemed, and all Certificates purchased by or on behalf of SABB or any of its Subsidiaries and delivered by SABB to the Principal Paying Agent for cancellation, will be cancelled and accordingly such Certificates may not be held, reissued or resold.

13. TAXATION

All payments in respect of the Certificates shall be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay additional amounts so that the full amount which otherwise would have been due and payable under the Certificates is received by the parties entitled thereto, except that no such additional amount shall be payable in relation to any payment in respect of any Certificate:

- (a) presented for payment (where presentation is required) in a Relevant Jurisdiction; or
- (b) by reason of the holder having some connection with a Relevant Jurisdiction other than the mere holding of such Certificate; or
- (c) presented for payment (where presentation is required) more than 30 days after the Relevant Date, except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Business Day.

Notwithstanding anything to the contrary in these Terms and Conditions of the Certificates, none of the Trustee, SABB, any Paying Agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction imposed on or with respect to any Note pursuant to Section 1471 to 1474 of the U.S. Internal Revenue Code of 1986 (“**FATCA**”), any treaty, law, regulation or other official guidance implementing FATCA, or any agreement (or related guidance) between the Trustee, SABB, a Paying Agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

The Mudaraba Agreement and the Master Murabaha Agreement provide that payments and transfers thereunder by SABB, shall be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of the Taxes is required by law and, in such case, provide for the payment or transfer, as the case may be, by SABB of additional amounts so that the full amount which would otherwise have been due and payable or transferable, as the case may be, is received by the Trustee.

14. PRESCRIPTION

The right to receive distributions in respect of the Certificates will be forfeited unless claimed within a period of 10 years (in the case of Dissolution Amounts) and a period of five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof, subject to the provisions of Condition 9 (*Payment*).

15. PURCHASE AND CANCELLATION OF CERTIFICATES

SABB or any of its Subsidiaries may, subject in the case of Subordinated Certificates to Condition 12.6 (*Conditions to Redemption*), at any time purchase Certificates at any price in the open market or otherwise. Such Certificates may be held, resold or, at the option of SABB, by giving not less than 15 days, nor more than 30 days’ notice to the Trustee and the Principal Paying Agent, surrendered to the Principal Paying Agent for cancellation.

16. DISSOLUTION EVENTS AND ENFORCEMENT

16.1 Dissolution Events for Senior Certificates

This Condition 16.1 (*Dissolution Events for Senior Certificates*) is only applicable in relation to Senior Certificates.

Upon the occurrence and continuation of any of the following events (“**Senior Dissolution Events**”):

- (a) default is made in the payment of the relevant Dissolution Amount on the date fixed for payment thereof or default is made in the payment of any Periodic Distribution Amount on the due date for payment thereof and, in the case of the Dissolution Amount, such default continues unremedied for a period of 7 days and, in the case of a Periodic Distribution Amount, such default continues unremedied for a period of 14 days; or
- (b) the Trustee fails to perform or observe any of its other duties, obligations or undertakings under the Transaction Documents (except the obligation imposed pursuant to Clause 4.1(f) of the Mudaraba Agreement) and (except in any case where, in the opinion of the Delegate, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 Business Days following the service by the Delegate of a notice on the Trustee requiring the same to be remedied; or
- (c) a SABB Event occurs; or
- (d) the Trustee repudiates any Transaction Document or does or causes to be done any act or thing evidencing an intention to repudiate any Transaction Document; or
- (e) at any time it is or will become unlawful or impossible for the Trustee to perform or comply with any or all of its obligations under the Transaction Documents to which it is a party or any

of the obligations of the Trustee under the Transaction Documents to which it is a party are not or cease to be legal, valid and binding; or

- (f) either:
 - (i) the Trustee becomes insolvent or is unable to pay its debts as they fall due; or
 - (ii) an administrator or liquidator of the whole or substantially the whole of the undertaking, assets and revenues of the Trustee is appointed (or application for any such appointment is made); or
 - (iii) the Trustee takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it; or
 - (iv) the Trustee ceases or threatens to cease to carry on all or substantially the whole of its business (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or
- (g) an order or decree is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Trustee; or
- (h) any event occurs which under the laws of the Cayman Islands has an analogous effect to any of the events referred to in paragraphs (f) and (g) above,

the Delegate (subject to it being indemnified and/or secured and/or prefunded to its satisfaction), if notified in writing, or otherwise becoming aware, of the occurrence of such Senior Dissolution Event, shall give notice of the occurrence of such Senior Dissolution Event to the holders of Certificates in accordance with Condition 19 (*Notices*) with a request to such holders to indicate if they wish the Certificates to be redeemed and the Trust to be dissolved.

The Delegate in its sole discretion may, and shall if so requested in writing by the holders of at least one-fifth of the then aggregate face amount of the Series of Certificates outstanding or if so directed by an Extraordinary Resolution of the holders of the Certificates (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice (a “**Dissolution Notice**”) to the Trustee, SABB and all the holders of the Certificates in accordance with Condition 19 (*Notices*) that the Certificates are immediately due and payable, whereupon the Certificates shall be immediately redeemed at the Dissolution Amount specified in the applicable Final Terms, together with any accrued but unpaid Periodic Distribution Amounts on the date of such notice (the “**Senior Dissolution Date**”). Upon payment in full of such amounts, the Trust will be dissolved, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

For the purpose of (a) above, amounts shall be considered due in respect of the Certificates (including any amounts calculated as being payable under Condition 7 (*Fixed Periodic Distribution Provisions for Senior Certificates*) and Condition 11 (*Capital Distributions of the Trust*)) notwithstanding that the Trustee has, at the relevant time, insufficient funds or Trust Assets to pay such amounts.

Upon the occurrence of a Senior Dissolution Event and the giving a Dissolution Notice to the Trustee by the Delegate, to the extent that the amounts payable in respect of the Certificates have not been paid in full, subject to Condition 17.1 (*Delegate not obliged to take Action*), the Delegate shall (subject to being indemnified and/or secured and/or prefunded to its satisfaction), enforce the provisions of the Transaction Documents against SABB; and/or take such other steps as the Delegate may consider necessary in its absolute discretion to protect the interests of the Certificateholders.

Notwithstanding the foregoing but subject to Condition 17.1 (*Delegate not obliged to take Action*), the Delegate may at any time, at its discretion and without notice, take such proceedings and/or other steps as it may think fit against or in relation to each of the Trustee and/or SABB to enforce their respective obligations under the Transaction Documents, these Conditions and the Certificates.

16.2 Dissolution Events for Subordinated Certificates

This Condition 16.2 (*Dissolution Events for Subordinated Certificates*) is only applicable in relation to Subordinated Certificates.

Upon the occurrence and continuation of any of the following events (“**Subordinated Dissolution Events**”):

- (a) default is made in the payment of the relevant Dissolution Amount on the date fixed for payment thereof or default is made in the payment of any Periodic Distribution Amount on the due date for payment thereof and, in the case of the Dissolution Amount, such default continues unremedied for a period of 7 days and, in the case of a Periodic Distribution Amount, such default continues unremedied for a period of 14 days; or
- (b) a Subordination Event occurs,

the Delegate (subject to it being indemnified and/or secured and/or prefunded to its satisfaction), if notified in writing, or otherwise becoming aware, of the occurrence of such Subordinated Dissolution Event, shall give notice of the occurrence of such Dissolution Event to the holders of Certificates in accordance with Condition 19 (*Notices*) with a request to such holders to indicate if they wish for the Delegate to: (i) institute proceedings for SABB to be declared bankrupt or insolvent or for there otherwise to be a winding up, liquidation or dissolution of SABB; and/or (ii) claim or prove in the winding-up, dissolution or liquidation of SABB for the relevant Dissolution Amount, together with any accrued but unpaid Periodic Distribution Amount.

Upon the occurrence of a Subordinated Dissolution Event, the Delegate in its sole discretion may, and shall if so requested in writing by the holders of at least one-fifth of the then aggregate face amount of the Series of Certificates outstanding or if so requested by an Extraordinary Resolution of the holders of the Certificates (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), institute proceedings for SABB to be declared bankrupt or insolvent or for there otherwise to be a winding up, liquidation or dissolution of SABB and/or claim or prove in the winding-up, dissolution or liquidation of SABB for the relevant Dissolution Amount, together with any accrued but unpaid Periodic Distribution Amount, subject to Condition 4.2 (*Status of Subordinated Certificates*) and Condition 11 (*Write-down at the Point of Non-Viability for Subordinated Certificates*).

For the purpose of (a) above, amounts shall be considered due in respect of the Certificates (including any amounts calculated as being payable under Condition 8 (*Reset Periodic Distribution Provisions for Subordinated Certificates*), and Condition 11 (*Capital Distributions of the Trust*)) notwithstanding that the Trustee has, at the relevant time, insufficient funds or Trust Assets to pay such amounts.

Subject to Condition 17.2 (*Delegate not obliged to take Action*), the Delegate is also entitled (subject to being indemnified and/or secured and/or prefunded to its satisfaction) to institute proceedings acting in the name and on behalf of the Trustee and/or the Certificateholders against SABB to enforce any obligation, condition, undertaking or provision binding on SABB under the Transaction Documents, provided that SABB shall not, by virtue of the institution of any such proceedings, be obliged to pay any amount or amounts in relation to any amount payable in respect of the Subordinated Certificates sooner than the same would otherwise have been payable by it, except with the prior approval of the Regulator.

17. EXERCISE OF RIGHTS

17.1 Delegate not obliged to take Action

The Delegate shall not be bound in any circumstances to take any action to enforce or to realise the Trust Assets or take any action against the Trustee and/or SABB under any Transaction Document unless directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by the holders of at least one-fifth of the then aggregate face amount of the Certificates outstanding and in either case then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing provided that the Delegate shall not be liable for the consequences of exercising its discretion or taking any such

action and may do so without having regard to the effect of such action on individual Certificateholders.

17.2 Direct Enforcement by a Certificateholder

No Certificateholder shall be entitled to proceed directly against the Trustee or SABB or provide instructions (not otherwise permitted by the Trust Deed) to the Delegate to proceed against the Trustee and/or SABB under any Transaction Document unless (a) the Delegate, having become bound to proceed pursuant to Condition 17.1 (Delegate not obliged to take Action), fails to do so within a reasonable period of becoming so bound and such failure is continuing and (b) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against any of the Trustee or SABB, as the case may be) holds at least one-fifth of the then aggregate face amount of the Certificates outstanding. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than pursuant to the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and SABB shall be to enforce their respective obligations under the Transaction Documents.

Any claim of any Subordinated Certificateholder in respect of, or arising under, the Subordinated Certificates (including, without limitation, any claim in relation to any unsatisfied payment obligation of SABB under the Transaction Documents that is subject to enforcement by any Certificateholder pursuant to this Condition 17 (*Exercise of Rights*) or in relation to the occurrence of any Subordinated Dissolution Event) shall be subject to, and superseded by, Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*) if a Non-Viability Event occurs, irrespective of whether the relevant Non-Viability Event has occurred prior to, or after, the occurrence of a Subordinated Dissolution Event or any other event.

17.3 Limited Recourse

The foregoing paragraphs in this Condition are subject to this paragraph. After enforcing or realising the Trust Assets and distributing the proceeds of the Trust Assets in accordance with these Conditions and the Trust Deed, the obligations of the Trustee in respect of the Certificates shall be satisfied and no holder of the Certificates may take any further steps against the Trustee, the Delegate or any of their respective affiliates, shareholders, directors, officers or corporate service providers or any other person (including SABB) to recover any further sums in respect of the Certificates and the right to receive any sums unpaid shall be extinguished. In particular, no holder of the Certificates shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee or any of its affiliates.

18. REPLACEMENT OF DEFINITIVE CERTIFICATES

Should any definitive Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar (and if the Certificates 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 or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its specified office in the place required by such competent authority, Stock Exchange and/or quotation system), 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 the replacement and on such terms as to evidence and indemnity as the Trustee, SABB, the Registrar, the Paying Agent or the Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

19. NOTICES

All notices to Certificateholders will be valid if:

- (a) published in a daily newspaper having general circulation in London (which is expected to be the *Financial Times*) approved by the Delegate; or
- (b) mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective registered addresses.

The Trustee shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, Stock Exchange and/or quotation system (if any) by which the Certificates have then been admitted to listing, trading and/or quotation. Any notice shall be deemed to have been given on the day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

Until such time as any definitive Certificates are issued, there may, so long as any Global Certificate representing the Certificates is held on behalf of one or more clearing systems, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to the relevant clearing systems for communication by them to the Certificateholders and, in addition, for so long as any Certificates are listed on a Stock Exchange or are admitted to trading by another relevant authority and the rules of that Stock Exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the Certificateholders on the day after the day on which the said notice was given to the relevant clearing systems.

Notices to be given by any Certificateholder shall be in writing and given by lodging the same with the Principal Paying Agent. Whilst any of the Certificates are represented by a Global Certificate held on behalf of one or more clearing systems, such notice may be given by any holder of a Certificate to the Principal Paying Agent through the clearing system in which its interest in the Certificates is held in such manner as the Principal Paying Agent and the relevant clearing system may approve for this purpose.

20. MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

- 20.1 The Master Trust Deed contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or the provisions of the Trust Deed, subject, in the case of Subordinated Certificates, to Condition 12.6 (*Conditions to Redemption*). The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than 50 per cent. in the Outstanding Face Amount of the Certificates, or at any adjourned such meeting one or more persons present whatever the Outstanding Face Amount of the Certificates held or represented by him or them, except that any meeting the business of which includes the modification of certain provisions of the Certificates (including modifying the Scheduled Dissolution Date, reducing or cancelling any amount payable in respect of the Certificates or altering the currency of payment of the Certificates or amending Condition 6 (*Covenants*) and certain covenants given by SABB in the Transaction Documents), the quorum shall be one or more persons present holding or representing not less than two-thirds in the Outstanding Face Amount of the Certificates, or at any adjourned such meeting one or more persons present holding or representing not less than one-third in the Outstanding Face Amount of the Certificates.
- 20.2 The Delegate may agree, without the consent or sanction of the Certificateholders, to any modification (other than in respect of a Reserved Matter) of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement, or determine, without any such consent or sanction as aforesaid, that any Dissolution Event or an event which, with the giving of notice, lapse of time, determination of materiality or fulfilment of any other applicable condition (or any combination of the foregoing), would constitute a Dissolution Event shall not be treated as such if, in the opinion of the Delegate, (a) such modification is of a formal, minor or technical nature, (b) such modification is made to correct a manifest error or (c) subject, in the case of Subordinated Certificates, to Condition 12.6 (*Conditions to Redemption*), such modification, waiver, authorisation or determination is not, in the opinion of the Delegate, materially prejudicial to the interests of the Certificateholders. No such direction or request will affect a previous consent, waiver, authorisation or determination.
- 20.3 In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Delegate shall have regard to the general interests of the Certificateholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise

for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof) and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Delegate or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders.

- 20.4 Any modification, abrogation, waiver, authorisation or determination shall be binding on all the Certificateholders and shall be notified to the Certificateholders as soon as practicable thereafter in accordance with Condition 19 (*Notices*).

21. INDEMNIFICATION AND LIABILITY OF THE DELEGATE AND THE TRUSTEE

- 21.1 The Trust Deed contains provisions for the indemnification of each of the Delegate and the Trustee in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction as well as provisions entitling the Delegate to be paid its costs and expenses in priority to the claims of the Certificateholders.

- 21.2 The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of SABB or the Trustee under the Transaction Documents and shall not under any circumstances have any Liability or be obliged to account to the Certificateholders in respect of any payments which should have been made by SABB or the Trustee but are not so made and shall not in any circumstances have any Liability arising from or in relation to the Trust Assets other than as expressly provided in these Conditions or in the Trust Deed.

- 21.3 Each of the Trustee and the Delegate is exempted from (i) any Liability in respect of any loss or theft of the Trust Assets or any cash, (ii) any obligation to insure the Trust Assets or any cash and (iii) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depositary or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of wilful default, gross negligence or fraud by the Trustee or the Delegate, as the case may be.

- 21.4 The Trust Deed also contains provisions pursuant to which the Delegate is entitled, inter alia, (a) to enter into business transactions with SABB and/or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to SABB and/or any of its Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Certificateholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

22. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

23. GOVERNING LAW AND DISPUTE RESOLUTION

- 23.1 The Trust Deed, the Certificates and these Conditions (including the remaining provisions of this Condition 23 (*Governing Law and Dispute Resolution*)) and any non-contractual obligations arising out of or in connection with the Trust Deed, the Certificates and these Conditions are governed by, and shall be construed in accordance with, English law except for the provisions of Condition 4.2 (*Status and Limited Recourse – Status of Subordinated Certificates*) and Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*), which will be governed by, and construed in accordance with, the laws of the Kingdom.

- 23.2 Subject to Condition 23.3, any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Trust Deed, the Certificates and these Conditions (including any dispute as to the existence, validity, interpretation, performance, breach or termination of the Trust Deed, the Certificates and these Conditions or the consequences of the nullity of any of them or a

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 are incorporated by reference into this Condition 23.2. For these purposes:

- (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 and the respondent shall each nominate one arbitrator within fifteen (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 fifteen (15) days of the last of their appointments. If he is not so nominated, he shall be chosen by the LCIA;
- (c) the seat of the arbitration shall be London, England; and
- (d) the language of the arbitration shall be English.

23.3 Before the Delegate (or any Certificateholder where permitted to do so in accordance with Condition 17.2 (*Direct Enforcement by Certificateholder*)) has filed a Request for arbitration or a Response (each as defined in the Rules), as the case may be, it may by notice in writing to the Trustee and SABB require that a Dispute be heard by a court of law. If the Delegate or the relevant Certificateholder (if permitted) gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 23.5 below and any arbitration commenced under Condition 23.2 will be terminated. Each of the parties to the terminated arbitration will bear its own costs in relation thereto.

23.4 If any notice is given in accordance with Condition 23.3, the Delegate or the relevant Certificateholder, if permitted, must also promptly give notice to the LCIA and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

- (a) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before the arbitrator’s appointment is terminated;
- (b) the arbitrator’s entitlement to be paid his or her proper fees and disbursements; and
- (c) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

23.5 In the event that the Trustee or the Delegate issues a notice pursuant to Condition 22.3, the following provisions shall apply:

- (a) subject to Condition 23.5(c) below, the courts of England shall have exclusive jurisdiction to settle any Dispute;
- (b) each of the Trustee and SABB agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, no party will argue to the contrary; and
- (c) this Condition 23.5 is for the benefit of the Delegate and the Certificateholders only. As a result, and notwithstanding Condition 23.5(a) above, to the extent permitted by law, the Delegate and any Certificateholder (where permitted to do so) may take: (i) proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction or any committee, including, without limitation, the Committee for the Resolution of Securities Disputes and the Appeal Panel; and (ii) concurrent Proceedings in any number of jurisdictions.

- 23.6 Each of the Trustee and SABB agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Walkers at its registered office at 6 Gracechurch Street London EC3V 0AT United Kingdom. If:
- (a) such person is not or ceases to be effectively appointed to accept service of process on behalf of SABB, SABB shall appoint a further person in England to accept service of process on its behalf and, failing such appointment within fifteen (15) days, the Delegate shall be entitled to appoint such a person by written notice addressed to SABB; or
 - (b) such person is not or ceases to be effectively appointed to accept service of process on behalf of the Trustee, the Trustee shall appoint a further person in England to accept service of process on its behalf and, failing such appointment within fifteen (15) days, the Delegate shall be entitled to appoint such a person by written notice addressed to the Trustee.

Nothing in this Condition 23.6 shall affect the right to serve process in any other manner permitted by law. For the avoidance of doubt, this Condition 23.6 applies to Proceedings in England.

- 23.7 Each of the Trustee, the Delegate and SABB has irrevocably agreed in the Trust Deed that if any arbitration is commenced in relation to a Dispute and/or any Proceedings are brought by or on behalf of a party under the Trust Deed, it will (i) not claim interest under, or in connection with, such arbitration and/or Proceedings; and (ii) to the fullest extent permitted by law, waive all and any entitlement it may have to interest awarded in its favour by an arbitrator as a result of such arbitration and/or by a court as a result of such Proceedings. The Trustee, the Delegate and SABB have further agreed that, if any such interest is actually received by it, it shall promptly donate the same to a registered or otherwise officially recognised charitable organisation selected by the Shari'a Committee of SABB. For the avoidance of doubt, nothing in this Condition 23.7 shall be construed as a waiver of rights in respect of Mudaraba Profit, Murabaha Profit, Periodic Distribution Amounts or profit of any kind howsoever described payable by SABB or the Trustee pursuant to the Transaction Documents and/or these Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

USE OF PROCEEDS

The proceeds of each Series of Certificates issued will be used by the Trustee to enter into the Mudaraba and into Murabaha Transactions. SABB will sell the commodities purchased pursuant to the Murabaha to a third party broker and will use the proceeds from the sale, together with the proceeds provided pursuant to the Mudaraba, for Shari'a compliant purposes, as set out in the applicable Final Terms.

DESCRIPTION OF THE TRUSTEE

General

SABB Sukuk Limited, a Cayman Islands exempted company with limited liability, was duly incorporated on 12 August 2015 under the Companies Law (as amended) of the Cayman Islands with company registration number 302865. The Trustee has been established as a special purpose vehicle for the sole purpose of issuing Certificates under the Programme and entering into the transactions contemplated by the Transaction Documents. The registered office of the Trustee is at c/o Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands and its telephone number is +1 345 814 7600. The Trustee is operating in conformity with its articles of association.

The authorised share capital of the Trustee is U.S.\$50,000 divided into 50,000 ordinary shares of U.S.\$1.00 par value each, of which 250 ordinary shares are fully paid-up and issued as at the date of this Base Prospectus. All of the issued shares (the “**Shares**”) are fully-paid and are held by Walkers Fiduciary Limited as share trustee (the “**Share Trustee**”) under the terms of a declaration of trust (the “**Share Trust Deed**”) dated 17 July 2017 under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Share Trust Deed). Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has the power to benefit Charities (as defined in the Share Trust Deed). It is not anticipated that any distribution will be made whilst any Certificate is outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

Business of the Trustee

The Trustee has no prior operating history or prior business and will not have any substantial liabilities other than in connection with the Certificates to be issued under the Programme. The Certificates are the obligations of the Trustee alone and not the Share Trustee.

The objects for which the Trustee is established are set out in clause 3 of its Memorandum of Association as registered on 12 August 2015.

Financial Statements

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditor.

Directors of the Trustee

The Directors of the Trustee are as follows:

<u>Name:</u>	<u>Birth Date</u>	<u>Principal Occupation:</u>
Mr. Steven Manning	22 January 1984	Director, Walkers Fiduciary Limited
Ms. Nadine Watler	9 September 1975	Vice President, Walkers Fiduciary Limited

The business address of each Director is c/o Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands.

There are no potential conflicts of interest between the private interests or other duties of the Directors listed above and their duties to the Trustee.

The Administrator

Walkers Fiduciary Limited will also act as the administrator of the Trustee (in such capacity, the “**Trustee Administrator**”). The office of the Trustee Administrator will serve as the general business office of the Trustee. Through the office, and pursuant to the terms of the Corporate Services Agreement, the Trustee Administrator will perform in the Cayman Islands or such other jurisdiction as may be agreed by the parties from time to time various management functions on behalf of the Trustee and the provision of certain clerical, administrative and other services until termination of the Corporate Services Agreement. In consideration of the foregoing, the Trustee Administrator will receive various fees payable by the Trustee at rates agreed upon from

time to time, plus expenses. The Corporate Services Agreement provides that either party shall be entitled to terminate the Corporate Services Agreement by giving at least one month's notice in writing to the other party.

The Trustee Administrator's principal office is Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Directors of the Trustee are all employees or officers of the Trustee Administrator (or an affiliate thereof). The Trustee has no employees and is not expected to have any employees in the future.

SUMMARY OF FINANCIAL INFORMATION

SABB's selected financial information, as well as certain key financial ratios, presented below has been extracted from the Audited Financial Statements or calculated based on information derived from the Audited Financial Statements and should be read in conjunction with, and is qualified in its entirety by reference to the Audited Financial Statements as set out elsewhere in this Base Prospectus. The financial information presented below should also be read in conjunction with the information set out in "Presentation of Financial Information" and "Operating and Financial Review".

The following tables set out SABB's selected financial information as at and for the years ended 31 December 2016, 2015 and 2014. The consolidated statement of financial position, consolidated statement of income and consolidated statement of cash flows set out below have been extracted from the Audited Financial Statements.

Consolidated Statement of Financial Position Data

	As at 31 December		
	2016	2015	2014
	SAR'000		
ASSETS			
Cash and balances with SAMA	24,121,821	10,942,268	19,313,766
Due from banks and other financial institutions	8,217,746	11,452,978	2,468,871
Positive fair value derivatives*	721,912	872,865	-
Investments, net	29,273,055	35,527,045	45,280,816
Loans and advances, net	120,964,815	125,946,636	115,220,797
Investment in a joint venture and an associate	642,297	693,235	651,674
Property and equipment, net	1,038,352	991,455	663,401
Other assets	1,075,896	1,323,941	4,009,943
Total assets	186,055,894	187,750,423	187,609,268
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	3,419,174	1,834,906	4,085,928
Customers' deposits	140,639,785	148,887,178	145,870,497
Debt securities in issue	4,517,636	4,512,938	5,264,678
Borrowings	1,709,958	46,988	78,125
Negative fair value derivatives*	604,793	895,429	-
Other liabilities	3,885,620	3,398,447	6,238,828
Total liabilities	154,776,966	159,575,886	161,538,056
Shareholders' equity			
Share capital	15,000,000	15,000,000	10,000,000
Statutory reserve	8,557,339	7,583,656	9,001,019
Other reserves	24,052	(340,608)	61,614
Retained earnings	7,127,537	5,361,489	5,858,579
Proposed dividends	570,000	570,000	1,150,000
Total shareholders' equity	31,278,928	28,174,537	26,071,212
Total liabilities and shareholders' equity	186,055,894	187,750,423	187,609,268

*Positive and negative fair value derivatives are included as a separate line item in the 2016 Financial Statements. Prior period amounts pertaining to the positive and negative fair value derivative have been included in other assets and other liabilities respectively, in line with the 2015 Financial Statements (see Note 10 to each of the Audited Financial Statements).

Consolidated Statement of Income Data

	For the year ended 31 December		
	2016	2015	2014
	SAR'000		
Special commission income	6,075,102	4,813,421	4,625,951
Special commission expense	1,318,187	559,543	563,344
Net special commission income	4,756,915	4,253,878	4,062,607
Fees and commission income, net	1,340,843	1,550,271	1,645,000
Exchange income, net	478,045	465,755	445,710
Income from FVIS financial instruments	6,994	3,750	7,500
Trading income, net	261,648	252,382	270,008
Dividend income	37,844	37,050	64,798
Gains on non-trading investments, net	26,297	66,634	7,196
Other operating income, net	18	907	(610)
Total operating income	6,908,604	6,630,627	6,502,209
Salaries and employee related expenses	1,228,958	1,252,725	1,152,845
Rent and premises related expenses	142,470	131,791	114,418
Depreciation	110,903	96,557	86,425
General and administrative expenses	601,219	529,267	542,106
Provision for credit losses, net	944,560	429,716	450,756
(Reversal of impairment) impairment of other financial assets	49,540	(9,631)	(949)
Total operating expenses	3,077,650	2,430,425	2,345,601
Income from operating activities	3,830,954	4,200,202	4,156,608
Share in earnings of a joint venture and associate	63,777	130,345	109,453
Net income for the year	3,894,731	4,330,547	4,266,061
Basic and diluted earnings per share (in SAR)*	2.60	2.89	2.84

SABB's Financial Highlights

	For the year ended 31 December		
	2016	2015	2014
	SAR'000'000		
Customer Deposits	140,640	148,887	145,870
Shareholders' Equity	31,279	28,175	26,071
Investments, net	29,273	35,527	45,281
Loans and Advances, net	120,965	125,947	115,221
Total Assets	186,056	187,750	187,609
Net Income	3,895	4,331	4,266
Proposed Dividends	570	570	1,150

* During the year 2015, SABB issued bonus shares of 500 million with a nominal value of SAR 10 each on the basis of one bonus share for every two shares held through the capitalisation of retained earnings and statutory reserve account. Basic and diluted earnings per share is calculated by dividing the net income for the year attributable to the equity holders by the weighted average number of issued shares. The weighted average number of shares have been retrospectively adjusted for the prior years to reflect the effect of the bonus share issue.

Consolidated Statement of Cash Flows Data

	For the year ended 31 December		
	2016	2015	2014
	<i>SAR'000</i>		
OPERATING ACTIVITIES			
Net income for the year	3,894,731	4,330,547	4,266,061
Adjustments to reconcile net income to net cash from (used in) operating activities:			
Amortisation of premium on non-trading investments	40,192	50,814	35,824
Gains on non-trading investments, net	(26,297)	(66,634)	(7,196)
Depreciation	110,903	96,557	86,425
Income from FVIS financial instruments	(6,994)	(3,750)	(7,500)
Losses on disposal of property and equipment, net	-	-	1,321
Share in earnings of a joint venture and associate	(63,777)	(130,345)	(109,453)
Provision for credit losses, net of reversal	944,560	429,716	450,756
(Reversal of impairment) impairment of other financial assets	49,540	(9,631)	(949)
Cash flow hedge gain transfer to interim consolidated statement of income	(6,080)	(791)	-
Charge against employee share plan reserve	10,710	18,769	-
Change in carrying value of debt securities in issue	-	-	(18,195)
	4,947,488	4,715,252	4,697,094
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA	203,452	(379,521)	(949,722)
Due from banks and other financial institutions with an original maturity of more than three months from date of acquisition	(527,223)	93,573	(93,750)
Investments held for trading, net	-	-	1,007
Loans and advances	4,037,261	(10,769,848)	(9,556,623)
Other assets and derivatives	410,324	1,263,629	(882,911)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions	1,584,268	(2,259,318)	316,288
Customers' deposits	(8,247,393)	2,853,680	6,909,027
Other liabilities	65,171	(1,789,216)	(162,786)
	2,473,348	(6,271,769)	277,624
Net cash (used in)/from operating activities			
INVESTING ACTIVITIES			
Proceeds from sale and maturities of non-trading investments	73,459,574	33,789,979	26,305,632
Purchase of non-trading investments	(66,883,021)	(24,238,088)	(34,135,723)
Purchase of property and equipment	(157,800)	(424,611)	(151,491)
Dividend from a joint venture and associate	114,715	88,784	104,836
Proceeds from disposal of property and equipment	-	-	4,000
Net cash from/(used in) investing activities	6,533,468	9,216,064	(7,872,746)
FINANCING ACTIVITIES			
Debt securities in issue	4,698	(768,749)	-
Borrowings	1,662,970	(31,326)	(31,250)
Treasury shares purchased	(30,300)	(25,792)	-
Dividends paid	(1,023,634)	(1,792,242)	(1,044,429)
Net cash (used in)/from financing activities	613,734	(2,618,109)	(1,075,679)
Increase (decrease) in cash and cash equivalents	9,620,550	326,186	(8,670,801)
Cash and cash equivalents at beginning of the year	13,338,227	13,012,041	21,682,842
Cash and cash equivalents at end of the year	22,958,777	13,338,227	13,012,041
Special commission received during the year	4,398,029	4,707,176	4,648,757
Special commission paid during the year	894,760	478,314	627,726
Supplemental non cash information			
Other comprehensive income	384,250	(395,199)	72,352

Key Financial Ratios

The following table sets out certain key ratios calculated by SABB based on information derived from the Audited Financial Statements (except for the capital adequacy ratio and the tier 1 risk asset ratio which have been extracted from Note 35 to each of the Audited Financial Statements).

SABB considers these ratios (except for the capital adequacy ratio and the tier 1 risk asset ratio) to constitute alternative performance measures (“APMs”) for the purposes of the European Securities and Markets Authority Guidelines on Alternative Performance Measures (the “ESMA Guidelines”). These ratios have not been calculated on the basis of IFRS and are not IFRS measures of financial performance. These key financial ratios have been included in this Base Prospectus to allow potential Certificateholders to better assess SABB’s financial performance and business (see “Presentation of Financial Information - Non-IFRS measures” for further details regarding the definition, method of calculation, rationale for inclusion and reconciliation of each of the APMs listed below). Investors are cautioned not to place undue reliance on this information and should note that these non-IFRS financial measures, as calculated by SABB, may differ materially from similarly titled financial measures reported by other companies, including SABB’s competitors.

	As at and for the year ended 31 December		
	2016	2015	2014
	<i>(per cent.)</i>		
Performance measures			
Return on average assets	2.1	2.3	2.3
Return on average equity	13.1	16.0	17.4
Cost to income ratio	30.2	30.3	29.2
Financial ratios			
Net interest margin	2.9	2.5	2.6
Net profit margin	56.4	65.3	65.6
Asset quality			
Cost of Credit	0.8	0.3	0.4
Loan loss coverage ratio	175	164	161
Advances to deposits ratio (ADR)	82.4	82.1	76.2
Other ratios			
Capital adequacy ratio	19.6	17.6	17.5
Tier I risk assets ratio	17.6	15.4	15.6
Leverage ratio	14	16	20

OPERATING AND FINANCIAL REVIEW

The following discussion and analysis of SABB's financial condition and results of operations as at and for the years ended 31 December 2016, 2015 and 2014 should be read in conjunction with the information set out in "Presentation of Financial Information" and "Summary of Financial Information" and the Audited Financial Statements.

Overview

The Saudi British Bank ("**SABB**") is a joint stock company incorporated under the laws of the Kingdom of Saudi Arabia (the "**Kingdom**"). SABB was established by Royal Decree No. M/4 dated 21 January 1978 and was assigned commercial registration number 1010025779 on 22/11/1399H (corresponding to 13 October 1979). It formally commenced business on 1 July 1978 with the taking over of the operations of The British Bank of the Middle East in the Kingdom of Saudi Arabia.

SABB operates under a banking licence granted by the Saudi Arabian Monetary Authority ("**SAMA**") (which permits it to operate as a commercial bank) and is authorised under its Articles of Association to conduct all types of banking activities within Saudi Arabia and abroad. SABB's principal lines of business are Retail Banking and Wealth Management, Private Banking, Commercial and Global Banking, Global Markets and Islamic Financial Services. SABB provides to its customers a complete range of conventional banking products and services which include current accounts, savings, time deposits, corporate credit facilities, consumer and mortgage loans, trade finance, cash and payments management, treasury and credit cards. SABB also provides *Shari'a* compliant products across all principal business lines through its "Islamic Financial Services (IFS)" brand name ("**Islamic Financial Services**"). As at 31 December 2016, SABB operated through a network of 84 branches spread across the Kingdom, which includes 22 dedicated ladies sections and 3 Lite Branches (offering non-cash transactions and services), representing one of the largest branch networks among its peer group of internationally affiliated banks. SABB does not have any branches outside Saudi Arabia.

As at 31 December 2016, SABB (with total assets of SAR 186.1 billion) was the sixth largest bank in Saudi Arabia in terms of total assets (*source*: Financial Statements for the year ended 31 December 2016 for Saudi banks). SABB generated an operating income of SAR 6.9 billion for the year ended 31 December 2016, had net income of SAR 3.9 billion for the period and its shareholders' equity was SAR 31.3 billion as at 31 December 2016. For the year ended 31 December 2016, SABB's return on average equity was 13.1 per cent. and its return on average assets was 2.1 per cent. SABB's total capital adequacy ratio, calculated according to standards set by SAMA (which are based on standards established by the Bank for International Settlements ("**BIS**")), was 19.6 per cent. at 31 December 2016.

Basis of Preparation and Significant Accounting Policies

The Audited Financial Statements have been prepared in accordance with the Accounting Standards for Commercial Banks promulgated by SAMA and in accordance with IFRS. The preparation of SABB's consolidated financial statements requires the use of certain accounting judgments, estimates, and assumptions that may affect the reported amounts of assets and liabilities, income and expenses and the disclosure of contingencies. It also requires management to exercise its judgment in the process of applying SABB's accounting policies. Certain critical accounting policies and significant areas where management has used estimates, assumptions or exercised judgments' are discussed below. For more information on SABB's accounting policies and the use of estimates in the preparation of the Audited Financial Statements, see Note 1.1 to each of the Audited Financial Statements.

Investments

All investment securities are initially recognised at fair value (except for investments held at fair value through income statement ("**FVIS**")), where acquisition charges are not added to the cost at initial recognition and are charged to the income statement). Premiums are amortised and discounts accreted using the effective yield method and are taken to special commission income. Following initial recognition, for securities traded in organised financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the reporting date. Investments in listed equity instruments are valued at the exchange quoted prices as of day close. Fair value of managed assets and investments in mutual funds are determined by reference to declared net asset values which approximate the fair value.

Following initial recognition, for securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows or the underlying net asset base of the security. Following initial recognition, subsequent transfers between the various classes of investments are not ordinarily permissible.

Fair value of financial instruments that are not quoted in an active market

The fair values of financial instruments that are not quoted in active markets are determined by management using valuation techniques (for example, models). All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however, areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised for changes in its carrying amounts. When a financial asset is uncollectible, it is written off against the related provision for impairment. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted, and the amount of the loss has been determined. Once a financial asset has been written down to its estimated recoverable amount, special commission income is thereafter recognised based on the rate of special commission that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Impairment of available for sale equity investments

Management exercises judgement to consider impairment on the available for sale equity investments. This includes determination of a significant or prolonged decline in the fair value below its cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, SABB evaluates among other factors, the normal volatility in share price. In addition, SABB considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Impairment losses on loans and advances

All loans and advances are initially measured at cost and are classified as held at amortised cost, as adjusted for any effective hedges, and less any amount written off and any provisions for impairment. SABB reviews its non-performing loans and advances at each reporting date to assess whether a specific provision for impairment should be recorded in the income statement. Management judgment is required in this respect, in particular with regard to estimating the amount and timing of future cash flows when determining the level of provision required. In addition, on each reporting date, SABB reviews its loan portfolios to assess whether a collective impairment provision is required. Management estimates the amount of any such collective impairment provision based on an asset quality matrix, which includes a grading structure in respect of the credit risk of the customers, adjusted to reflect general economic outlook (for instance national or local economic conditions or an adverse change in the payment status of borrowers in a group) which indicate that there is a greater risk of default from a particular portfolio of loans.

Results of Operations - Comparison of the Years Ended 2014, 2015 and 2016

Overview

SABB recorded net income of SAR 3,894.7 million for the year ended 31 December 2016, compared to SAR 4,330.5 million for the year ended 2015 and SAR 4,266.1 million for the year ended 2014, representing an increase of SAR 64.5 million, or 1.5 per cent in 2015 and a decrease of SAR 435.8 million, or 10.1 per cent. in 2016. The 1.5 per cent. increase in net income in 2015 was primarily due to an increase in special commission income of SAR 187.5 million and an increase in net gains on non-trading investments of SAR 59.4 million. Exchange income also increased by SAR 20.0 million in 2015. The increase in net income in 2015 was offset to an extent by an increase in salaries and employee related expenses of SAR 99.9 million. The 10.1 per cent decrease in 2016 was primarily due to an overall increase in total operating expenses of SAR 647.2 million. This was due to increases in net provision for credit losses of SAR 514.8 million and general and administrative

expenses of SAR 72 million. The aforementioned increases were partially offset by an overall increase in total operating income of SAR 278.0 million. This increase was largely due to increases in net exchange income by SAR 12.3 million and net special commission income by SAR 503.0 million.

Earnings per share were SAR 2.60 for the year ended 31 December 2016, compared to SAR 2.89 for the year ended 31 December 2015 and SAR 2.84 for the year ended 31 December 2014. SABB's basic and diluted earnings per share is calculated by dividing net income for the year attributable to shareholders by the weighted average number of shares in issue. For the purposes of calculating the earnings per share for 2014, the weighted average number of shares has been retrospectively adjusted to reflect the issuance by SABB during 2015 of 500 million bonus shares with a nominal value of SAR 10 each on the basis of one bonus share for every two existing shares held in SABB. The bonus issue was funded through the capitalisation of SAR 2.5 billion of retained earnings and SAR 2.5 billion from SABB's statutory reserves, thereby increasing SABB's share capital from SAR 10.0 billion to SAR 15.0 billion.

Net special commission income

The following table sets out SABB's special commission income and special commission expense and the resulting net special commission income for each of the years ended 31 December 2016, 2015 and 2014.

	Year ended 31 December			Percentage change	
	2016	2015	2014	2015/2016	2014/2015
	SAR'000			Per cent.	
Special commission income	6,075,102	4,813,421	4,625,951	26.2	4.1
Special commission expense	1,318,187	559,543	563,344	135.6	0.7
Net special commission income	4,756,915	4,253,878	4,062,607	11.8	4.7

The following table sets out the principal components of SABB's net special commission income for each of the years ended 31 December 2016, 2015 and 2014.

	Year ended 31 December			Percentage change	
	2016	2015	2014	2015/2016	2014/2015
	SAR'000			Per cent.	
Special commission income					
Investments					
- available for sale investments	419,022	509,648	547,525	(17.8)	(6.9)
- held at amortised cost	113,613	19,771	5,817	474.6	239.9
	532,635	529,419	553,342	0.6	(4.3)
Due from banks and other financial institutions	97,009	10,932	24,069	787.4	(54.6)
Loans and advances	5,445,458	4,273,070	4,048,540	27.4	5.5
Total	6,075,102	4,813,421	4,625,951	26.2	4.1
Special commission expense					
Due to banks and other financial institutions	125,911	27,080	12,188	365.0	122.2
Customers' deposits	1,073,562	397,832	424,828	169.9	(6.4)
Debt securities in issue	109,965	131,065	121,138	(16.1)	8.2
Borrowings	8,749	3,566	5,190	145.3	(31.3)
Total	1,318,187	559,543	563,344	135.6	(0.7)
Net special commission income	4,756,915	4,253,878	4,062,607	11.8	4.7

SABB's net special commission income increased by SAR 191.3 million, or 4.7 per cent., in 2015 as compared to 2014 and increased by SAR 503,037 million, or 11.8 per cent. in 2016 as compared to 2015.

- The increase in net special commission income in 2015 was primarily due to a SAR 224.5 million, or 5.5 per cent. increase in special commission income from loans and advances to customers, principally reflecting an increase in the underlying asset portfolio. In addition, SABB's special commission income derived from investments held at amortised cost increased by SAR 14.0 million, or 239.9 per cent. primarily due to increased investment in sovereign bonds. The amount of special commission

expense decreased in 2015 primarily due to a reduction in customer time deposits which decreased by SAR 27.0 million, or 6.4 per cent. for the period.

- The increase in net special commission income in 2016 was primarily due to a SAR 86.1 million or 787.4 per cent. increase in amounts due from banks and other financial institutions due to an increase in average money market placements with banks and other financial institutions. In addition, SABB's special commission income derived from investments held at amortised cost increased by SAR 93.8 million, or 474.6 per cent. primarily due to an increase in investments in Saudi government debt and other liquid assets. SABB experienced an increase in net special commission income despite an increase in special commission expense of SAR 758.6 million, or 135.6 per cent. This increase in special commission expense was primarily due to an increase in customer deposits by SAR 675.7 million, or 169.9 per cent. This is primarily due to the increase in special commission rates during the year.

Other operating income

Apart from special commission income, SABB's primary other sources of income over the period under review were fee and commission income, exchange income and trading income. The total amount of SABB's other sources of operating income amounted to SAR 2,439.6 million in 2014, SAR 2,376.7 million in 2015 and SAR 2,151.7 million in 2016, representing a decrease of SAR 62.9 million, or 2.6 per cent. in 2015 and a decrease of SAR 225.0 million, or 9.5 per cent. in 2016. A more detailed review of SABB's primary other sources of income (fee and commission income, exchange income and trading income) for each of the years ended 31 December 2014, 2015 and 2016 is set out in the paragraphs below.

Fees and commission income, net

Fee and commission income is generated from the following product and service lines operated by SABB:

- Fund management;
- Trade finance;
- Corporate finance and advisory;
- Cards; and
- Other banking services.

The table below shows a breakdown of SABB's fee and commission income for each product/service line for each of the years ended 31 December 2016, 2015 and 2014.

	Year ended 31 December		
	2016	2015	2014
	<i>SAR '000</i>		
Fee and commission income:			
- Fund management fees	12,410	44,467	88,900
- Trade finance	695,328	822,807	881,231
- Corporate finance and advisory	144,793	199,872	193,730
- Cards	395,580	387,828	334,131
- Other banking services	409,021	386,228	385,060
Total fee and commission income	1,657,132	1,841,202	1,883,052
Fee and commission expense:			
- Cards	(197,145)	(182,688)	(151,579)
- Custodial services	(590)	(942)	(843)
- Other banking services	(118,554)	(107,301)	(85,630)
Total fee and commission expense	(316,289)	(290,931)	(238,052)
Fees and commission income, net	1,340,843	1,550,271	1,645,000

SABB's net fees and commission income amounted to SAR 1,645.0 million in 2014, SAR 1,550.3 million in 2015 and SAR 1,340.8 million in 2016, representing a decrease of SAR 94.7 million, or 5.8 per cent. in 2015 and a decrease of SAR 209.4 million, or 13.5 per cent. in 2016.

- The reduction in net fee and commission income in 2015 resulted primarily from a decrease in the amount of income generated from SABB's fund management and trade finance business lines as well as an increase in fees payable by SABB relating to custodial services, credit cards and other banking services. Fund management fees decreased by SAR 44.4 million, or 50.0 per cent. and income from trade finance decreased by SAR 58.4 million, or 6.6 per cent. These decreases are attributable to reduced business activity under challenging economic conditions within the region.
- The reduction in net fee and commission income in 2016 resulted primarily from a decrease in the amount of income generated from SABB's fund management, trade finance and corporate finance and advisory business lines, as well as increases in fees payable by SABB relating to its credit cards and other banking services. Fund management fees decreased by SAR 32.1 million, or 72.1 per cent., trade finance fees decreased by SAR 127.5 million, or 15.5 per cent. and corporate finance and advisory fees decreased by SAR 55.1 million, or 27.6 per cent. These decreases are attributable to reduced business activity under challenging economic conditions within the region.

Exchange income, net

SABB's net exchange income experienced year-on-year growth during the period under review, increasing by SAR 20.0 million, or 4.5 per cent., in 2015 as compared to 2014 and by SAR 12.3 million, or 2.6 per cent., in 2016 as compared to 2015. This positive trend in exchange income is reflective of an increase in customers and a corresponding increase in the volume of foreign exchange transactions.

Trading income, net

SABB's trading income decreased by SAR 17.6 million, or 6.5 per cent., in 2015 as compared to 2014 and subsequently increased by SAR 9.3 million, or 3.7 per cent., in 2016 as compared to 2015. The decrease in net trading income in 2015 was primarily due to a SAR 36.0 million, or 16.2 per cent. decrease in foreign exchange income. The movement in SABB's income from trading activity in 2015 is attributable to market factors such as foreign exchange and interest rate volatility leading to changes in the volume of customer transactions. The increase in net trading income in 2016 resulted primarily from a SAR 9.3 million, or 5.0 per cent. increase in foreign exchange income. Foreign exchange income classified as trading income relates to foreign exchange trading activity, including mark to market of derivatives mainly comprising foreign exchange forwards and foreign exchange option trades.

Total operating income

As a result of the above, SABB's total operating income increased by SAR 128.4 million, or 2.0 per cent. in 2015 and by SAR 278.0 million, or 4.2 per cent in 2016.

Operating expenses

SABB's total operating expenses increased by SAR 84.8 million, or 3.6 per cent., in 2015 and increased by SAR 647.2 million, or 26.6 per cent., in 2016:

- The increase in SABB's total operating expenses in 2015 was primarily as a result of a SAR 99.9 million increase in salaries and employee related expenses. In addition, rent and premises related expenses and depreciation were greater in 2015 than in 2014 with increases of SAR 17.4 million and SAR 10.1 million, respectively.
- The increase in SABB's total operating expenses in 2016 was primarily as a result of increases in net provisions for credit losses by SAR 514.8 million, or 119.8 per cent. and general and administrative expenses by SAR 72.0 million, or 13.6 per cent.

Salaries and employee related expenses

Salaries and employee related expenses were SAR 1,152.8 million in 2014, SAR 1,252.7 million in 2015 and SAR 1,229.0 million in 2016, representing an increase of 8.7 per cent in 2015 and a decrease of 1.9 per cent. in 2016. The increase in employee related expenses during 2015 was primarily a result of an increase in the amount recorded for salaries and other staff benefits reflecting the increase in the number of employees. The decrease in employee related expenses during 2016 was primarily due to the decrease in the number of employees from 3,451 in 2015 to 3,317 in 2016.

General and administrative expenses

SABB's general and administrative expenses were SAR 542.1 million in 2014, SAR 529.3 million in 2015 and SAR 601.2 million in 2016, representing a decrease of 2.4 per cent. in 2015 as compared to 2014 and an increase of 13.6 per cent in 2016 as compared to 2015. The most significant components of SABB's general and administrative expenses for 2014, 2015 and 2016 are advertising and IT related expenses. The increase in IT related expenditure represents SABB's continued investment in technology and digital channels to enhance customer experience and improve operational efficiency.

Provision for credit losses, net

SABB's net provision for credit losses amounted to SAR 450.8 million in 2014, SAR 429.7 million in 2015 and SAR 944.6 million in 2016, representing a decrease in SABB's provisioning of SAR 21.0 million, or 4.7 per cent in 2015 and an increase in SABB's provisioning of SAR 514.8 million, or 119.8 per cent. in 2016. The movement in provision for credit losses includes a collective provision component which is related to growth in SABB's loans and advances portfolio during 2015 and 2016 with the most significant movement relating to net movements in specific provisions for certain customers.

Financial position as at 31 December 2014, 2015 and 2016

Overview

SABB's total assets were SAR 187.6 billion as at 31 December 2014, SAR 187.8 billion as at 31 December 2015, SAR 186.1 billion as at 31 December 2016, representing an increase of SAR 141.2 million, or 0.08 per cent., between 2014 and 2015 and a decrease of SAR 1.7 billion, or 0.9 per cent., between 2015 and 2016.

The primary component of SABB's total assets are loans and advances to its customers (net loans and advances represented 65.0 per cent. of SABB's total assets as at 31 December 2016). Loans and advances to customers amounted to SAR 115.2 billion as at 31 December 2014, SAR 125.9 billion as at 31 December 2015, SAR 121.0 billion as at 31 December 2016, representing an increase of SAR 10.7 billion, or 9.3 per cent between 2014 and 2015 and a decrease of SAR 5.0 billion, or 4.0 per cent. between 2015 and 2016 (see “– *Loans and advances, net*” below).

As with most Saudi banks, a significant portion of SABB's funding requirements are met through short-term funding sources, primarily in the form of stable customer deposits (SABB's customer deposits represented 90.9 per cent. of total liabilities as at 31 December 2016). Customer deposits amounted to SAR 145.9 billion as at 31 December 2014, SAR 148.9 billion as at 31 December 2015 and SAR 140.6 billion as at 31 December 2016, representing an increase of SAR 3.0 billion, or 2.1 per cent. between 2014 and 2015 and a decrease of SAR 8.2 billion, or 5.5 per cent. between 2015 and 2016 (see “– *Customers' deposits*” below).

Total assets

As discussed above, SABB's total assets were SAR 187.6 billion as at 31 December 2014, SAR 187.8 billion as at 31 December 2015 and SAR 186.1 billion as at 31 December 2016, representing an increase of SAR 141.2 million, or 0.08 per cent., between 2014 and 2015 and a decrease of SAR 1.7 billion, or 0.9 per cent., between 2015 and 2016.

- The increase in total assets between 2014 and 2015 is primarily due to increases in loans and advances to customers and increases in the amounts due from banks and other financial institutions (see “– *Loans and advances, net*” and “– *Due from Banks and Other Financial Institutions*” below).
- The decrease in total assets between 2015 and 2016 is primarily due to decreases in net loans and advances, net investments and amounts due from banks and other financial institutions (see “– *Loans and advances, net*”, “– *Investments, net*” and “– *Due from Banks and Other Financial Institutions*” below).

Cash and balances with SAMA

In accordance with the Banking Control Law and regulations issued by SAMA, SABB is required to maintain a statutory deposit with SAMA at stipulated percentages of its demand, savings, time and other deposits, calculated at the end of each month. The statutory deposit with SAMA is not available to finance SABB's day-

to-day operations and therefore is not part of cash and cash equivalents. Placements with SAMA represent securities purchased under an agreement to re-sell (reverse repo) with SAMA.

The table below shows the cash and balances held with SAMA as at 31 December 2016, 2015 and 2014.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
	<i>SAR'000</i>		
Cash in hand	1,444,680	1,520,252	1,278,469
Statutory deposit	8,852,915	9,056,367	8,676,846
Placements with SAMA	13,545,153	150,994	8,595,941
Other balances	279,073	214,655	762,510
Total	<u>24,121,821</u>	<u>10,942,268</u>	<u>19,313,766</u>

Placements with SAMA decreased between 2014 and 2015 by SAR 8.4 billion, or 98.2 per cent. between 2014 and 2015 and increased by SAR 13.4 billion, or 8,870.7 per cent. between 2015 and 2016. The decrease in the balance of placements with SAMA during 2015 is a result of managing the Bank's day to day liquidity requirement and reacting to the availability of investment opportunities. The increase in the balance of placements with SAMA during 2016 is part of SABB's strategy of managing its day to day liquidity and balance sheet.

Investments, net

SABB maintains an investment portfolio consisting primarily of fixed and floating rate securities, the purpose of which is to manage liquidity and enhance yield. SABB's investment portfolio comprises investments of high credit quality, with 52.7 per cent. of the investment portfolio consisting of Saudi sovereign debt (Government Development Bonds and treasury bills) and 17.4 per cent. classified as investment grade with credit profiles equivalent to Standard & Poor's rating of AAA to BBB as at 31 December 2016. SABB's investment counterparties are mainly government and quasi government entities, representing SAR 35.4 billion, or 78.2 per cent. of net investments as at 31 December 2014, SAR 29.7 billion, or 83.7 per cent. of net investments as at 31 December 2015 and SAR 22.1 billion, or 75.4 per cent. of net investments as at 31 December 2016.

SABB had a total net investment portfolio of SAR 45.3 billion as at 31 December 2014, SAR 35.5 billion as at 31 December 2015 and SAR 29.3 billion as at 31 December 2016, representing a decrease of 9.8 billion, or 21.5 per cent. between 2014 and 2015 and a further decrease of SAR 6.3 billion, or 17.6 per cent. between 2015 and 2016. SABB's net investments as a percentage of total assets as at 31 December 2014, 2015 and 2016 were 24.1 per cent., 18.9 per cent. and 15.7 per cent., respectively.

- The decrease in net investments between 2014 and 2015 was mainly due to a SAR 14.4 billion, or 35.5 per cent. decrease in SABB's fixed rate available for sale securities as a result of certain of these securities having matured during that period.
- The decrease in net investments between 2015 and 2016 was mainly due to a SAR 10.2 billion, or 39.0 per cent. decrease in SABB's fixed rate available for sale securities as a result of certain of these securities having matured during that period.

The tables below provide a breakdown of SABB's investment portfolio by classification, by counterparty and by credit quality as at 31 December 2014, 2015, and 2016.

(a) Investment securities are classified as follows.

	<u>Domestic</u>			<u>International</u>			<u>Total</u>		
	<u>As at 31 December</u>								
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	<i>SAR'000</i>								
(i) Available for sale									
Fixed rate securities	9,527,852	19,808,798	33,691,002	6,484,068	6,425,634	6,989,695	16,011,920	26,234,432	40,680,697
Floating rate securities	5,235,548	4,514,792	3,392,599	702,486	76,264	77,204	5,938,034	4,591,056	3,469,803
Equities	1,030,549	987,712	980,570	27,308	44,203	49,746	1,057,857	1,031,915	1,030,316
Available for sale investments, net*	<u>15,793,949</u>	<u>25,311,302</u>	<u>38,064,171</u>	<u>7,213,862</u>	<u>6,546,101</u>	<u>7,116,645</u>	<u>23,007,811</u>	<u>31,857,403</u>	<u>45,180,816</u>

	Domestic			International			Total		
	As at 31 December								
	2016	2015	2014	2016	2015	2014	2016	2015	2014

SAR'000

*Available for sale investments, net includes impairment provision of SAR 120.0 million (2015: SAR 70 million; 2014: SAR 70 million) for domestic equities and SAR 17.7 million (2015: SAR 18.1 million; 2014: SAR 18.8 million) for International floating rate securities.

(ii) Held at amortised cost

Fixed rate securities	3,669,682	3,669,642	100,000	—	—	9,000	3,669,682	3,669,642	109,000
Floating rate securities	2,595,562	—	—	—	—	—	2,595,562	—	—
Allowance for impairment	—	—	—	—	—	(9,000)	—	—	(9,000)
Held at amortised cost investment, net	6,265,244	3,669,642	100,000	—	—	—	6,265,244	3,669,642	100,000
Investments, net	22,059,193	28,980,944	38,164,171	7,213,862	6,546,101	7,116,645	29,273,055	35,527,045	45,280,816

(b) The analysis of investments by counterparty is as follows.

	As at 31 December		
	2016	2015	2014
	SAR'000		
Government and quasi government	22,059,012	29,747,189	35,403,594
Corporate	5,987,324	3,841,373	3,562,110
Banks and other financial institutions	1,218,007	1,929,731	6,306,764
Other	8,712	8,752	8,348
Total	29,273,055	35,527,045	45,280,816

(c) Credit quality of investments.

	As at 31 December		
	2016	2015	2014
	SAR'000		
Saudi sovereign debt	15,419,496	21,723,663	30,136,708
Investment grade	5,079,765	8,542,709	8,481,687
Non-investment grade	375,476	97,018	50,193
Unrated	8,398,318	5,163,655	6,612,228
Total	29,273,055	35,527,045	45,280,816

Loans and advances, net

Loans and advances to customers (net of provisions) amounted to SAR 115.2 billion as at 31 December 2014, SAR 125.9 billion as at 31 December 2015 and SAR 121.0 billion as at 31 December 2016, representing an increase of SAR 10.7 billion, or 9.3 per cent. between 2014 and 2015 and a decrease of SAR 5.0 billion or 4.0 per cent. between 2015 and 2016. SABB's net loans and advances as a percentage of total assets, as at 31 December 2014, 2015 and 2016 were 61.4 per cent., 67.0 per cent. and 65.0 per cent., respectively.

The following table sets out SABB's loan portfolio by classification as at 31 December 2016, 2015 and 2014 (see Note 6 to the Audited Financial Statements).

	As at 31 December		
	2016	2015	2014
	<i>SAR'000</i>		
Credit Cards	2,308,508	2,172,280	2,091,725
Consumer loans	24,380,165	25,440,045	24,027,009
Commercial loans and overdrafts	95,510,374	99,303,585	90,009,676
Performing loans and advances, gross	122,199,047	126,915,910	116,128,410
Non-performing loans and advances, net	1,655,479	1,517,272	1,494,932
Total loans and advances	123,854,526	128,433,182	117,623,342
Provision for credit losses (specific and collective)	(2,889,711)	(2,486,546)	(2,402,545)
Loans and advances, net	120,964,815	125,946,636	115,220,797

The increase in performing loans and advances between 2014 and 2015 was mainly the result of strong demand for loans by SABB's customers, particularly in the Corporate Banking segment where commercial loans increased by SAR 9.3 billion, or 10.3 per cent. in the year ended 31 December 2015. In addition, SABB's Retail Banking segment (credit cards and consumer loans combined) continued to grow, increasing by SAR 1.5 billion, or 9.7 per cent. in the year ended 31 December 2015. The increase in loans and advances in the Retail segment reflects the increase in demand for retail products by both existing and new customers of the Bank.

The decrease in performing loans and advances between 2015 and 2016 was mainly the result of a decline in SABB's Retail Banking segment (credit cards and consumer loans combined), which decreased by SAR 0.9 billion, or 2.1 per cent. in the year ended 31 December 2016. This was due to a decrease in demand for retail products by both SABB's existing and new customers. In addition, SABB's Corporate Banking segment decreased by SAR 3.8 billion, or 3.8 per cent. in the year ended 31 December 2016. The decrease in loans and advances in the Corporate Banking segment is due to reduced business activity under challenging conditions within the region.

SABB's loan portfolio comprises loans and advances to corporate and retail customers across a range of economic sectors made on both a conventional and Islamic basis (*Shari'a* approved products comprised 79.4 per cent of SABB's net loans and advances portfolio as at 31 December 2016). The tables below set out the distribution of loans and advances by economic sector and the associated risk concentrations and provision for credit losses as at 31 December 2016, 2015 and 2014.

	2016			
	Performing	Non performing, net	Provision for credit losses	Loans and advances, net
	<i>SAR'000</i>			
Government and quasi Government	4,023,873	—	—	4,023,873
Finance	9,439,355	—	—	9,439,355
Agriculture and fishing	462,334	—	—	462,334
Manufacturing	22,010,886	127,552	(62,378)	22,076,060
Mining and quarrying	2,649,341	—	—	2,649,341
Electricity, water, gas and health services	3,672,439	—	—	3,672,439
Building and construction	10,852,909	680,253	(519,831)	11,013,331
Commerce	28,600,331	277,331	(245,287)	28,632,375
Transportation and communication	4,829,263	77,966	(77,966)	4,829,263
Services	5,529,610	16,426	(16,206)	5,529,830
Consumer loans and credit cards	26,688,673	125,673	(459,069)	26,355,277
Others	2,765,222	350,278	(308,730)	2,806,770
Accrued special commission	674,811	—	—	674,811
Collective impairment provision	—	—	(1,200,244)	(1,200,244)
TOTAL	122,199,047	1,655,479	(2,889,711)	120,964,815

2015				
	Performing	Non performing, net	Provision for credit losses	Loans and advances, net
<i>SAR '000</i>				
Government and quasi Government	3,842,663	—	—	3,842,663
Finance	10,658,734	—	—	10,658,734
Agriculture and fishing	610,384	—	—	610,384
Manufacturing	22,204,654	86,387	(65,560)	22,225,481
Mining and quarrying	2,179,336	—	—	2,179,336
Electricity, water, gas and health services	4,508,998	—	—	4,508,998
Building and construction	10,316,030	375,004	(231,484)	10,459,550
Commerce	27,869,631	472,083	(338,254)	28,003,460
Transportation and communication	3,341,913	74,153	(77,966)	3,338,100
Services	7,106,031	9,564	(13,823)	7,101,772
Consumer loans and credit cards	27,563,276	93,545	(358,518)	27,298,303
Other	6,191,928	406,536	(227,945)	6,370,519
Accrued special commission	522,332	—	—	522,332
Collective impairment provision	—	—	(1,172,996)	(1,172,996)
TOTAL	126,915,910	1,517,272	(2,486,546)	125,946,636

2014				
	Performing	Non performing, net	Provision for credit losses	Loans and advances, net
<i>SAR '000</i>				
Government and quasi Government	5,014,379	—	—	5,014,379
Finance	13,166,493	—	—	13,166,493
Agriculture and fishing	1,860,838	—	—	1,860,838
Manufacturing	19,696,145	110,268	(37,478)	19,768,935
Mining and quarrying	2,126,829	—	—	2,126,829
Electricity, water, gas and health services	4,122,107	—	—	4,122,107
Building and construction	7,179,938	470,963	(171,400)	7,479,501
Commerce	20,063,246	446,490	(471,621)	20,038,115
Transportation and communication	4,815,881	—	—	4,815,881
Services	3,763,351	35,553	(25,244)	3,773,660
Consumer loans and credit cards	26,118,734	49,591	(321,148)	25,847,177
Others	8,200,469	382,067	(227,548)	8,354,988
Collective impairment provision	—	—	(1,148,106)	(1,148,106)
TOTAL	116,128,410	1,494,932	(2,402,545)	115,220,797

As at 31 December 2016, the key economic sector concentrations in terms of SABB's loan portfolio were in the commerce (23.7 per cent. of net loans and advances), consumer loans and credit cards (21.8 per cent. of net loans and advances), manufacturing (18.2 per cent. of net loans and advances), finance (7.8 per cent. of net loans and advances) and building and construction (9.1 per cent. of net loans and advances) sectors.

As at 31 December 2015, the key economic sector concentrations in terms of SABB's loan portfolio were in the commerce (22.2 per cent. of net loans and advances), consumer loans and credit cards (21.7 per cent. of net loans and advances), manufacturing (17.6 per cent. of net loans and advances), finance (8.5 per cent. of net loans and advances) and building and construction (8.3 per cent. of net loans and advances) sectors.

The primary growth sector between 2015 and 2016 was the government and quasi government sector. The primary growth sectors between 31 December 2014 and 31 December 2015 were manufacturing, building and construction, commerce and consumer loans and credit cards.

Total liabilities

SABB had total liabilities of SAR 161.5 billion as at 31 December 2014, SAR 159.6 billion as at 31 December 2015 and SAR 154.8 billion as at 31 December 2016, representing a decrease of SAR 2.0 billion, or 1.2 per cent. between 2014 and 2015 and a decrease of SAR 4.8 billion, or 3.0 per cent. between 2015 and 2016. The decrease in 2015 is reflective of decreases in SABB's debt securities in issue as well as lower amounts due to banks and other financial institutions and decreases in borrowings and other liabilities of SABB. The decrease in 2016 is reflective of decreases in SABB's customer deposits and negative fair value derivatives.

Customers' deposits

SABB's primary source of funding consists of customer' deposits across its various business lines. SABB's customers' deposits have shown a decrease of SAR 8.2 billion, or 5.5 per cent. between 2015 and 2016 and an increase of SAR 3.0 billion, or 2.1 per cent. between 2014 and 2015. The positive trend in customers' deposits is in line with SABB's market share between 2014 and 2015 is reflective of SABB's attractive customer service offering. The negative trend in customers' deposits in 2016 is due to reduced business activity under challenging economic conditions within the region. SABB's customer' deposits as a percentage of total liabilities as at 31 December 2014, 2015 and 2016 were 90.3 per cent., 93.3 per cent. and 90.9 per cent., respectively. For a breakdown of the types of SABB's customers' deposits, see "- Funding - Customers' deposits" below.

- The increase in customers' deposits between 2014 and 2015 reflects increases in each type of deposit facility offered by SABB to its customers; demand deposits increased by SAR 0.7 billion, or 0.8 per cent, savings deposits increased by SAR 680.2 million, or 9.9 per cent, time deposits increased by SAR 1.6 billion, or 3.1 per cent. and SABB's margin deposits increased by SAR 0.08 billion, or 3.5 per cent.
- The decrease in customers' deposits between 2015 and 2016 reflects decreases in each type of deposit facility offered by SABB to its customers; demand deposits decreased by SAR 4.9 billion, or 5.7 per cent., saving deposits decreased by SAR 225.1 million, or 3.0 per cent., time deposits decreased by SAR 2.4 billion, or 4.7 per cent. and margin deposits by SAR 674.2 million, or 29.8 per cent.

Funding

Customers' deposits

A significant portion of SABB's funding requirements are met through short-term funding sources, primarily in the form of stable customer deposits held on both a conventional and Islamic basis (as at 31 December 2016, SAR 79.2 billion, or 56.3 per cent. of SABB's total customers' deposits were held under *Shari'a* approved product contracts).

The following table sets out the breakdown of funding from SABB's customers' deposits as at 31 December 2016, 2015 and 2014.

	As at 31 December		
	2016	2015	2014
		(SAR'000)	
Demand ⁽¹⁾	82,345,754	87,284,903	86,583,535
Savings ⁽²⁾	7,320,350	7,545,422	6,865,211
Time ⁽³⁾	49,386,046	51,794,969	50,235,555
Margin deposits ⁽⁴⁾	1,587,635	2,261,884	2,186,196
Total	140,639,785	148,887,178	145,870,497

⁽¹⁾ Demand deposits include non-interest bearing current accounts.

⁽²⁾ Saving deposits include profit sharing *Mudaraba* deposits.

⁽³⁾ Time deposits comprise of profit bearing treasury, *Murabaha* and call deposits.

⁽⁴⁾ Margin deposits include cash collateral held against trade finance products.

Bank loans

As at 31 December 2016 SABB had two loans outstanding. One loan is a twelve year amortising fixed rate loan obtained from a financial institution and one syndicated facility which carries special commission at a rate of 5.11 per cent. and is payable semi-annually. The amortising fixed rate loan was obtained on 7 July 2005 and is repayable by 15 June 2017. The other loan is a syndicated floating rate loan obtained by SABB on 19 October 2016 and amounting to USD 450 million. The loan is unsecured and matures on 19 October 2019.

As at 31 December 2016 the amount outstanding in respect of the twelve year amortising fixed rate loan was SAR 15.7 million (2015: SAR 47.0 million; 2014: SAR 78.1 million) and the amount outstanding on the syndicated floating rate loan was SAR 1,694.3 million.

Debt securities

USD 600 million 5 year fixed rate notes

The notes were issued during 2010 at a fixed rate of 3 per cent. and matured on 12 November 2015. The notes were nonconvertible, unsecured and were listed on the London Stock Exchange.

SAR 1,500 million 5 year subordinated sukuk - 2012

The Sukuk were issued by SABB on 28 March 2012 and matured in March 2017. Consideration for the Sukuk was in two forms: SAR 1,000 million was issued to holders of senior debt in consideration for cancellation of such senior debt and the remaining portion of SAR 500 million was fully subscribed for in cash. The Sukuk were unsecured and were registered with Tadawul.

SAR 1,500 million 7 year subordinated sukuk - 2013

The Sukuk were issued by SABB on 17 December 2013 and is due to mature in December 2020. SABB has an option to repay the Sukuk after 5 years, subject to receiving prior approval from SAMA and subject to the terms and conditions of the underlying agreement. The Sukuk are unsecured and are registered with Tadawul.

SAR 1,500 million 10 year subordinated sukuk - 2015

The Sukuk were issued by SABB on 28 May 2015 and matures in May 2025. SABB has the right to redeem the Sukuk on the fifth anniversary of the issue date, subject to receiving prior approval from SAMA. The Sukuk are unsecured and is registered with Tadawul.

Due to banks and other financial institutions

Amounts due to banks and other financial institutions comprise of money market deposits as well as current accounts held with SABB. Amounts due to banks and financial institutions amounted to SAR 4.1 billion as at 31 December 2014, SAR 1.8 billion as at 31 December 2015 and SAR 3.4 billion as at 31 December 2016, representing decrease of SAR 2.3 billion, or 55.1 per cent. between 2014 and 2015 and an increase of SAR 1.6 billion, or 86.3 per cent. between 2015 and 2016.

The table below shows the breakdown of amounts due to banks and other financial institutions as at 31 December 2016, 2015 and 2014.

	As at 31 December		
	2016	2015	2014
		<i>SAR'000</i>	
Current accounts	2,624,448	1,284,625	1,702,884
Money market deposits	794,726	550,281	2,383,044
Total	3,419,174	1,834,906	4,085,928

- The significant decrease in amounts due to banks and other financial institutions between 2014 and 2015 was primarily due to money market deposits reducing by SAR 1.8 billion, or 76.9 per cent. Current accounts also decreased by SAR 0.4 billion, or 24.6 per cent.
- The significant increase in amounts due to banks and other financial institutions between 2015 and 2016 was primarily due to current account deposits increasing by SAR 1.3 billion, or 104.3 per cent. Money market deposits also increased by SAR 224.4 million, or 44.4 per cent.

Other liabilities

In respect of the financial years ended 31 December 2014, 2015 and 2016, SABB's other liabilities included accounts payable, drawings, negative fair value of derivatives and end-of-service benefits (see Note 15 to the Audited Financial Statements). For the financial year ended 31 December 2014, other liabilities also included accrued special commission payable on financial liabilities.

Total shareholders' equity

As at 31 December 2016, SABB's authorised, issued and fully paid-up share capital was SAR 15 billion made up of 1.5 billion shares of SAR 10 each (as at 31 December 2015 and 2014 SABB's share capital was SAR 15.0 billion, made up of 1.5 billion shares of SAR 10 each and SAR 10.0 billion, made up of 1.0 billion shares of SAR 10 each). During the year ended 31 December 2015, SABB issued 500 million bonus shares of a nominal value of SAR 10 each on the basis of one bonus share for every two existing shares held in SABB, to be funded through the capitalisation of SAR 2.5 billion of retained earnings and SAR 2.5 billion from SABB's statutory reserves, thereby increasing SABB's share capital from SAR 10.0 billion to SAR 15.0 billion. The capital increase was made pursuant to a resolution of the extraordinary general assembly of the shareholders held on 11 March 2015.

SABB's total shareholders' equity amounted to SAR 31.3 billion as at 31 December 2016, compared to SAR 28.2 billion as at 31 December 2015 and SAR 26.1 billion as at 31 December 2014. SABB's total shareholders' equity comprises its share capital, statutory and other reserves, retained earnings and proposed dividends for the financial year. Of the reserves, the most significant is the statutory reserve, which, in accordance with the Banking Control Law requires SABB to transfer a minimum of 25 per cent. of its net income for the year to a statutory reserve until this reserve is equal to the paid up share capital of SABB. Accordingly, in 2016 a sum of SAR 974 million (2015: SAR 1,083 million; 2014: SAR 1,067 million) was transferred to statutory reserve. The statutory reserve is not currently available for distribution. The Board of Directors of SABB proposed a final gross dividend of SAR 570.0 million for the 2016 financial year (2015: SAR 570.0 million; 2014: SAR 1,150 million). During 2016, an interim dividend of SAR 585 million (2015: SAR 675 million) was also proposed and paid.

Capital commitments and credit related commitments and contingencies

As at 31 December 2016, SABB had capital commitments of SAR 241.4 million (compared to SAR 193.8 million as at 31 December 2015 and SAR 228.9 million as at 31 December 2014) in respect of land, buildings and equipment purchases.

Credit related commitments and contingencies mainly comprise guarantees, letters of credit, acceptances and commitments to extend credit. As at 31 December 2016, SABB had credit related commitments and contingencies amounting to SAR 71.7 billion, compared to SAR 84.5 billion as at 31 December 2015 and SAR 81.5 billion as at 31 December 2014. For further details and a breakdown of SABB's credit related commitments and contingencies, see Note 19 to the Audited Financial Statements.

The table below sets out the contractual maturity structure of SABB's credit related commitments and contingencies for each of the financial years ended 31 December 2016, 2015 and 2014.

	Within 3 months	3-12 months	1-5 months	Over 5 years	Total
2016					
			<i>SAR'000</i>		
Letters of credit	4,835,710	3,693,984	1,574,616	1,115,000	11,219,310
Guarantees.....	10,239,017	21,815,831	14,994,739	7,948,197	54,997,784
Acceptances.....	1,682,585	1,456,144	938	-	3,139,667
Irrevocable commitments to extend credit.....	130,000	1,000,000	292,502	941,092	2,363,594
Total.....	16,887,312	27,965,959	16,862,795	10,004,289	71,720,355
2015					
			<i>SAR'000</i>		
Letters of credit	8,158,313	3,692,441	380,103	1,122,511	13,353,368
Guarantees.....	10,138,625	22,721,667	24,265,160	6,345,628	63,471,080
Acceptances.....	2,403,501	1,194,445	15,158	-	3,613,104
Irrevocable commitments to extend credit.....	-	1,130,000	829,373	2,136,335	4,095,708
Total.....	20,700,439	28,738,553	25,489,794	9,604,474	84,533,260

2014	Within 3	3-12 months	1-5 months	Over 5	Total
	months			years	
			<i>SAR'000</i>		
Letters of credit	7,807,909	6,361,435	962,243	–	15,131,587
Guarantees.....	9,131,576	21,306,928	23,926,067	7,093,607	61,458,178
Acceptances.....	2,718,790	465,653	5,664	–	3,190,107
Irrevocable commitments to extend credit.....	130,063	–	214,881	1,367,381	1,712,325
Total.....	19,788,338	28,134,016	25,108,855	8,460,988	81,492,197

The majority of the undrawn credit commitments identified in the tables above can be revoked unilaterally at any time by SABB (2016: SAR 51,739 million; 2015: SAR 75,252 million; 2014: SAR 66,720.4 million)

Cash flows

The table below sets out SABB's cash flow position for each of the years ended 31 December 2016, 2015 and 2014.

	For the year ended 31 December		
	2016	2015	2014
	<i>SAR'000</i>		
Net cash from (used in) operating activities	2,473,348	(6,271,769)	277,624
Net cash from (used in) investing activities	6,533,468	9,216,064	(7,872,746)
Net cash from (used in) financing activities	613,734	(2,618,109)	(1,075,679)
Increase / (Decrease) in cash and cash equivalents	9,620,550	326,186	(8,670,801)
Cash and cash equivalents at beginning of the year	13,338,227	13,012,041	21,682,842
Cash and cash equivalents at end of the year	22,958,777	13,338,227	13,012,041

Net cash from/(used in/ operating activities

SABB's net cash from operating activities was SAR 2,473.3 million in 2016, compared to net cash used in operating activities of SAR 6,271.8 million in 2015 and net cash from operating activities of SAR 277.6 million in 2014, representing an increase in net cash used in operating activities of SAR 6,549.4 million in 2015 and a decrease in net cash used in operating activities of SAR 8,745.1 million in 2016.

- The increase in net cash used in operating activities in 2015 is reflective of an increase in loans and advances and decreases in operating liabilities (including amounts due to banks and other financial institutions and other liabilities and derivatives) as well as a lower increase in customers' deposits. SABB's cash flows from operating activities before changes in operating assets and liabilities were SAR 4,697.1 million in 2014 compared to SAR 4,715.3 million in 2015.
- The decrease in the net cash used in operating activities in 2016 is reflective of a decrease in loans and advances and statutory deposits with SAMA, as well as an increase in customers' deposits. SABB's cash flows from operative activities before changes in operating assets and liabilities were SAR 4,715.3 million in 2015 compared to SAR 4,947.5 million in 2016.

Net cash from/(used in) investing activities

SABB's net cash from investing activities was SAR 6,533.5 million in 2016, compared to net cash from investing activities of SAR 9,216.1 million in 2015 and net cash used in investing activities of SAR 7,872.7 million in 2014, representing an increase in net cash generated from investing activities of SAR 17,088.8 million in 2015 and a decrease in net cash generated from investing activities of SAR 2,682.6 million in 2016. SABB's net cash used in investing activities comprises mainly SABB's purchase of non-trading investments, offset by the proceeds from the sale and maturities of such non-trading investments.

- The substantial increase in net cash generated from investing activities in 2015 is a result of an increase of SAR 7,484.3 million in the proceeds from the sale and maturities of non-trading investments and an increase of SAR 9,897.6 million in the amount utilized in the purchase of non-trading investments.
- The decrease in net cash from investing activities in 2016 is a result of the decrease of SAR 42,644.9 million in the amount utilized in the purchase of non-trading investments.

Net cash from/(used in) financing activities

SABB's net cash from financing activities was SAR 613.7 million in 2016 compared to net cash used in financing activities of SAR 2,618.1 million in 2015 and SAR 1,075.7 million in 2014, representing a decrease in net cash used in financing activities of SAR 3,231.8 million in 2016 and an increase of SAR 1,542.4 million in 2015.

- The increase in SABB's net cash used in financing activities in 2015 reflects the repayment by SABB of SAR 2,250.0 million of outstanding debt securities (the USD 600 million 5 year fixed rate notes matured on the 12 November 2015), together with dividends paid in the amount of SAR 1,792.2 million. Net cash used in financing activities was partly offset by cash received from the issuance by SABB of SAR 1,500 million 10 year subordinated sukuk in May 2015.
- The decrease in SABB's net cash used in financing activities in 2016 was primarily a result of cash received from a syndicated loan obtained by SABB in October 2016.

Operating segments

SABB generates its income from its activities in the Kingdom and has no branches, subsidiaries or associates established or operating outside of the Kingdom. For financial reporting purposes, SABB is organised into the following main reportable segments: Retail Banking; Corporate Banking; Treasury and Other. Transactions between the operating segments are on normal commercial terms and are reported as recorded by SABB's transfer pricing system.

The following tables set out SABB's total assets and liabilities as at 31 December 2016, 2015 and 2014 and its total operating income and expenses for the years then ended, by operating segment.

	As at/for the year ended 31 December 2016				
	Retail Banking	Corporate Banking	Treasury	Others	Total
			SAR'000		
Total assets	31,751,274	93,094,359	60,567,964	642,297	186,055,894
Total liabilities	62,549,688	69,843,491	22,383,787	-	154,776,966
Investment in a joint venture and an associate	-	-	-	642,297	642,297
Total operating income	2,364,546	3,167,932	1,376,126	-	6,908,604
Total operating expenses	1,623,389	1,296,922	157,339	-	3,077,650
Share in earnings of joint venture and associate	-	-	-	63,777	63,777
Net income for the year	741,157	1,871,010	1,218,787	63,777	3,894,731
Net special commission income	1,865,335	2,027,300	864,280	-	4,756,915
Fees and commission income, net	374,440	961,060	5,343	-	1,340,843
Trading income, net	-	23,782	237,866	-	261,648
Credit losses and impairment provision, net	407,593	582,866	3,641	-	994,100

As at/for the year ended 31 December 2015					
	Retail Banking	Corporate Banking	Treasury	Others	Total
			<i>SAR'000</i>		
Total assets	33,000,077	96,850,258	57,206,853	693,235	187,750,423
Total liabilities	61,345,170	75,311,894	22,918,822	—	159,575,886
Investment in a joint venture and an associate	—	—	—	693,235	693,235
Total operating income	2,311,689	2,970,362	1,348,576	—	6,630,627
Total operating expenses	1,465,074	829,361	135,990	—	2,430,425
Share in earnings of joint venture and associate	—	—	—	130,345	130,345
Net income for the year	846,615	2,141,001	1,212,586	130,345	4,330,547
Net special commission income	1,638,171	1,797,451	818,256	—	4,253,878
Fees and commission income, net	411,090	1,140,138	(957)	—	1,550,271
Trading income, net	—	30,337	222,045	—	252,382
Credit losses and impairment provision, net	269,144	160,572	(9,631)	—	420,085

As at/for the year ended 31 December 2014					
	Retail Banking	Corporate Banking	Treasury	Others	Total
			<i>SAR'000</i>		
Total assets	35,455,551	84,313,335	67,188,708	651,674	187,609,268
Total liabilities	57,653,291	80,471,238	23,413,527	—	161,538,056
Investment in a joint venture and an associate	—	—	—	651,674	651,674
Total operating income	2,311,809	2,929,131	1,261,269	—	6,502,209
Total operating expenses	1,370,435	826,765	148,401	—	2,345,601
Share in earnings of joint venture and associate	—	—	—	109,453	109,453
Net income for the year	941,374	2,102,366	1,112,868	109,453	4,266,061
Net special commission income	1,749,653	1,503,716	809,238	—	4,062,607
Fees and commission income, net	445,336	1,200,807	(1,143)	—	1,645,000
Trading income, net	—	52,108	217,900	—	270,008
Credit losses and impairment provision, net	250,505	200,251	(949)	—	449,807

Capital Adequacy

SABB's objectives when managing capital are threefold: (i) to comply with the capital requirements set by SAMA; (ii) to safeguard SABB's ability to continue as a going concern; and (iii) to maintain a strong capital base. Capital adequacy and the use of regulatory capital are monitored regularly by management. SAMA requires SABB to hold the minimum level of regulatory capital and to maintain a ratio of total regulatory capital to risk-weighted assets at or above the agreed minimum of 8 per cent. SABB monitors the adequacy of its capital using the methodology and ratios established by SAMA. These ratios measure capital adequacy by comparing SABB's eligible capital with its assets, commitments and contingencies, and notional amount of derivatives at a weighted amount to reflect their relative risk.

The table below shows SABB's risk weighted assets, capital base and capital adequacy ratios as at 31 December 2016, 2015 and 2014 (see also "Description of SABB – Risk Management – Capital Adequacy and Leverage").

	As at 31 December		
	2016	2015	2014
	<i>SAR'000</i>		
Risk Weighted Assets (RWA)			
Credit Risk RWA	161,899,067	167,661,775	151,267,712
Operational Risk RWA	13,333,290	12,620,144	11,688,587
Market Risk RWA	2,514,488	2,844,213	3,841,275
Total RWA	177,746,845	183,126,132	166,797,574

Tier I Capital	31,278,928	28,174,537	26,071,212
Tier II Capital	3,600,244	4,082,996	3,128,106
Total I & II Capital	34,879,172	32,257,533	29,199,318
Capital Adequacy Ratio %			
Tier I ratio	17.60%	15.39%	15.63%
Tier I + Tier II ratio	19.62%	17.61%	17.51%

SABB calculates its capital adequacy ratios in line with the guidelines set out in the Basel III framework. SABB's capital adequacy ratios have increased year-on-year and are above the required minimum levels set by SAMA. The healthy trend in capital adequacy ratios over the period under review are primarily as a result of the increase in retained earnings and regulatory capital resulting from the issuance of Basel III capital eligible instruments to support SABB's business growth and strategy.

Related party transactions

Managerial and specialised expertise is provided to SABB under a technical services agreement with HSBC Holdings plc, the parent company of HSBC Holdings BV. This agreement was renewed on 30 September 2012 for a period of five years.

In the ordinary course of its activities, SABB transacts business with related parties. Both management and the Board of Directors are of the view that these related party transactions are performed on an arm's length basis. The related party transactions are governed by limits set by the Banking Control Law and the regulations issued by SAMA.

The table below sets out the year end balances included in the Audited Financial Statements resulting from such related party transactions.

	As at 31 December		
	2016	2015	2014
	<i>SAR'000</i>		
The HSBC Group:			
Due from banks and other financial institutions	5,243,173	7,007,693	1,874,520
Investments	781,379	943,556	948,429
Other assets	567,281	265,291	—
Derivatives (at fair value)	(55,583)	(99,846)	(236,724)
Due to banks and other financial institutions	1,011,970	738,502	2,185,523
Borrowings	281,250	—	—
Other liabilities	154,160	8,355	28,118
Commitments and contingencies	2,191,791	1,673,929	2,047,214

The above investments include investments in a joint venture and associate, amounting to SAR 642.3 million as at 31 December 2016 (2015: SAR 693.2 million, 2014: SAR 651.7 million).

	As at 31 December		
	2016	2015	2014
Directors, audit committee, other major shareholders and their affiliates:			
Investments	100,000	—	—
Loans and advances	2,952,344	3,009,582	3,087,237
Customers' deposits	6,332,302	8,802,798	10,240,067
Derivatives (at fair value)	14,536	23,474	20,329
Commitments and contingencies	68,594	224,345	85,736

Other major shareholders represent shareholdings (excluding the non-Saudi shareholder) of more than 5 per cent. of SABB's issued share capital.

	As at 31 December		
	2016	2015	2014
Related mutual funds:			
Loans and advances	—	7,068	1,247
Customers' deposits	410,699	697,514	1,040,795

Income and expense pertaining to transactions with related parties included in the Audited Financial Statements are as follows.

	2016	2015	2014
	SAR'000	SAR'000	SAR '000
Special commission income	138,129	94,372	92,749
Special commission expense	(143,076)	(148,660)	(293,653)
Fees and commission income	20,252	47,653	106,056
Services charges paid to HSBC group	38,130	39,384	41,366
Profit share arrangement relating to investment banking activities	(653)	(2,340)	(4,679)
Share in earnings of a joint venture and an associate	63,777	130,345	109,453
Directors' remuneration	2,723	2,995	3,001

The total amount of compensation paid to key management personnel during the year is as follows.

	2016	2015	2014
	SAR'000	SAR'000	SAR'000
Short-term employee benefits (salaries and allowances)	42,226	36,749	31,373
Employment termination benefits	2,774	687	6,592

Key management personnel are those persons, including an executive director, having authority and responsibility for planning, directing and controlling the activities of SABB, directly or indirectly. SABB offers shares based payment scheme arrangements to certain senior management and employees. There were three such schemes outstanding at 31 December 2016 (see Note 24 to the 2016 Financial Statements and Note 34 to the 2015 Financial Statements).

Recent Developments

Financial Performance for the six months ended 30 June 2017

The following information has been extracted from the unaudited condensed consolidated interim financial statements of SABB as at and for the six months ended 30 June 2017, which includes the comparative financial information for the six months ended 30 June 2016:

	2017	2016
	SAR'000	SAR'000
	<i>(Unaudited)</i>	
Special commission income	3,032,352	2,884,872
Special commission expense	497,382	586,367
Net special commission income	2,534,970	2,298,505
Total operating income	3,624,677	3,556,668
Total operating expense	1,479,835	1,284,635
Income from operating activities	2,144,842	2,272,033
Share in earnings of an associate and a joint venture	20,302	21,297
Net income for the period	2,165,144	2,293,330

Gross special commission income for the six months period ended 30 June 2017 was SAR 3,032 million as compared to SAR 2,885 million for the six months period ended 30 June 2016, representing an increase of 5.1 per cent.

For the six months period ended 30 June 2017, net income decreased by 5.6 per cent. to SAR 2,165 million as compared to SAR 2,293 million for the six months period ended 30 June 2016. This decrease in net income was primarily due to higher total operating expenses which increased by 15.2 per cent. from SAR 1,285 million for the six months period ended 30 June 2016 to SAR 1,480 million for the same period in 2017. The increase in operating expenses was mainly due to increases in provision for credit losses and impairment of other financial assets. The increase in total operating expenses for the period was partially offset by a 1.9 per cent increase in total operating income which was primarily due to higher net special commission income, offset by decreases in fee and commission income, exchange income, trading income and net gains on non-trading investments.

As at 30 June 2017, SABB's total assets were SAR 182.5 billion compared to SAR 186.1 billion as at 31 December 2016, representing a decrease of 1.9 per cent. This decrease was primarily due to a decrease in net loans and advances and net investments.

SABB's total liabilities as at 30 June 2017 were SAR 149.8 billion compared to SAR 154.8 billion as at 31 December 2016, representing a decrease of 3.2 per cent. This decrease was primarily due to a reduction in amounts due to banks and other financial institutions and a decrease in customers' deposits. SABB's debt securities in issue was also lower due to the maturing of the SAR 1,500 million 5 year subordinated sukuk (see also "*Financial position as at 31 December 2014, 2015 and 2016 – Funding – Debt Securities in Issue*").

Total shareholders' equity as at 30 June 2017 was SAR 32.7 billion compared to SAR 31.3 billion as at 31 December 2016, representing an increase of 4.7 per cent.

DESCRIPTION OF SABB

OVERVIEW

The Saudi British Bank (“SABB”) is a joint stock company incorporated under the laws of Saudi Arabia. SABB was established by Royal Decree No. M/4 dated 21 January 1978 and was assigned commercial registration number 1010025779 on 22/11/1399H (corresponding to 13 October 1979). It formally commenced business on 1 July 1978 with the taking over of the operations of The British Bank of the Middle East in Saudi Arabia. SABB’s registered office address is Prince Abdulaziz ibn Musaad ibn Juluwi Street (Dabaab), Riyadh 11413, Kingdom of Saudi Arabia and its telephone number is +966 11 405 0677.

SABB operates under a banking licence granted by the Saudi Arabian Monetary Authority (“SAMA”) (which permits it to operate as a commercial bank) and is authorised under its Articles of Association to conduct all types of banking activities within Saudi Arabia and abroad. SABB’s principal lines of business are Retail Banking and Wealth Management, Private Banking, Commercial and Global Banking, Global Markets and Islamic Financial Services. SABB provides to its customers a complete range of conventional banking products and services which include current accounts, savings, time deposits, corporate credit facilities, consumer and mortgage loans, trade finance, cash and payments management, treasury and credit cards. SABB also provides *Shari’a* compliant products across all principal business lines through its “Islamic Financial Services (IFS)” brand name (“**Islamic Financial Services**”). As at 31 December 2016, SABB operated through a network of 84 branches spread across the Kingdom, which includes 22 dedicated ladies sections and 3 Lite Branches (offering non-cash transactions and services), representing one of the largest branch networks among its peer group of internationally affiliated banks. SABB does not have any branches outside Saudi Arabia.

As at 31 December 2016, SABB (with total assets of SAR 186.1 billion) was the sixth largest bank in Saudi Arabia in terms of total assets (*source*: Financial Statements for the year ended 31 December 2016 for Saudi banks). SABB generated an operating income of SAR 6.9 billion for the year ended 31 December 2016, SAR 6.6 billion for the year ended 31 December 2015 and SAR 6.5 billion for the year ended 31 December 2014 and had net income of SAR 3.9 billion for the year ended 31 December 2016 and SAR 4.3 billion for each of the years ended 31 December 2015 and 2014. SABB had total shareholders’ equity of SAR 31.3 billion, SAR 28.2 billion and SAR 26.1 billion as at 31 December 2016, 31 December 2015 and 31 December 2014, respectively.

SABB’s return on average equity was 13.1 per cent. for the year ended 31 December 2016, 16.0 per cent. for the year ended 31 December 2015 and 17.4 per cent. for the year ended 31 December 2014 and its return on average assets was 2.1 per cent. for the year ended 31 December 2016, 2.3 per cent. for the year ended 31 December 2015 and 2.3 per cent. for the year ended 31 December 2014. SABB’s total capital adequacy ratio, calculated according to standards set by SAMA (which are based on standards established by the Bank for International Settlements (“BIS”)), was 19.62 per cent. at 31 December 2016, 17.61 per cent. at 31 December 2015 and 17.51 per cent. at 31 December 2014.

In 2016, SABB was named “*Best Foreign Exchange Provider*” and “*Best Trade Finance Provider*” in Saudi Arabia by Global Finance and received awards for “*Best Call Centre*” and “*Best Web / Mobile Site*” by Banker Middle East. In 2015, SABB was named “*Bank of the year*” in Saudi Arabia by Banker Middle East.

As at the date of this Base Prospectus, SABB has been assigned senior long-term ratings of BBB+ with a stable outlook by Standard & Poor’s Credit Market Services Europe Limited (“S&P”), A- with a negative outlook by Fitch Ratings Limited (“Fitch”) and A1 with a stable outlook by Moody’s Investors Service Limited (“Moody’s”). Rating actions were recently taken by international rating agencies including S&P, Fitch and Moody’s on a number of banks in the GCC (including SABB), triggered largely by, and consistent with, the rating actions taken in respect of the governments of a number of Gulf Cooperation Council (“GCC”) states.

HISTORY

SABB is incorporated for a term of 99 years, commencing on 29 May 1978, which may be extended by a resolution of the shareholders at an extraordinary general meeting. The origins of SABB’s business derive from the establishment by The British Bank of the Middle East (“BBME”) of a presence in Saudi Arabia in 1950. BBME was subsequently purchased by HSBC Group (as defined below) in 1959. SABB was established for the purpose of acquiring BBME’s business in Saudi Arabia following the issue of a directive by the Government in 1976 that prohibited more than 40 per cent. foreign ownership of banks in Saudi Arabia. SABB began commercial operations on 1 July 1978 following completion of the acquisition. At that time, the business acquired included branches in Jeddah, Al Khobar and Dammam.

CAPITAL STRUCTURE

SABB's share capital at the time of its establishment was SAR 100,000,000, of which SAR 42,750,000 was raised by public subscription for 427,500 shares (representing 42.75 per cent. of the total issued share capital). Since its establishment, SABB's paid-up share capital has been increased by successive capital increases and at 31 December 2016, SABB's share capital amounted to SAR 15 billion, consisting of 1.5 billion shares of SAR 10 each. The most recent increase occurred by way of an issue of one bonus share for every two existing shares in SABB funded through the capitalisation of SAR 2.5 billion of retained earnings and SAR 2.5 billion from SABB's statutory reserves, thereby increasing SABB's share capital from SAR 10 billion to SAR 15 billion. The capital increase was made pursuant to a resolution of the extraordinary general assembly of SABB's shareholders held on 11 March 2015.

SABB had 8,267 registered shareholders as at 31 December 2016. HSBC Holdings B.V., a wholly-owned subsidiary of HSBC Holdings plc ("**HSBC Holdings**"), is the major shareholder of SABB and holds 40 per cent. of its share capital (the maximum permitted foreign shareholding in a Saudi bank at the time of the incorporation of SABB). The remaining 60 per cent. of SABB's share capital is held by Saudi institutions and individuals.

SABB's shares have been listed on Tadawul since the inception of the exchange in August 1990.

STRATEGY

SABB's focus is on the Saudi market and its core strategy focuses on:

- becoming one of the leading providers of personal wealth management solutions by focusing on deepening existing client relationships through offering a broader range of products and working closely with its affiliates, HSBC Saudi Arabia and SABB Takaful (see further "*Corporate Organisation – Significant joint ventures and principal subsidiaries*");
- maintaining a market leading position in commercial and global banking and increasing penetration into the mid-market and upper-market segments as well as the government sector;
- maintaining a leading position in credit card products and in the mortgage market;
- increasing its share of the trade finance market, enhancing product offerings and exploring new distribution channels;
- improving customer experience and customer satisfaction by investing in technology and digital channels to enable customer to conduct their banking requirements through modern, user-friendly distribution channels and providing services that meet the highest quality standards with a the aim of becoming the bank of choice for customers in Saudi Arabia;
- driving growth in the Islamic banking business by continuing to offer Islamic banking products across all customer segments and business lines through Islamic Financial Services;
- investing in its people to build career paths for its staff and developing robust talent management procedures and a structured learning and development programme with the aim of making SABB one of the best places to work in Saudi Arabia.
- grow SABB's market share in respect of foreign businesses investing in Saudi Arabia (in achieving this goal, SABB intends to draw on its relationship with the HSBC Group and its global footprint); and
- continue to strengthen corporate governance within the Bank by promoting strict adherence to "SABB International Standards" which include treating customers fairly, complying with laws and regulations and protecting confidential information.

COMPETITION

SABB faces competition from many foreign and domestic banks in each of the different business areas in which it operates.

In the corporate banking sector, SABB competes to attract large domestic corporate clients that can provide significant volumes of business directly, as well as presenting opportunities to cross-sell personal banking products and services to the employees of such corporate clients. SABB considers its primary competitors in this sector to be Arab National Bank, Riyadh Bank, Banque Saudi Fransi, and Samba Financial Group.

In relation to Islamic banking services, SABB also competes with Alinma Bank, Arab National Bank, Al Rajhi Bank, Bank Saudi Fransi, Bank Al Jazira, Bank Al-Bilad, National Commercial Bank, Samba Bank, AlAwwal Bank, Saudi Investment Bank and Riyadh Bank.

SABB competes with the same group of Saudi banks across its retail banking products as it does on the corporate side, with the addition of The National Commercial Bank (“NCB”). SABB’s investment banking and securities business joint venture, HSBC Saudi Arabia, competes with subsidiaries/affiliates of the same group of Saudi banks, along with other parties authorised by the Saudi Arabian Capital Market Authority (“CMA”).

COMPETITIVE STRENGTHS

SABB considers that it has a strong position in the Saudi trade finance, corporate banking and credit card segments. SABB also considers that this is true of HSBC Saudi Arabia which can also draw on HSBC Group’s investment banking and securities business expertise.

SABB believes that its strong market position is attributable to its competitive advantages, and in particular to its:

- alignment and links with HSBC Group (see further, “*Corporate Organisation – Relationship with HSBC*”);
- extensive range of customised products and services;
- reputation for *Shari’a* compliant products and services through Islamic Financial Services (see further, “*Business Operations – Islamic Financial Services*”);
- well-developed distribution channels with one of the largest branch networks among its peer group of internationally affiliated banks (see further, “*Business Operations – Retail Banking - Retail Banking and Wealth Management*”);
- advanced technological platform, with systems support from HSBC Group (see further, “*Corporate Organisation – Relationship with HSBC*” and “*Operations and Information Technology*”);
- committed and talented staff and human resources policies that enable SABB and its subsidiaries or affiliates to retain talent and increase productivity (see further, “*Management and Employees of SABB – Employees*”);
- “first mover” advantage in certain key business lines (such as electronic banking channels) and opportunistic exploitation through joint ventures (such as investment banking/securities business and insurance) (see further, “*Corporate Organisation – Subsidiaries, Associate and Joint Venture*” and “*Business Operations – Retail Banking - Retail Banking and Wealth Management*”);
- conservative credit policies, based upon HSBC Group policies and procedures (see further, “*Risk Management – Credit Risk Management*”); and
- strong balance sheet and liquidity providing operational and financial flexibility (see further, “*Operating and Financial Review – Financial position as at 31 December 2014, 2015 and 2016*”).

CORPORATE ORGANISATION

Relationship with HSBC

HSBC Holdings is the major shareholder of SABB and holds 40 per cent. of its share capital. HSBC Holdings, together with its subsidiaries and associated undertakings, is referred to in this Base Prospectus as the “**HSBC Group**”. HSBC Group is one of the world’s leading banking and financial services groups with approximately 60 million customers around the world and operating in 71 countries and territories. Other shareholders of SABB are Saudi institutions and individuals.

Although SABB is not a subsidiary but an associate of HSBC Holdings, it adopts a common approach and is aligned with HSBC Group members in a number of areas, including strategic planning, risk control and compliance. Pursuant to an agreement between SABB and HSBC Holdings (the “**Agreement**”), HSBC Holdings is responsible for providing management support to SABB and assisting SABB in expanding and improving its banking services in accordance with HSBC Group’s banking practices and standards. Under the Agreement, HSBC Holdings also supports SABB in staff development and training.

The Agreement was first entered into on 23 July 1978 and has been renewed periodically since that date. It was renewed most recently on 30 September 2012 for a period of five years.

SABB is able to offer HSBC Group banking services to its customers through its inter-linkage with HSBC Group’s ATMs and payment systems, IT operating systems and its electronic banking systems.

Subsidiaries, Associate and Joint Venture

SABB has four wholly-owned subsidiaries, one associate and one joint venture with HSBC Group. The following table provides a summary of SABB’s key subsidiary, associate and joint venture with further details of each of these entities as well as SABB’s other subsidiaries set out in the paragraphs below.



Associate	Subsidiary	Joint Venture
SABB Takaful Company SABB (32.5 per cent.) HSBC (32.5 per cent.) Public (35 per cent.)	SABB Insurance Agency Limited SABB (98 per cent.) Areco Ltd. (2 per cent.)	HSBC Saudi Arabia Limited SABB (51 per cent.) HSBC (49 per cent.)
KEY SERVICES		
Individual saving and investment plans Individual protection plans Commercial business protection plans Commercial employer benefits	Individual saving and investment plans Individual protection plans Commercial business protection plans Commercial employee benefits	Corporate finance and advisory Project finance Merger and acquisition Investment banking advisory Debt capital markets Islamic financing Asset management Business development Equity research Equity brokerage services Securities services Custody/clearing Institutional fund services Financial non-bank institutions services Corporate trust and loan administration

		Access Products
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SABB Takaful Company

SABB Takaful Company (“**SABB Takaful**”) is a Saudi joint stock company authorised by Royal Decree No. M/60 dated 9 October 2006 and operates under commercial registration no. 1010234032 dated 20/5/1428H (corresponding to 6 June 2007). SABB Takaful is incorporated in Saudi Arabia with a fully paid-up capital of SAR 340 million. It is an associate company of SABB and HSBC, with 32.5 per cent. of its share capital owned by SABB, 32.5 per cent. of its share capital owned by subsidiaries of the HSBC Group and the balance owned by the public. SABB Takaful is listed on Tadawul.

SABB Takaful provides *takaful* products in Saudi Arabia and operates via SABB’s established distribution channels. All SABB Takaful products are reviewed and approved by SABB Takaful’s *Shari’a* Committee. SABB Takaful offers a range of *takaful* plans to meet individuals and corporate customers’ protection needs in Saudi Arabia. These plans include:

- individual family *takaful* (protection and investments);
- general *takaful* (property and accident); and
- corporate and commercial *takaful*.

SABB Insurance Agency Limited

SABB has a 100 per cent. ownership interest in SABB Insurance Agency Limited (“**SABB Insurance Agency**”) (98 per cent. direct ownership and two per cent. indirect ownership held via Arabian Real Estate Company (“**Areco Ltd.**”), which is SABB’s wholly-owned subsidiary (see further, “– *Other subsidiaries – Arabian Real Estate Company*” below)). SABB Insurance Agency is a limited liability company registered in Saudi Arabia under commercial registration no. 1010235187 dated 18/6/1428H (corresponding to 3 July 2007). The principal activity of SABB Insurance Agency is to act as a sole insurance agent for SABB Takaful within Saudi Arabia in accordance with the agreement between SABB Insurance Agency and SABB Takaful. However, the articles of association of SABB Insurance Agency do not restrict it from acting as an agent to any other insurance company in Saudi Arabia.

HSBC Saudi Arabia Limited

In November 2005, the CMA granted an investment banking licence to HSBC Saudi Arabia Limited (“**HSBC Saudi Arabia**”), which was the first such licence to be granted in Saudi Arabia. HSBC Saudi Arabia was established as a joint venture between SABB and HSBC Group and is headquartered in Riyadh.

HSBC Saudi Arabia was initially owned 60 per cent. by HSBC Group and 40 per cent. by SABB. However, in July 2011, with the approval of the CMA, this ownership structure was changed and HSBC Saudi Arabia is now owned 51 per cent. by SABB and 49 per cent. by the HSBC Group. SABB does not consolidate HSBC Saudi Arabia as it does not have rights to variable returns from its involvement with the entity nor does it exercise control over the entity to affect those returns.

HSBC Saudi Arabia operates in a range of investment banking activities and securities businesses including investment banking advisory, brokerage, debt and project finance as well as Islamic Finance. HSBC Saudi Arabia also manages mutual funds and discretionary portfolios (see table above and “*Business Operations – Investment Banking (through HSBC Saudi Arabia)*”).

Other subsidiaries

In addition to the entities listed in the table above, SABB has a 100 per cent. ownership interest in the following subsidiaries: SABB Securities Limited, Areco Ltd. and SABB Real Estate Company Limited (“**SABB Real Estate**”). A brief overview of each of these subsidiaries is set out below.

SABB Securities Limited

SABB has a 100 per cent. ownership interest in SABB Securities Limited, a Saudi limited liability company formed in accordance with the CMA’s resolution No. 2007-35-7 dated 10/6/1428H (25 June 2007) and

registered in Saudi Arabia under commercial registration no. 1010235982 dated 8/7/1428H (corresponding to 22 July 2007).

SABB Securities Limited is currently not carrying out any activity and is in the process of being liquidated.

Arabian Real Estate Company Limited

SABB has a 100 per cent. ownership interest in Areco Ltd., a limited liability company registered in Saudi Arabia under commercial registration No. 1010188350 dated 12 Jumada I 1424H (corresponding to 12 July 2003). SABB has a 99 per cent. direct ownership interest in Areco Ltd. and a one per cent. indirect ownership interest held via a subsidiary registered in the Kingdom of Saudi Arabia.

Areco Ltd. is engaged in the purchase, sale and lease of land and real estate for investment purpose.

SABB Real Estate Company Limited

SABB has a 100 per cent. ownership interest in SABB Real Estate, a limited liability company registered in Saudi Arabia under commercial registration No. 1010428580 dated 12 Safar 1436H (corresponding to 4 December 2014). SABB has a 99.8 per cent. direct ownership interest in SABB Real Estate and a 0.2 per cent. indirect ownership interest held via subsidiary registered in the Kingdom of Saudi Arabia.

SABB Real Estate's main purpose is the registration of real estate in Saudi Arabia.

BUSINESS OPERATIONS

SABB divides its operations into five principal lines of business: (1) Retail Banking and Wealth Management; (2) Private Banking; (3) Commercial Banking and Global Banking; (4) Global Markets; and (5) Islamic Financial Services. In the Audited Financial Statements, these five principal lines of business are consolidated and presented as three reportable segments: (A) "Retail Banking" (comprising Retail Banking and Wealth Management and Private Banking); (B) "Corporate Banking" (comprising Commercial Banking and Global Banking); and (C) "Treasury" (comprising Global Markets).

Operationally, and from an overall management perspective, Retail Banking is managed by the General Manager – Retail Banking and Wealth Management, Global Banking and Global Markets are managed by the General Manager – Global Banking and Markets and Commercial Banking is managed by the General Manager – Commercial Banking.

The following table provides a summary of SABB's principal lines of business, reportable segments and key products and services offered by SABB's principal business lines:

REPORTABLE SEGMENTS IN AUDITED FINANCIAL STATEMENTS*					
Retail Banking		Corporate Banking	Treasury		
PRINCIPAL LINES OF BUSINESS					
Retail Banking and Wealth Management	Private Banking	Commercial Banking and Global Banking	Global Markets	Islamic Financial Services**	
KEY PRODUCTS AND SERVICES					
Personal finance	Personalised banking	Saudi Global Corporates	Foreign exchange	Deposits (current, savings, term)	
Home finance		Multinational corporates			
Deposits (current, savings, term)	Tailored wealth management	Financial institutions	Interest rate derivatives	Credit cards	
Credit cards	Loan against shares	Non-bank financial institutions	Money market and investment	Retail financing	
SABB Premier		Government and semi-government entities/Ministries	Commercial banking	Structured products	Corporate financing
SABB Advance	Specialist advisory	Business banking	Hedging products (conventional and Shari'a compliant)	Treasury Islamic solutions	
SABB Al Ruwaad (mid-market segment)	International services	Syndicate loans		Mutual funds	
Mass segment		PEF loans			
		Payments and cash management			
		Trade and supply chain			
		Receivable finance			
		Electronic delivery channels			

Notes:

* The fourth reportable segment in the Audited Financial Statements (*Others*) includes activities of SABB's investment in joint ventures and associates.

** SABB offers *Shari'a* compliant products across all principal business lines through Islamic Financial Services.

In addition to the principal lines of business set out above, SABB also offers investment banking services (through HSBC Saudi Arabia).

The following table sets out SABB's total assets and liabilities as at 31 December 2016 and its total operating income and expenses and results for the year ended 31 December 2016, by reportable segment.

	Retail Banking	Corporate Banking	Treasury	Others	Total
			(SAR '000)		
Total assets	31,751,274	93,094,359	60,567,964	642,297	186,055,894
Total liabilities	62,549,688	69,843,491	22,383,787	-	154,776,966
Investment in a joint venture and an associates	-	-	-	642,297	642,297
Total operating income	2,364,546	3,167,932	1,376,126	-	6,908,604
Total operating expenses	1,623,389	1,296,922	157,339	-	3,077,650
Share in earnings of joint venture and associates, net	-	-	-	63,777	63,777
Net income for the year	741,157	1,871,010	1,218,787	63,777	3,894,731
Net special commission income.....	1,865,335	2,027,300	864,280	-	4,756,915
Fees and commission income, net.....	374,440	961,060	5,343	-	1,340,843
Trading income, net	-	23,782	237,866	-	261,648
Credit losses and impairment provision, net	407,593	582,866	3,641	-	994,100

(see further, “*Operating and Financial Review*”).

Retail Banking

Retail Banking and Wealth Management

SABB's Retail Banking products range is extensive, with products offered in both *Shari'a* compliant and conventional formats. In addition to accounts offered in major currencies (Saudi Riyals, U.S. dollars, Euro, Renminbi and Sterling), lending and financing facilities include a range of credit products including home loans, personal loans, loan against shares and Visa or MasterCard credit cards. SABB seeks to tailor its product and services offerings by developing packages that cover the needs of all of its customers. SABB currently offers its Retail Banking customers the following range of packaged banking services:

- SABB *Premier* with tier 1 premier centres at 17 locations kingdom-wide and through HSBC's global network, provides SABB's most exclusive level of service with priority accounts and tailored advice to help upper affluent customers build, manage and protect their wealth. This new banking service has been built around four guiding principles, responding to the needs of international customers who want international recognition and support, providing high quality investment advice, helping customers when they relocate and/or providing banking overseas and providing one of the best credit card reward schemes in the Saudi market;
- SABB *Premier Top Tier* was recently introduced to cover the gap between Premier and Private Banking customers. This segment has been developed as there are certain Premier customers that are on the border of Private Banking eligibility and require similar attention, improved services and range of products in order to maintain, increase and enhance their business with SABB. Premier Top Tier customers have dedicated Top Tier Relationship Managers who will handle their banking needs;
- SABB *Advance* aims to provide high quality solutions to the banking needs of affluent customers and help them to achieve their financial goals. Customers are given a *Shari'a* compliant global account with access to a wide range of Islamic Financial Services products. Customers are also offered personalised attention by an *Advance* officer. SABB's Premier and Advance customers can also avail of seamless services globally, through any of the HSBC branches worldwide; and

- SABB *Al Ruwaad* provides banking services for clients in all employment sectors (both governmental and private). It targets mid-market customers and provides a range of benefits and features such as an *Al Ruwaad* debit card and special offers and promotions with SABB's retail partners.

These packages are continually updated and revised. Since the full range of SABB's products and services can be included within these packages, individual customers are free to select those products and services that they require. SABB's product development and sales process is built around identifying customer needs and providing solutions to customers.

The concentration of customers utilising retail lending and financing products is within the middle-to-upper-income bracket, with many customers being government employees or employees of SABB's corporate customers who have been referred to SABB by their employers.

In line with customer needs, SABB has continued to expand its branch network and to invest in alternative distribution channels including internet banking, telephone banking, mobile banking, short message service (SMS), ATMs, as well as the introduction of an enhanced queuing system and self-service machines. E-forms covering both online account opening and KYC submission have also been introduced and will be extended to other banking products and services to enhance customer experience. As at 31 December 2016, the SABB distribution network consisted of 84 branches (including 22 exclusive ladies sections and 3 Lite Branches) throughout Saudi Arabia, as well as 968 automatic teller machines ("ATMs"), including 88 cash deposit machines ("CDMs"). SABB has also established "super branches" which offer a full range of banking and investment products and support other branches located in proximity to them. ATMs are spread across Saudi Arabia; 70 per cent. of ATMs are at locations other than branches and 30 per cent. are drive-up ATMs.

Many banking services are also available through direct access and electronic channels such as SABB's proprietary 24-hour telephone banking service, "SABB Direct", its proprietary internet banking facility, "SABBNet" and its mobile banking facility, "SABBMobile". SABBNet and SABBMobile enable individual customer segments such as Premier, Advance, Al Ruwaad and Private Banking customers to carry out their banking transactions in a convenient manner. For example SABB's e-channels enable customers to transfer funds between their own accounts or to other SABB customers, carry out local and international money transfers as well as providing the SADAD payment system (a service which facilitates bill payment transactions of customers) and credit card payment facilities through a secure system with a three stage authentication process. Other facilities offered through SABB's e-channels include obtaining and requesting banks statements and account history, inquiring about transactions, opening term deposit accounts, checking foreign exchange and deposit rates and updating know-your-customers and personal information.

SABB is the first bank in the Kingdom and in the Middle East to have successfully launched the VISA direct remittance service in 2015. This service enables SABB's customers to remit monies to a VISA Card across 11 countries globally. Furthermore, during 2016, a new series of Interactive Teller Machine ("ITMs") were added to SABB's network of self-service machines and SABB is currently planning the launch of its first state-of-art digital branch which the Bank believes will set a new standard for SABB branches in the digital era (this digital branch was launched in August 2016). All of SABB's branches offer a full-range of *Shari'a* compliant products for retail customers. Only a few of SABB's branches are dedicated to offering conventional products to other segments of SABB.

In 2012, SABB launched its first "Lite Branch" at a corporate client site, where it provides non-cash services to retail clients at the client site. The "Lite Branch" also allows SABB to offer SABB products to such retail clients. As at the date of this Base Prospectus, there are three Lite Branches in Saudi Arabia (one in the Central Province and two in the Eastern Province).

In addition to providing a variety of delivery channels, SABB seeks to continuously improve customer experience through all points of customer contact, including the level of service at branches and alternative distribution channels.

SABB Retail Banking won the following awards in 2015: "Best Retail Bank Saudi Arabia – 2015" and "Best Call Centre – 2015" by Banker Middle East; "Best Internet Bank Saudi Arabia – 2015", "Best Mobile Banking Saudi Arabia – 2015" and "Best Customer Service Bank Saudi Arabia – 2015" by International Finance Magazine; "Best Digital Consumer Bank – 2015" and "Best Regional Bill Payment and Presentment – 2015" by Global Finance; and "Best Customer Loyalty program – 2015" and "Best Premium Credit Card – 2015" by Banker Middle East.

SABB Retail Banking won the following awards in 2016: “*Best Digital Bank KSA – 2016*” by Banker Middle East; “*Best Call Centre – 2016*” by Banker Middle East; “*Most Innovative Bank KSA – 2016*” by International Finance Magazine; “*Best Web / Mobile Site – 2016*” by Banker Middle East; “*Best Banking Brand Saudi Arabia – 2016*” by Global Brands Magazine; “*Best Wealth Manager KSA – 2016*” by Banker Middle East; and “*Entrepreneur of the Year – 2016*” by Entrepreneur.

Private Banking

SABB’s Private Banking business was established in 1994 to provide bespoke banking and wealth management services to high net worth individuals and families. SABB Private Banking provides coverage across Saudi Arabia through teams based in Riyadh, Jeddah and Al Khobar, including a ladies team in Riyadh.

Dedicated relationship managers provide a highly personalised banking service to SABB’s Private Banking clients and work closely with HSBC Saudi Arabia to deliver a range of wealth management services, investment advisory, brokerage, portfolio management, mutual funds, custody services and structured investments. Credit is also made available where appropriate to assist clients in maximising the yield from their investments. Integration of the Private Banking unit into SABB’s Retail Banking business line aims to achieve greater synergy and improved banking experiences for clients, whilst also assisting with the continuous achievement of quality of service, which is one of SABB’s top priorities.

In addition to tailored local banking and wealth management services, SABB’s Private Banking clients can benefit from access to the international capabilities of HSBC Private Bank and the wider HSBC Group.

SABB Private Banking won the following awards in 2015: “*Best Private Bank in Saudi Arabia 2015*” by Global Finance and “*Private Bank of the Year Award, 2015*” by The Banker.

Corporate Banking

Commercial Banking

As a full-service bank, SABB offers both conventional and *Shari’a* compliant banking solutions to meet the needs of commercial customers. A dedicated relationship and support team of approximately 230 staff (and over 400 staff across Commercial Banking and Global Banking) covers customers’ corporate banking requirements and provides access to specialist teams in treasury, cash management, trade and investment banking units. SABB is both a strong local partner for its customers in Saudi Arabia and the gateway to global financial markets and services through the HSBC Group.

SABB Commercial Banking supports an “Islamic Financial Services” approach in providing financial services to corporate clients and was the first bank to introduce a *Shari’a* compliant solution for overdrafts. At the same time, SABB maintains the flexibility of offering conventional products depending on clients’ needs and requirements.

SABB’s trade and supply chain unit assists customers in implementing efficient and optimal financing structures to meet their trade and working capital requirements while minimising market risk. For instance, SABB’s receivable finance proposition allows customers to access standby funds in return for assigning receivables due to them from a third party buyer of such customers’ goods or services. SABB has rolled out various other initiatives aimed at enhanced client experience and risk mitigation (such as the credit protection “bolt-on” which is available for the receivable finance service and which protects the customer against default by, or insolvency of, the third party buyer).

SABB’s strong links with HSBC Group (see further, “*Corporate Organisation – Relationship with HSBC*”) provides SABB with unrivalled international access and connectivity for the benefit of its clients. As a result, SABB is one of the leading international trade banks in Saudi Arabia, which supports and services both domestic and foreign companies as they expand locally and across borders.

In-house technology development combined with access to HSBC Group systems ensures that SABB offers state-of-the-art banking channels to its clients, including various payments and cash management solutions to meet their complex and structured needs. Vigorous business continuity arrangements aim to ensure that SABB’s clients have reliable access to their finances. SABB’s corporate online banking strategy focuses on providing multifaceted platforms to customers across all business lines, covering a wide variety of services in ways that can be packaged or personalised to suit their unique needs. Cross-product integration is offered through a single window that serves diverse customers through one unified portal. As a one-stop-shop for payments, receivables,

financing, markets and foreign exchange, SABB's online channels aim to provide a globally consistent client experience with robust local functionality. SABB currently has the following online banking channels serving the overall needs of business customers:

- SWIFTnet and SABB Connect (host-to-host channels being offered to top tier customers with sophisticated requirements);
- HSBCnet (mainly targeting corporates, mid-to-large commercial customers and financial institutions with a variety of financial needs);
- Business Internet Banking (“**BIB**”) (independent electronic platform for SABB's small and medium-sized enterprises (“**SME**”) customers);
- Pay-roll Card or SABB Salary Cards (introduced by SABB in 2013 in order to cater to low salary groups);
- a Wage Protection System;
- virtual accounts for receivables; and
- SABB Bulk Payments.

In pursuit of its strategic goal to deliver market-leading propositions, international connectivity and exceptional services to customers, SABB Commercial Banking has made significant progress on several key initiatives launched in 2013. These include the continued growth in the large corporate client sector as well as the expansion of teams to service the mid-market segment and SMEs. A dedicated international team has been established leveraging HSBC's cross-border relationships entering the Saudi market. The net result has been the mutual referral of substantial levels of business as well as the strengthening of SABB's links with China through its China desk (which sits under SABB's Global Banking business line), the first such initiative by a Saudi bank, to encourage bilateral trade flows.

SABB Commercial Banking was awarded “*Best Commercial Bank*” by International Banker, “*Best Cash Management Bank*” by Euromoney and “*Best Trade Finance Provider*” by Global Finance.

Global Banking

SABB's Global Banking business line (“**GB**”) was established during the first quarter of 2011 as a stand-alone, centrally-managed business segment within SABB. The basic aim of GB is to be fully responsible for the marketing and the overall relationship management of: (a) large companies headquartered in Saudi Arabia with a global footprint and with banking requirements outside Saudi Arabia; (b) multinational companies headquartered outside Saudi Arabia that have banking requirements within Saudi Arabia; and (c) financial institutions (headquartered outside Saudi Arabia) and non-bank financial institutions, as well as institutional clients within the government sector and the ministries, agencies and departments of the Government.

Increased spending in recent years by the Government on infrastructure, utilities (such as power and water), transportation (such as railways and airports), oil, gas and petrochemicals, as well as on hospitals and housing, resulted in a number of large projects and contracts being awarded, mainly to companies established in South Korea, China, India, Japan, France, Germany, Spain and the United States. Most of these companies have been long-standing HSBC Group clients, and the underlying project owners are Saudi companies (mainly the Government or Government-related companies) or their joint ventures, which have been long-term SABB clients. Recent economic difficulties in Saudi Arabia (largely due to subdued oil prices) resulted in a reduction in Government spending on large projects since 2015.

Being part of HSBC Group's global network allows GB to serve as a gateway to global financial markets for SABB's customers, providing seamless cross-border solutions and services (including, for instance, through its China desk).

GB provides its clientele with a wide range of products, services and solutions, comprising, project and export finance, equity bridge loans, treasury solutions, debt capital market transactions (including sukuk), guarantees, working capital and trade solutions, payment and cash management solutions, and confirmation and discounting

of export letters of credit specifically in support of oil exports. A complete range of *Shari'a* compliant financial solutions are also offered across the full range of GB's products and services.

GB effectively leverages the expertise of its subsidiaries such as HSBC Saudi Arabia and SABB Takaful to support Saudi companies that are pursuing projects launched by the Saudi government to develop the Saudi economy and new opportunities that may be created for future projects as part of the implementation of the 'Saudi Vision 2030'. Such support has included assistance in ensuring timely and quality execution of projects in Saudi Arabia. GB has also helped Saudi companies internationally with their expansion and acquisition plans or with tapping liquidity from non-Saudi financial institutions through Export Credit Agency backed financings and international bonds.

Treasury

Global Markets

SABB's Treasury is based in Riyadh with sales offices in Jeddah and Dammam. It offers treasury products to corporate and commercial clients and internal networks ranging from basic foreign exchange and interest rate protection to money markets as well as foreign exchange and interest rates derivatives for hedging purposes. Treasury also provides *Shari'a* compliant hedging solutions to customers.

The Treasury segment also manages SABB's proprietary portfolio of bonds and other fixed income securities which are held for investment and liquidity purposes. It is considered a major participant in the local Saudi currency spot and forward markets as well as Saudi interest rate markets. Derivatives are used by SABB for its own account to hedge interest rate and currency positions and for customer-related transactions and, to a limited extent, for short term trading risk positions.

Treasury operates within an established limit structure, including oversight by SABB's Executive Committee, Board Risk Committee and Asset and Liability Committee, with positions monitored on a daily basis (see further, "*Risk Management*").

Treasury is also responsible for the funding of all of SABB's operations and meeting its regulatory and internal liquidity requirements. The main source of funding is customer deposits. As at 31 December 2016, the aggregate amount of SABB's liabilities totalled SAR 154.8 billion (compared to SAR 159.6 billion as at 31 December 2015 and SAR 161.5 billion as at 31 December 2014), including customer deposits of SAR 140.6 billion as at 31 December 2016 (compared to SAR 148.9 billion as at 31 December 2015 and SAR 145.9 billion as at 31 December 2014).

Islamic Financial Services

SABB started offering Islamic products in 1998 under the brand "Al-Tadamun". In 2001, the Amanah department was established in collaboration with HSBC Holdings, offering to provide *Shari'a* compliant banking services. In 2012, SABB rebranded its Islamic product offerings as Islamic Financial Services ("**IFS**").

SABB was one of the first local banks to offer unique Islamic products to its customers including inventory finance, currency hedging, profit rate hedging and promise to exchange (i.e., foreign exchange options). IFS continues to grow its Islamic product and services offerings. In 2015, SABB introduced the first *Shari'a* compliant automated Islamic receivable finance service in the Saudi Arabian market via a new structure which combines tawaruq financing and mudaraba investment. This new service aims to finance corporate customers short-term trade needs.

SABB offers a wide range of *Shari'a* products to meet client needs including: ijarah, murabaha, tawaruq, mudaraba, istisna'a, Islamic guarantees, Islamic documentary credit, Islamic credit cards and musharakah.

SABB offers Islamic products across each of its business segments. The retail banking offerings by IFS include personal finance (through metal murabaha and shares murabaha), home lease (through ijarah and istisna'a) and credit cards (through murabaha), the corporate banking offerings by IFS include murabaha liquidity finance, corporate lease financing, Islamic cash line (as an alternative for the conventional overdraft), off-balance sheet finance, letters of credit/letters of guarantee and receivable finance, while the treasury offerings by IFS include murabaha based financing, murabaha based investment, murabaha based rate hedge structure, structured murabaha account, promise to exchange currency and waad based rate hedge structure.

As at 31 December 2016, 79.4 per cent. or SAR 96,097 million of total lending/financing by SABB was *Shari'a* compliant (compared to 78.6 per cent. or SAR 99,039 million as at 31 December 2015).

Investment Banking (through HSBC Saudi Arabia)

HSBC Saudi Arabia is a full service independent investment bank, authorised by the CMA to conduct securities business in Saudi Arabia, with three main lines of businesses: (a) Corporate Finance; (b) Financial Markets; and (c) Securities Services.

HSBC Saudi Arabia continues to be a leader in the investment banking financial services sector,. This is evidenced by the awards that it has received for several consecutive years from leading international institutions such as Euromoney, EMEA Finance, The Banker, PFI, among others.

Investment Banking

The investment banking activities consist of four core product groups, comprising Debt Capital Market and Syndication, Project Export Finance, Investment Banking Advisory and Islamic Finance:

- the Debt Capital Market and Syndication team is responsible for leading the advisory and arranging aspects of financings, debt capital markets transactions and structured and syndicated finance transactions. HSBC Saudi Arabia has expertise in advising, arranging, underwriting, and syndicating complex transactions in key sectors such as oil and gas, petrochemicals, power and energy, telecommunications, manufacturing and services and infrastructure. Furthermore, the Islamic Finance team is responsible for advising on and structuring *Shari'a*-based financing solutions focusing on sukuk, project and structured finance and syndications. HSBC Saudi Arabia has been extensively involved in the development of ground-breaking *Shari'a*-based finance (including award-winning project financings) and has been prominent acting as lead manager/manager in the domestic private placement sukuk market;
- the Project Export Finance team is responsible for leading the advisory and arranging of project financings. HSBC Saudi Arabia has expertise in advising, arranging, underwriting, and syndicating complex project finance transactions in key sectors such as oil and gas, petrochemicals, power and energy and infrastructure; and
- the Investment Banking Advisory team is responsible for advisory services related to acquisitions, divestments and mergers, strategic planning and reviews, corporate restructuring and privatisations and for the structuring, managing and underwriting of initial public offerings, flotation or secondary placements of equity or equity-linked securities and the structuring and placement of private equity transactions.

Financial Markets – Asset management

HSBC Saudi Arabia currently manages a total of two money market and 18 non-money market investment funds. The funds provide all segments of investors (retail, high net worth, corporate and institutional) with opportunities for domestic and international investment with varying risk/return profiles.

In October 2012, Asset Management launched the HSBC GCC Equity Income Fund, with a view to providing income as well as capital appreciation in listed GCC stocks. The mutual funds provide local and overseas investors the opportunity to invest in a broad spectrum of regional as well as international equities.

In addition to a number of mutual funds, HSBC Saudi Arabia offers discretionary portfolio management services for private, corporate and institutional clients in both local and international markets.

As at 31 December 2016, based on data available on Tadawul, HSBC Saudi Arabia was the leading asset manager in local equity mutual funds with a market share of 18.4 per cent. and with the highest number of funds offered in this asset class (8 Funds).

In recognition of its expertise, HSBC Saudi Arabia was recently awarded the following Lipper Fund awards:

- “*Best Fund, GCC Equity*” (three awards: over one year, over two years and over three years) for the HSBC GCC Equity Fund;

- “*Best Fund, Saudi Equity – over one year*” for the HSBC Saudi Freestyle Equity Fund.
- “Equities Manager of the Year” from Global Investor
- “Best Funds of Funds”: HSBC Multi-Assets Balanced Fund: and “Best Sector Fund (3 year performance: HSBC Financial Institutions Equity Fund.

Financial Markets – Brokerage Services

HSBC Saudi Arabia’s brokerage service operates from equity centres located across Saudi Arabia. These provide customers tailored domestic and international equity brokerage services, order execution, margin lending facilities (via SABB) and brokerage services for exchange traded futures and options. Brokerage services are provided via online services, central call centre and investment centres.

HSBC Saudi Arabia, via its “Access” products, enables international institutional investors to participate in the growth of Saudi single-listed stocks indirectly.

Securities Services

The Securities Services (Custody and Clearing) unit provides custodial services to corporate and institutional investors, offering a range of services such as safe keeping of securities, receipt and delivery of securities, conversion of share certificates, portfolio reporting, corporate action reporting and payments collection. This unit is also involved in the floatation and management of initial public offering and rights issues and dematerialisation of shares. It is also involved in the promotion of institutional fund services products to external fund managers, as well as offering corporate trust and loan agency services. HSBC Saudi Arabia’s strong position in the local debt and equity markets, coupled with its close association with HSBC Group, gives it an advantage in delivering quality custody services, both domestically and internationally. HSBC Group has the largest custodian network in the Middle East and Asia and has won several awards in the MENA region which include “*Best Sub-Custodian, Middle East*” (MENA Fund Manager Fund Services Award 2016), “*Best Sub-Custodian and Custody Specialist – Middle East, 2016*” (The Asset Triple A Asian Awards), “*Best Sub-Custodian – Middle East, 2015*” by Global Finance, “*Middle East Sub-Custodian of the year, 2015*” (Global Investor Sub-Custody Survey) and “*Best Transaction Services House 2015, Middle East*” by Euromoney.

RISK MANAGEMENT

The day-to-day Risk Management function, which manages the overall level of credit, market and operational risk (including security and fraud) within SABB, is under the control of the Chief Risk Officer (the “**CRO**”). The management reporting line of the CRO remains independent of the business and reports directly to the Managing Director. The appointment of the CRO is approved by the Board Risk Committee and the CRO has a functional reporting line to the Chairman of the Board Risk Committee.

The Risk Management function assists the CRO and top management in developing a strong risk culture in the organisation. This risk culture primarily relates to the norms of behaviour for individuals and groups within the organisation that determine the collective ability to identify and understand, openly discuss and act on the organisation’s top current and emerging risks.

Risk Oversight and Reporting

Whilst the individual business units are the first line of defence for managing specific risk exposures (under the oversight of the CRO), the Board of Directors has overall responsibility for the approach to risk management within SABB, including approving the Bank’s risk management framework and reviewing its effectiveness on an ongoing basis. The Board Risk Committee, the Audit Committee, the Risk Management Committee and the Asset and Liability Committee have primary responsibility for setting and managing SABB’s overall risk appetite and tolerance level.

In respect of the Audit Committee and the Board Risk Committee, see further “*Management and Employees of SABB – Board Sub-Committees*”.

Risk Management Committee

The Risk Management Committee (the “**RMC**”) acts as the Board Risk Committee’s designated body for the application of SABB’s risk management philosophy and strategic direction as established by the Board Risk

Committee. The RMC also advises the Board Risk Committee in relation to all material credit, market, operational or other risk issues. The RMC executes the Board Risk Committee's high level risk appetite framework under normal and stressed conditions and provides oversight and adherence to SABB International Standards. The RMC also reviews and approves key risk issues identified by supporting risk subcommittees. The RMC meets monthly and is chaired by the Managing Director. Attending members include the CRO, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, the General Manager Retail Banking and Wealth Management, the General Manager Commercial Banking, the General Manager Global Banking and Markets, the Head of Global Banking, the Head of Compliance and the Chief Internal Auditor (as an observer).

Asset and Liabilities Committee

The Asset and Liabilities Committee (the "ALCO") is responsible for ensuring compliance with local regulatory requirements, including capital adequacy ratios and adopted principles under the Basel Capital Accord, to ensure compliance with all risk limits set by the Board in relation to asset liability and capital management, and to manage the overall balance sheet, capital, liquidity and funding structure of SABB. It advises the Executive Committee and the Board in relation to key ALCO issues. The ALCO meets monthly and is chaired by the Managing Director. Attending members include the Chief Financial Officer, the Chief Operating Officer, the Treasurer, the CRO, the General Manager Retail Banking and Wealth Management, the General Manager Commercial Banking, the General Manager, Global Banking and Markets, and the Head of Global Banking. There is also a designated Liquidity Management Committee ("LMC"), which monitors the bank's current and projected liquidity position and proposes changes to the ALCO on SABB's liquidity ratio limits, funding strategy and liquidity stress testing scenarios. The LMC convenes at least monthly and reports to the ALCO.

Market Risk Management

Market risk is the risk that foreign exchange rates, interest rates, equities or commodity prices will move and result in profits or losses to SABB. Market risk arises on financial instruments which are valued at current market prices (mark-to-market basis) and those valued at cost plus any accrued interest (accruals basis). SABB's exposure to interest rate and foreign exchange risks is identified, monitored and managed by SABB's Treasury.

SABB trades in exchange rate, interest rate and derivative instruments, as well as in debt securities. Trading risks arise from position-taking within prescribed limits.

Market Risk Management is an independent unit in the Risk Management function reporting ultimately to the CRO.

SABB manages market risk through approved risk limits and the Market Risk Management department reviews limit utilisation by SABB on a daily basis. The risk management policies, measurement techniques and risk models used by SABB are based upon those used within the HSBC Group.

Limits are set by product and risk type, with market liquidity being a principal factor in determining the level of limits. Limits are set using a combination of risk measurement techniques, including position limits, sensitivity limits as well as value at risk ("VAR") limits at a portfolio level (see further, Note 31 to the 2016 Financial Statements and Note 30 to the 2015 Financial Statements).

Structural interest rate risk arises from the differing re-pricing characteristics of commercial banking assets and liabilities, including non-interest bearing liabilities such as shareholders' funds and current accounts. SABB assesses the structural interest rate risks which arise in its businesses and transfers such risks to its Treasury unit for management. The RMC and the ALCO regularly monitor all interest rate risk positions. In the course of managing interest rate risk, quantitative techniques and simulation models are used where appropriate to identify and assess the potential net interest income and market value effects of these interest rate positions in different interest rate scenarios. The primary objective of such interest rate risk management is to limit potential adverse effects of interest rate movements on net interest income.

Credit Risk Management

SABB's credit risk management philosophy aims to achieve effective control and management of risk, seeking to minimise credit losses while enhancing risk-adjusted returns.

Credit manuals aim to provide clear and consistent financing guidelines, policies, and procedures to manage the corporate and personal banking asset portfolios. These policy manuals are reviewed annually and approved by the CRO with material policy changes approved through the RMC and the Board Risk Committee.

Credit risk assessment forms part of the Risk Management function which teams report directly to the CRO, with the goal of ensuring that it has an appropriate degree of independence. The credit risk assessment teams are responsible for credit approval decisions, as well as key aspects of the risk rating systems, including selection, implementation, performance, and oversight.

The approval process is reviewed annually by the Board Risk Committee with limited delegations enacted by the Board. Within SABB, emphasis is placed on the individual's responsibility for making credit decisions and as such there is a series of delegated approval limits agreed by the Board. A key element in SABB's credit culture is the proactive management of the portfolio through:

- the regular review of facilities by financing and credit officers, at least annually;
- the central monitoring of credit concentration in certain countries, specialised industries/sectors, products, customers and customer groups with monthly reports to the RMC and the ALCO and quarterly to the Board Risk Committee;
- the continual development of improved techniques for measuring and evaluating risk and for optimising risk-adjusted return on capital;
- the development and adoption of automated application processing and assessment systems, to enable consistency of decisions and an efficient framework for application processing; and
- a structured framework of credit training and accreditation to build risk awareness and credit assessment capabilities.

Personal lending and financing decisions are based on credit scoring models and decision strategies, developed using internal data and credit bureau information from the Saudi Credit Bureau ("SIMAH"), with behavioural scoring applied to support credit card processing, authorisation, collections and limit review decisions.

For defaulted customers, impairment provisions (collective and discounted cash flow basis) are maintained in accordance with established IFRS accounting practices.

SABB operates dedicated special assets and recoveries teams to manage companies in financial distress and non-performing loans to maximise recovery rates. For high value and problematic accounts the recovery process includes direct involvement from SABB's legal function. For personal banking there is a dedicated collections function undertaking debt counselling and recovery activities at each stage of delinquency including the use of external and overseas recovery agencies.

Internal Audit

SABB's Internal Audit function is responsible for auditing all activities and functions of SABB. Together with the risk management and compliance functions, it forms an integral part of the control environment of SABB. Positioned as an independent, tertiary line of control, Internal Audit provides management and, through the Audit Committee, the Board, with an independent and objective assessment on whether the framework of risk management, control and governance processes, as designed and represented by management, is adequate and functioning effectively.

Internal Audit accomplishes this by independently reviewing, through a risk-based approach, the design effectiveness and operating efficiency of internal control systems and policies prepared and implemented by management. Internal Audit also reviews and reports on the adequacy and effectiveness of oversight maintained by support functions such as internal control, compliance and risk management departments, to ensure that SABB is operating within its stated risk appetite and in compliance with the regulatory framework. Internal audit ratings are among the contributing factors when determining staff incentives in order to encourage staff members to achieve high compliance standards.

SABB's internal auditing procedures are aligned with global best practices and the International Standards for the Professional Practice of Internal Auditing. SABB also maintains close engagement with HSBC Group's

internal audit units to draw on and share best practices and resources for auditing specialised areas from time to time.

SABB's internal audit team consists of the General Manager Audit, the Deputy General Manager, 12 auditors and one member of support staff. The General Manager Audit reports directly to the Audit Committee on audit issues, and for administrative and management issues to the Managing Director.

Operational Risk Management

SABB benchmarks itself against best practice procedures and systems in relation to Operational Risk Management, including those adopted by HSBC Group (subject to local regulatory requirements). SABB's operational risk governance framework is made up of a series of operational risk meetings and processes. An operational risk assessment process is undertaken periodically and at least annually by each line of business and support functions with the output challenged through the Operational Risk and Internal Control Committee ("ORICC").

SABB's Board Risk Committee (the "BRC") and Executive Committee discuss and review annually SABB's tolerance for operational risk and its strategy to ensure that mechanisms established provide ongoing monitoring, assessment and management of the risk environment. In 2015, the operational risk taxonomy was expanded from the previous four major risk categories (people, process, systems, external) to a more granular 16 key risk categories including people, systems, operations, information, compliance, legal, internal fraud, external fraud, business continuity, accounting, physical, fiduciary, tax, *shariah*, political and project. SABB's senior management use an Operational Risk dashboard to highlight the major risks and breaches and loss trends reports are prepared and reviewed monthly by the ORICC and the RMC with a quarterly update provided to the BRC. The operational risk management process is subject to an independent review by Internal Audit.

Basel III

A Steering Committee reporting to the RMC is maintained to oversee the implementation of systems to ensure that SABB is fully compliant with the requirements of Basel III.

The regulatory framework adopted by Basel II and Basel II.5 now forms an integral part of the Basel III framework. This framework forms the basis of the Basel III capital reforms issued by SAMA, which have been fully adopted by banks in Saudi Arabia, with banks reporting on a Basel III compliance basis with effect from 1 January 2013.

The Basel III rules set out a minimum Common Equity Tier 1 ratio of 7 per cent., including a capital conservation buffer. Any additional countercyclical buffer requirements will be phased in starting in 2016 to a maximum of 2.5 per cent. In addition, all classes of capital instruments to be included in the regulatory capital from 1 January 2013 must fully absorb losses at the point of non-viability before taxpayers are exposed to losses. The capital treatment of securities issued prior to this date will be phased over a ten year period commencing from 1 January 2013.

SAMA has issued final liquidity guidelines on the Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR"). The LCR and NSFR were effective for regulatory reporting purposes on 1 January 2015 and 1 January 2016, respectively.

SABB is well positioned to respond to the evolving requirements for capital and liquidity imposed by Basel III.

During 2017, SABB intends to continue participating in SAMA working groups on the various aspects of Basel III, to facilitate a smooth implementation of the rules within Saudi Arabia.

Provision for Credit Losses

SABB adopts a conservative approach towards provisioning in relation to loans and other credit and is in compliance with SAMA regulations. SABB, in the ordinary course of lending and financing activities, holds collateral as security to mitigate credit risk in its loans and advances portfolio. These collaterals include financial guarantees, local and international equities, time and demand and other cash deposits, real estate and other fixed assets.

SABB's gross loans and advances to customers were SAR 123.9 billion as at 31 December 2016, compared to SAR 128.4 billion as at 31 December 2015 and SAR 117.6 billion as at 31 December 2014. Non-performing

loans and advances as a percentage of gross loans was 1.34 per cent as at 31 December 2016, 1.18 per cent. as at 31 December 2015 and 1.27 per cent. as at 31 December 2014 (non-performing loans and advances are disclosed net of accumulated special commission in suspense).

SABB's combined specific and collective provision for credit losses amounted to SAR 2,889.7 million as at 31 December 2016, compared to SAR 2,486.5 million as at 31 December 2015 and SAR 2,402.5 million as at 31 December 2014. SABB reviews its non-performing loans and advances at each reporting date to assess whether a specific provision for credit losses should be recorded in the consolidated income statement. SABB also reviews its overall loan portfolios to assess an additional portfolio provision on each reporting date. See Note 6 to the Audited Financial Statements for further details regarding SABB's loans and advances, provision for credit losses and collateral policy.

Capital Adequacy and Leverage

SABB is required to comply with capital adequacy requirements promulgated by SAMA, which are based on the standards established by SABB for International Settlements. The following table sets out capital adequacy information of SABB as at 31 December 2016 and as at 31 December 2015, and 31 December 2014, in accordance with SAMA rules.

	2016	31 December 2015	2014
	SAR'000		
Risk Weighted Assets (RWA)			
Credit Risk RWA	161,899,067	167,661,775	151,267,712
Operational Risk RWA	13,333,290	12,620,144	11,688,587
Market Risk RWA.....	2,514,488	2,844,213	3,841,275
Total RWA.....	177,746,845	183,126,132	166,797,574
Tier I Capital	31,278,928	28,174,537	26,071,212
Tier II Capital.....	3,600,244	4,082,996	3,128,106
Total I & II Capital.....	34,879,172	32,257,533	29,199,318
Capital Adequacy Ratio %			
Tier I ratio	17.60%	15.39%	15.63%
Tier I + Tier II ratio	19.62%	17.61%	17.51%

Investments

SABB has a range of investments accounted for under the IAS 39 accounting regulation. The following table sets out the split between domestic and international investments as at 31 December 2016 and 31 December 2015.

	Domestic		International		Total	
	2016	2015	2016	2015	2016	2015
	SAR'000					
Available for sale						
Fixed rate securities	9,527,852	19,808,798	6,484,068	6,425,634	16,011,920	26,234,432
Floating rate securities...	5,235,548	4,514,792	702,486	76,264	5,938,034	4,591,056
Equities.....	1,030,549	987,712	27,308	44,203	1,057,857	1,031,915
Available for sale investments, net.....	15,793,949	25,311,302	7,213,862	6,546,101	23,007,811	31,857,403
<i>Available for sale investments, net includes impairment provision of SAR 120.0 million (2015: SAR 70 million) for domestic equities and SAR 17.7 million (2015: SAR 18.1 million) for International floating rate securities.</i>						
Held at amortised cost						
Fixed rate securities	3,669,682	3,669,642	—	—	3,669,682	3,669,642
Floating rate securities...	2,595,562	—	—	—	2,595,562	—
Held at amortised cost investment, net.....	6,265,244	3,669,642	—	—	6,265,244	3,669,642
Investments, net	22,059,193	28,980,944	7,213,862	6,546,101	29,273,055	35,527,045

INFORMATION TECHNOLOGY (IT)

SABB aims to become the bank of choice for customers in Saudi Arabia and SABB Technology Services (“**STS**”) has been established in order to deliver “best in class” technology that will assist in enabling SABB to fulfil this ambition. STS represents one of SABB’s most significant capital expenditures, as it is empowered to invest in world class solutions and latest technologies to meet the business’s growth aspirations. STS comprises the following main sections: Operations and Network, Development, Quality and Finance.

SABB relies heavily on technology to deliver operational efficiency on the basis that it can drive SABB’s growth and customer service initiatives. SABB’s core banking system, interfaced with various ancillary applications, forms a diverse group of banking systems and modules that covers banking systems for Personal Financial Services, Trade Finance, Payment and Cash Management, Treasury, Investment and Securities, Risk Management, Corporate and Commercial and associated back office functions and interfacing with an ever increasing variety of direct banking and e-channels. STS’s strategy is to provide high quality products and quick and efficient services to its customers in every banking activity. This is achieved with a very high degree of automation and digitalisation and by employing modern and innovative technology for an enhanced customer experience.

The expansion of digital technology is changing SABB from a paper and branch bank to a provider of digitised and networked banking services. STS is delivering valuable innovations through e-Forms digitising applications for a paperless environment, including Interactive Teller Machines and Bulk Cash Deposit Machines, as part of SABB’s digital strategy.

STS is also directly responsible for the maintenance and development of SABB’s banking systems. From this perspective, STS is responsible for conducting regular reviews and ensuring that the supported infrastructure is operational, stable and available at all times. To achieve this, the infrastructure is periodically updated with the latest technology, upgraded as part of the ever-greening process, telecommunication bandwidth and storage capacity increased to meet growing demand and steps are taken to mitigate advanced persistent threats. Additionally, a fully functional disaster recovery backup site with adequate tested capacity is located in Jeddah, and disaster recovery procedures are reviewed and tested periodically with any refinements made to the extent required.

As part of SABB’s IT governance process, quality assurance and standards are in place. STS also continually reviews and updates its policies and operating procedures to ensure they are robust and remain fit-for-purpose. Technology projects are managed using a risk-based project management methodology and this, coupled with the implementation of independent quality reviews, seeks to ensure that projects are delivered on time, to budget and to the right level of quality.

COMPLIANCE

SABB’s compliance department and the Compliance Committee (the “**CCM**”) has responsibility for managing regulatory and financial crime compliance. The compliance department is headed by the Chief Compliance Officer who reports to the managing director of SABB.

The compliance function at SABB is segregated into three principal areas: (a) Financial Crime Compliance (“**FCC**”), (b) Regulatory Compliance (“**RC**”), and (c) Monitoring and Testing. The regulations, guidelines and policies applicable to the different business units and functions within the Bank and the risks associated with FCC and RC are discussed at Compliance Committee level. The CCM comprises representatives from each of the businesses units, compliance officers, the Chief Risk Officer, the Chief Operating Officer, IT and Internal Audit. The CCM meets on a quarterly basis and reports to the Audit Committee and reports all significant compliance risks and mitigation plans to the RMC and the BRC regularly.

Financial Crime Compliance

The Financial Crime Compliance team is responsible for adopting and implementing the approved anti-money laundering (“**AML**”) and counter-terrorist financing, sanctions and anti-bribery and corruption program that aims to prevent such activities and their perpetrators from taking advantage of SABB services.

Staff awareness and development through training is a priority for SABB. At induction, all SABB employees are provided classroom training sessions covering compliance, AML, sanctions and security and fraud risk. Staff are also given annual refresher training on AML, sanctions and compliance. As part of the SABB International Standards (“**SIS**”) programme, the Bank has launched a number of training programmes through e-Learning

covering operational risk and information security in addition to the afore-mentioned compliance related training programs.

Regulatory Compliance

SABB is committed to applying all banking laws, rules and regulations issued by its regulators and applicable to it. SABB's Regulatory Compliance team is responsible for implementing the requirements and instructions issued by the regulatory authorities in Saudi Arabia and ensuring the creation of a proper compliance environment, consistent with best international policies and practices. Recently SABB established a number of additional controls through the implementation of the SIS programme which seeks to ensure that all rules and regulations are adhered to within the various business lines and that customers are treated in a fair manner and their personal information is properly protected.

Monitoring and Testing

Monitoring and Testing is a new function that was introduced with the aim of ensuring compliance by the business lines with all laws and regulations. Management is responsible for implementing effective monitoring mechanisms (including through regular reviews, testing and validation) aimed at detecting and preventing deviations or breaches from established policies and regulatory requirements.

INSURANCE

SABB's operations are subject to normal hazards of operational and geographic risks, including accidents, business interruption, terrorism and professional indemnity. SABB maintains various types of insurance policies to protect against the financial impact arising from unexpected events when the amount of the potential loss would be significant enough to prevent normal business operations. SABB believes that the applicable limits, coverage, scope and deductibles are reasonable and prudent after all means of controlling or preventing the risk have been considered. SABB does not fully insure against certain risks to the extent that such risks may not be fully insurable or related coverage is unavailable at what SABB considers to be appropriate price levels.

LITIGATION

In the ordinary course of its business, SABB may pursue debt collection and other litigation claims against third parties and may also have litigation claims filed against it. As part of SABB's debt collection process, SABB is involved, as at the date of this Base Prospectus, in routine legal proceedings against third parties and in litigation filed by third parties against it. However, none of this litigation is material or would have a material adverse effect, individually or in aggregate, on the business, results of operations, financial condition or prospects of SABB. As at 31 December 2016, no significant provision had been made in respect of legal proceedings as related professional legal advice indicated that it would be unlikely that any significant loss would arise out of routine legal proceedings.

Apart from the Appeal Proceedings pending before the GAZT in respect of Contested Assessments (see further, "*Risk Factors – Risks relating to SABB – Contested zakat assessments by the General Authority of Zakat and Tax could lead to additional payment obligations to the GAZT on behalf of SABB's shareholders*"), SABB is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which SABB is aware) in the 12 months preceding the date of this Base Prospectus which may have or have in such period had a significant effect on the financial position or profitability of SABB.

RECENT DEVELOPMENTS

SABB has announced that its Board of Directors has resolved, at its meeting held on 28 Rajab 1438H (Corresponding to 25 April 2017G), to enter into preliminary discussions with AlAwwal Bank to study the possibility of merging the two banks. The entry into these discussions does not mean that a merger will happen between the two banks. If a merger is agreed, it will be subject to various conditions including, without limitation, approval at the extraordinary general assembly of each bank and approval of the Saudi Arabian regulatory authorities. The Saudi Arabian Monetary Authority has been informed of these discussions but the merger will still be subject to its formal approval. In accordance with SABB's regulatory obligations, further announcements relating to any developments will be made in due course.

MANAGEMENT AND EMPLOYEES OF SABB

BOARD OF DIRECTORS

In accordance with the Saudi Arabian Regulations for Companies and SABB's Articles of Association, SABB's executive management currently comprises its board of directors (the "**Board**").

The Board is responsible for the overall direction, supervision and control of SABB as well as monitoring SABB's executive management. The principal role of the Board is to oversee the implementation of the Bank's strategic initiatives and its functioning within the agreed framework in accordance with relevant statutory and regulatory structures. To enhance corporate governance, SABB has established corporate governance policies and frameworks that seek to establish and encourage transparency and the enforcement of shareholders rights.

In accordance with SABB's Articles of Association, the Board is required to meet at least four times each year. The Board currently consists of ten members (the "**Directors**"), including the Chairman and Managing Director. Six of the Directors represent SABB's Saudi shareholders and are elected every three years and the other three Directors have been appointed to the Board by HSBC Holdings in accordance with SABB's Articles of Association. The Chairman of the Board is required to be a Saudi national and the Managing Director is required to be selected from among the Directors appointed by HSBC Holdings.

The following table sets out the names and positions of the members of the Board as at the date of this Base Prospectus.

Name	Birth Date	Position
Khaled Suliman Olayan.....	4 July 1945	Chairman
David Dew.....	23 October 1955	Managing Director
Khalid Abdullah Al Molhem.....	2 January 1957	Director
Sulaiman Abdulkader Al Muhaidib.....	23 February 1955	Director
Mohammed Omran Al-Omran	25 May 1965	Director
Samir Assaf*	20 June 1960	Director
Saad Abdulmohsen Al-Fadly.....	19 October 1973	Director
Nigel Hinshelwood	16 February 1966	Director
Mohammed Abdullah AlYahya.....	5 November 1964	Director
Georges ElHedery.....	5 March 1974	Director

* Mr. Samir Assaf was appointed as a non-executive Director on 1 April 2016 and represents HSBC Holdings on the Board.

Brief biographies of each of the members of the Board are set out below.

Chairman *Khaled Suliman Olayan*

Mr. Olayan has been a member of the Board since 2002 and is currently the Chairman of the Board. He holds a bachelor's degree in business administration from Menlo College, California (United States of America) and a master's degree in International Businesses from the American University, Washington D.C. (United States of America). Mr. Olayan has experience in the fields of management, finance and investment. He has held the board membership of several Saudi companies and participated in several committees. Currently, he holds several positions including chairman of Olayan Group Company.

Mr. Olayan's business address is c/o Olayan Financing Company, P.O. Box 1520, Al Khobar 31952, Kingdom of Saudi Arabia.

Managing Director *David Dew*

Mr. Dew was appointed Managing Director of SABB in May 2010. He has been a member of the Board since December 2009, representing HSBC Holdings and has served with the HSBC Group since 1977 in a number of regions. Mr. Dew is a member of the board of HSBC Saudi Arabia and, before joining SABB, was the Chief of Administration, Global Banking and Markets, Middle East and North Africa (MENA). Mr. Dew received his master of arts in economics from the University of

Cambridge (United Kingdom).

Mr. Dew's business address is c/o The Saudi British Bank, Head Office, P.O. Box 9084, Riyadh 11413, Kingdom of Saudi Arabia.

Director

Khalid Abdullah Al Molhem

Mr. Al Molhem has been a member of the Board since 1996. He holds a bachelor of science degree in engineering management and electrical engineering from the University of Evansville, Indiana (United States of America). He has previously acted as the chief executive officer of Al Marai Company, as the vice president – finance and subsequently president of Saudi Telecom Company and the director general of Saudi Arabian Airlines Company. He is currently a board member in the King Abdullah Economic City, United Electronics Company, Aseer Trading Tourism and Manufacturing Company, Saudi White Cement Company, Knowledge Economic City and King Abdullah Port in Rabigh.

Engr. Al Molhem's business address is c/o 701/702, 7th Floor Fursan Plaza, P.O. Box 10617, Riyadh 11413, Kingdom of Saudi Arabia.

Director

Sulaiman Abdulkader Al Muhaidib

Mr. Al Muhaidib has been a member of the Board since 2002. He has worked in several management and financial positions and has held the membership of the boards of several Saudi companies and a number of social committees. Currently, he holds several positions including chairman of Abdul Qader AL-Muhaideb and Sons Company, chairman of Savola Group Company, Middle East Paper Co., AlOula Real Estate Development Co. and board member of Al Marai Company, National Industries Company, Rafal Real Estate Development Co., ACWA Holding and ACWA Power.

Mr. Al Muhaidib's business address is c/o Abdulkhader Al Muhaidib Company, P.O. Box 30, Riyadh 11312, Kingdom of Saudi Arabia.

Director

Mohammed Omran Al-Omran

Mr. Al-Omran has been a member of the Board since 2009. He holds a bachelor of science degree in civil engineering from King Saud University, Riyadh (Kingdom of Saudi Arabia) and a master of science degree in structural engineering and management, University of Southern California (United States of America). In addition to his previous experience in the business and investment sectors, he is a board member of many leading Saudi companies. Currently, he holds several positions including Chairman of Credit Suisse Saudi Arabia and The Saudi Orix Leasing Company and board member of Al-Rajhi Company for Cooperative Insurance.

Mr. Al-Omran's business address is c/o Omran AlOmran and Partners Company, P.O. Box 91929, Riyadh 11643, Kingdom of Saudi Arabia.

Director

Samir Assaf

Mr. Assaf has been a member of the Board since April 2016, representing HSBC Holdings. He holds a BSc degree in finance from L'Institut d'Etudes Politiques in Paris and an MBA in Economics from La Sorbonne University, Paris, France. Mr. Assaf is the Chief Executive of Global Banking and Markets at HSBC Group, with over 20 years of experience in the banking and financial markets field acquired from working at HSBC Group, where he has held several leading roles.

Mr. Assaf's business address is c/o HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom.

Director***Saad Abdulmohsen Al-Fadly***

Mr. Al-Fadly has been a member of the Board since April 2014. He holds a bachelor's of science degree in accounting and a master's degree in financial economics. In addition, he has experience in investment, banking, risk and governance gained while working during the past 15 years with SAMA, NCB Capital Markets Limited and the General Organisation for Social Insurance (GOSI). Currently, he holds the position of chief executive officer of Hassanah Investment Company.

Mr. Al-Fadly's business address is c/o General Organisation for Social Insurance, P.O. Box 2963, Riyadh 11461, Kingdom of Saudi Arabia.

Director***Nigel Hinshelwood***

Mr. Hinshelwood has been a member of the Board since September 2014, representing HSBC Holdings, and has more than 30 years of experience in the financial sector. He is also a board member and a member of committees in a number of financial institutions. Mr. Hinshelwood completed the Hotel and Catering International Management Association (HCIMA) Programme in professional management at Oxford Brookes University, London (United Kingdom). He also completed management programmes at Macquarie Graduate School of Management (Australia) and Harvard Business School (United States of America).

Mr. Hinshelwood's business address is c/o HSBC Bank plc, Level 33, 8, Canada Square, London E14 5HQ, United Kingdom.

Director***Mohammed Abdullah AlYahya***

Mr. AlYahya has been a member of the Board since January 2017. He completed his study of computer science at Eastern Michigan University, USA in 1990 and holds a Management Diploma from Eastern Michigan University, USA in 1998 and a Higher Management Diploma from INSEAD University - France in 2003. Mr. AlYahya gained extensive experience in the banking industry with several local banks and corporate businesses for more than 16 years and assumed several positions and leading roles in operations and personal banking fields, last of which was as the Chief Operating Officer of Bank Albilad. He presently also holds the position of Adviser of the General Manager of Almajaz Consulting Company

Director***Georges ElHedery***

Mr. ElHedery has been a member of the Board since December 2016, representing the foreign partner HSBC Group. He holds a post graduate degree in Statistics and Economy at the Ecole Nationale de la Statistique et de l'Administration Economique, Paris, France in 1998 and holds a graduate degree in Engineering from École Polytechnique in France in 1996. In addition, Mr. ElHedery has accumulated administrative and leadership experience for almost 20 years in Banking, Finance and Markets which he acquired from his work in senior positions with a number of leading international financial institutions. He is currently the Deputy Chairman and CEO of HSBC MENA

As at the date of this Base Prospectus, no member of the Board had any actual or potential conflict of interest between his duties to SABB and his private interests and/or other duties.

BOARD COMMITTEES

The Board has formed four committees to assist it in performing its duties, namely, the Executive Committee, the Audit Committee, the Nomination and Remuneration Committee and the Board Risk Committee.

Executive Committee

The Executive Committee is appointed by the Board in accordance with SABB's Articles of Association and reports directly to the Board. The committee consists of the Managing Director (as the chairman of the Executive Committee) and three other members selected from among the Directors. As of 31 December 2016, the Executive Committee members were Mr. David Dew (Chairman), Engr. Khalid Abdullah Al Molhem, Mr. Mohammed Omran Al-Omran and Mr. Khaled Suliman Olayan.

The committee is responsible for assisting the Managing Director on matters which are referred to it by the Managing Director or by the Board, including matters relating to the business and financial performance of the main business units, legal, risk and compliance related matters and human resource matters. In addition, the Executive Committee reviews and considers all monthly reports submitted by different functional heads and business segments of SABB. The Executive Committee meets twelve times during the year.

Audit Committee

The Audit Committee is appointed by the Board and consists of three to five members who are selected from among SABB's non-executive Directors as well as independent non-director members. As of 31 December 2016, the Audit Committee members consisted of four independent non-Board members, Mr. James Madsen, Mr. Saad AlSabti, Mr. Khaled Al Suabiel and Mr. Talal Ahmed Al Zamel.

The committee reports directly to the Board and meets four times during the year. Its main tasks are to assume supervision of the Internal Audit Department (see further, "*Description of the Issuer – Risk Management – Internal Audit*"), review control and reporting systems, oversee the Compliance function and recommend the appointment of external auditors and fixing of their fees in addition to any other tasks assigned by the Board.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three to five Board and non-Board members appointed by the Board and reports to the Board. As of 31 December 2016, the Nomination and Remuneration Committee members were Mr. Mohammed Omran Al-Omran (Chairman), Mr. Khaled Suliman Olayan, Mr. Samir Assaf and the non-Board member Mr. Zaid Al-Gwaiz.

The committee is responsible for evaluating and recommending the names of persons nominated for the membership of the Board and senior management in line with SABB policies and criteria. In addition, it is required to ensure compliance with the remuneration policy and the corporate governance practices and framework adopted by SABB. The Nomination and Remuneration Committee meets at least twice a year.

Board Risk Committee

The Board Risk Committee consists of three to five non-executive Directors selected from among the Directors and their appointment is subject to non-objection by SAMA. As of 31 December 2016, the Board Risk Committee members were Mr. Saad Abdulmohsen Al-Fadly, Mr. Mohammed Abdullah AlYahya and Mr. Georges ElHedery.

The committee meets on a quarterly basis and reports directly to the Board. The Board Risk Committee is assigned to oversee and advise the Board on all high-level risk related matters and to provide strategic direction for risk across SABB, including setting the risk vision, deciding priorities and overseeing the execution of major transformational risk initiatives.

SENIOR MANAGEMENT

As at the date of this Base Prospectus, SABB's senior management comprises the following individuals.

Name	Position
David Dew	Managing Director
Naif Alabdulkareem	General Manager, Retail Banking and Wealth Management
Richard Hinchley	Chief Risk Officer
Faisal Jadu.....	General Manager, Human Resources
Robin Jones.....	Chief Operating Officer
Mathew Pearce.....	Chief Financial Officer

Name	Position
Nabeel Ali Shoaib	Company Secretary
Saleh Al Motawa.....	Treasurer
Hussain Al Yami.....	Chief Internal Auditor
Sami Al Muhaid.....	Chief Compliance Officer

Brief biographies of each of the members of SABB’s senior management are set out below.

Name and Position	Background and Other Positions
David Dew Managing Director	Mr. Dew has been the Managing Director of SABB since 2010. For further details see his biography under “– Board of Directors”.
Naif Alabdulkareem General Manager, Retail Banking and Wealth Management	Mr. Abdulkareem joined SABB in January 2012 as the Head of Private Banking. Currently he is responsible for SABB’s Retails Banking and Wealth Management departments and has over 15 years of experience in retail and corporate banking. Prior to this, he held the role of Corporate Banking Relationship Manager at Riyad Bank and Regional Manager at National Commercial Bank, He graduated in Business Administration from the King Saud University, Saudi Arabia and holds a master’s degree in Business Administration from the University of Illinois, United States of America.
Richard Hinchley Chief Risk Officer	Mr. Hinchley joined SABB in July 2016 as the Chief Risk Officer. He has overall responsibility for SABB’s credit and risk management and has over 23 years of experience in risk management and banking having worked in various risk management, business and support roles with HSBC in the United Kingdom, Latin America and North America. Prior to joining SABB in 2016, Mr. Hinchley held the role of Chief Risk Officer at HSBC Saudi Arabia. He holds a bachelor degree in Business Studies from Bradford University, United Kingdom.
Faisal Jadu General Manager, Human Resources	Mr. Jadu joined SABB in 2011. He is responsible for SABB's human resources division and has approximately 13 years of experience in human resources ("HR") and in the banking industry. Prior to joining SABB, Mr. Jadu worked at Alawwal Bank for several years in various HR executive roles including as Head of Recruitment, Compensation & Benefits. He holds a bachelor degree in Management Information System from King Fahd University for Petroleum and Minerals.
Robin Jones Chief Operating Officer	Mr. Jones was appointed Chief Operating Officer of SABB in July 2017. He is responsible for overall banking operations at SABB and has over 23 years of HSBC experience and has held a number of senior leadership positions across multiple geographies including the UK, US, Canada, Australia, South Africa and, more recently, MENA, where he was the Deputy Chief Executive Officer and Chief Operating Officer. Mr. Jones was previously the Chief Operating Officer of SABB in Saudi Arabia from 2009 to 2011 with responsibility at that time on driving several key initiatives whilst managing the operational infrastructure of the Bank. He also served as an Executive Director to the SABB Board and is a member of the Chartered Association of Certified Accountants.
Mathew Pearce Chief Financial Officer	Mr. Pearce joined SABB in September 2016 as the Chief Financial Officer (“CFO”). He has over 16 years of international banking experience in Europe and Asia, most recently serving in senior finance roles with HSBC in Hong Kong, India and Japan. Immediately prior to joining SABB, Mr Pearce was CFO at HSBC Japan. He holds a Bachelor of Science in Business & Japanese from University of Wales, Cardiff and is a Chartered Accountant of the Institute for Chartered Accountants in England & Wales.
Nabeel Ali Shoaib	Mr. Shoaib joined SABB in 1982. He is an experienced and well-rounded

Company Secretary	professional banker, having working experience in Credit, Retail Banking, Operations, Global Business (Global Head of HSBC Amanah), Internal Audit, Chief Operating Officer (HSBC SA), and currently Company Secretary since May 2017. He has worked in international postings for two years, and has served as a board member at Saudi Travel Cheque Company STTC now called “Sanid” for two terms from 2010 to 2014. He also served as a board member in SABB Takaful in 2008 and Saudi Credit Bureau (Simah) for one year in 2013. He was an Audit Committee member at HSBC SA between 2013 and 2014.
<i>Saleh Al Motawa</i> Treasurer	Mr. Al Motawa joined SABB in June 1991 as a Senior Clerk. Currently Mr. Saleh is responsible for SABB Treasury Department as the Bank’s Treasurer and has over 20 years of experience in the banking industry. Prior to this, he held the role of Deputy Treasurer at SABB and Treasury Chief Dealer at SABB. He holds a bachelor degree in Public Relation from King Saud University, Saudi Arabia.
<i>Hussain Al Yami</i> Chief Internal Auditor	Mr. Al Yami joined SABB in May 2006 as the Head of IT Development before being appointed to his current role as the Chief Internal Auditor. Mr. Al Yami has over 25 years of workplace experience, over 20 of which have been spent in the banking industry. Prior to his appointment as Chief Internal Auditor, he held the role of Chief Risk & Administration Officer and Chief Information Officer at SABB. He holds a bachelor degree of Business Information System from Arkansas University, United States of America.
<i>Sami Al Muhaid</i> Chief Compliance Officer	Mr. Al Muhaid joined SABB in June 2013 as the Deputy Head of Compliance before being appointed to his current role as the Chief Compliance Officer. He is responsible for SABB’s Compliance division and has over 17 years of experience in the banking industry. Prior to this, he was the head of Anti Money Laundering at AlRajhi Bank. He holds a bachelor degree in finance from The American University of London, United Kingdom and also holds a number of certifications and diplomas on compliance.

MANAGEMENT COMMITTEES

SABB has established the following management committees responsible for overseeing various day-to-day business activities, risk management and the operations of SABB in general: the Management Committee, the Risk Management Committee (“**RMC**”) which in turn has established the Operational Risk and Internal Control Committee (“**ORICC**”) and Compliance Committee (“**CCM**”), the Liquidity Management Committee (“**LMC**”), the Asset and Liability Committee (“**ALCO**”) and the Audit Tracker Committee (see further “*Description of the Issuer —Risk Management— Risk Oversight and Reporting*” and “*Description of the Issuer —Compliance*”).

SABB SHARI’AH COMMITTEE

The Shari’ah Committee of SABB is an independent committee appointed by SABB’s board of directors. It is an independent committee which guides SABB and meets regularly to review and appraise various transactions and ensure compliance with the principles of Shari’ah. The Shari’ah Committee of SABB comprises of the following three members:

Sheikh Abdullah Bin Sulaiman Al Manea (Chairman)

Sheikh Abdullah Al Manea is a Consultant to the Royal Diwan and was formerly Deputy President of the Makkah Courts.

Sheikh Abdullah Al Manea is a member of the Senior Scholars Council, the Supreme Judiciary Committee of Saudi Arabia, the Islamic Fiqh Academy (Jeddah) and the Shari’ah Council of the Accounting and Auditing Organisation for Islamic Financial Institutions (“**AAOFI**”).

Sheikh Abdullah Sheikh Abdullah Al Manea is a member of a number of Saudi banks' Shari'ah committees and is an author of a number of books and research publications on Islamic economy.

Sheikh Dr. Abdullah Bin Mohammed Al-Mutlaq

Sheikh Abdullah Al-Mutlaq is a Professor of Shari'ah, a member of the Permanent Committee for Research and Pronouncements (iftaa) and Consultant to the Royal Diwan.

Sheikh Abdullah Al-Mutlaq received his Ph.D. from Imam Mohammed Bin Saud University, Riyadh (Kingdom of Saudi Arabia) in 1404H and was formerly Chairman of the University's Comparative Fiqh Department.

Sheikh Abdullah Al-Mutlaq is a member of many Saudi banks' Shari'ah committees and is a member of AAOFI.

Sheikh Abdullah Al-Mutlaq has supervised a number of Ph.D. thesis and has participated in the discussion of a number of M.A. and Ph.D. dissertations. He has compiled a number of Shari'ah rulings (interpretive opinions) and is an author of a number of books on Islamic finance.

Sheikh Dr. Mohammed Ali Elgari

Dr. Elgari is Professor of Islamic Economics at King Abdulaziz University, Jeddah (Kingdom of Saudi Arabia) and former Director of the Centre for Research in Islamic Economics in the same university. He is an Expert at the Islamic Jurisprudence Academy of The Organisation of Islamic Cooperation and the Islamic Jurisprudence Academy of the Islamic World League and a member of the Shari'ah Council of AAOFI.

Dr. Elgari is chairman and a member of numerous Shari'ah boards of islamic banks and takaful companies worldwide. He has authored several books on Islamic finance and published articles on the subject both in Arabic and English. Dr. Elgari is also a frequent speaker in conferences worldwide.

Dr. Elgari is the recipient of the Islamic Development Bank prize in Islamic Banking and Finance for the year 1424H (2004). Dr. Elgari holds a Ph.D. from the University of California (United States of America).

EMPLOYEES

As at 31 December 2016, SABB had approximately 3,317 employees, compared to 3,451 employees as at 31 December 2015.

SABB's Human Resources function ("**HR**") supports SABB in achieving its overall strategic goals of market leadership and becoming one of the best banks to work for in Saudi Arabia. The HR team focuses on developing talented individuals across the business lines to ensure a defined career path for individuals and, simultaneously, the delivery of desired business results. SABB also aims to foster a welcoming and positive work environment for its employees built on collaboration, respect and recognition across the organisation.

As part of SABB's overall strategy it continues to invest in a robust performance management system including its total reward proposition, combined with high quality and structured learning and development programmes and ongoing initiatives designed to enhance the employee value proposition and employee engagement and to embed the "SABB values" and international standards across the organisation. HR continues to provide technical and soft skills training programmes with more than 8,555 training days being delivered throughout 2016 and 5,532 participants attending formal training events during the year. In 2015 SABB was awarded the MENA private sector employer of the year award by Human Assets Expansion Summit and also received recognition from the Employer Branding Institute for the strength of its employer brand. SABB has also been recognised as one of the top 10 employers by Universum and is considered to be the number one employer in the financial sector.

Companies in Saudi Arabia are required by the Ministry of Labour to ensure that a certain percentage of their staff are Saudi nationals. In 2014, SABB won an award for its Saudisation initiatives and this will remain a key area of SABB's focus. As a result of enhanced recruitment practices, career fairs and graduate events, SABB's Saudisation ratio as at 31 December 2016 was 90.06 per cent., with an increase in the number of female employees in all departments (with 19.5 per cent. of all employees as at 31 December 2016 being female).

OVERVIEW OF THE KINGDOM OF SAUDI ARABIA

INTRODUCTION

Saudi Arabia, situated in the southwestern part of Asia, comprises almost four-fifths of the Arabian Peninsula, an area approximately one-third the size of the continental United States. Saudi Arabia is the largest country in the Gulf Cooperation Council (the “GCC”) and the second-largest Arab country. Its geography is dominated by the Arabian Desert and associated semi-deserts and shrubland. Saudi Arabia is bordered in the north and northeast by Jordan and Iraq, in the east by Kuwait, Qatar and the United Arab Emirates, in the southeast by Oman and in the south by Yemen. It is connected to Bahrain by the King Fahd causeway.

The modern Kingdom of Saudi Arabia was declared in 1932 by King Abdul Aziz bin Abdul Rahman Al Saud. The capital of Saudi Arabia is Riyadh. Since the discovery of oil fields in the eastern region along the coast of the Arabian Gulf in 1938, Saudi Arabia has experienced rapid growth and is now the world’s second largest producer of oil and natural gas, holding more than 17.9 per cent. of the world’s proven oil reserves (*source*: OPEC’s 2016 Annual Statistics Bulletin).

GOVERNMENT AND LEGAL FRAMEWORK

Saudi Arabia is a monarchy with a political system rooted in the traditions and culture of Islam. The King is both the head of state and the head of the Government. Its constitution, the Basic Law issued by Royal Decree number A/90 and dated 27/8/1412H (corresponding to 2 March 1992), specifies that the King must be chosen from among the sons of the first King, Abdul Aziz bin Saud, and their male descendants. In 2006, the Allegiance Council was established, comprised of: (a) King Abdul-Aziz bin Saud’s surviving sons; (b) one son of each deceased/disabled son of King Abdul-Aziz bin Saud; 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 King controls the legislative, executive and judicial bodies and royal orders and royal decrees that together form the basis of Saudi Arabia’s legislation. The King is also the Prime Minister and he presides over the Council of Ministers (*Majlis al-Wuzara*), which was established by Royal Decree in 1953 and consists of the first and second deputy Prime Ministers and 21 Ministers with portfolios and six Ministers of State. The King makes appointments to and dismissals from the Council of Ministers. The Council of Ministers 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 local, provincial and national levels also hold regular meetings, which are open to members of the public (*majalis*) and where members of the public may discuss issues and raise grievances.

Since the founding of the modern Kingdom of Saudi Arabia in 1932, and as per the Basic Law of Governance in Saudi Arabia adopted by Royal Order in 1992, *Shari’a* (Islamic law) has been the pillar and source of Saudi Arabia’s basic system of government and is the paramount body of law in Saudi Arabia.

The *Shari’a* is comprised of a collection of fundamental principles derived from a number of different sources, which include the *Holy Qu’ran* and the *Sunnah* (the witnessed sayings and actions of the Prophet Mohammed). In addition to the *Shari’a*, Saudi law is also derived from enacted legislation that may not conflict with *Shari’a* principles. Legislation is enacted in various forms, the most common of which are Royal Orders, Royal Decrees, Council of Ministers resolutions, High Orders, ministerial resolutions and ministerial circulars having the force of law. All such laws and regulations are ultimately subject to, and may not conflict with, the *Shari’a* and each Saudi court or other adjudicatory authority is required to interpret such legislation accordingly.

In 1992, in conjunction with the promulgation of the Basic Law of Governance in Saudi Arabia, the Law of Provinces and the Law of *Majlis Al-Shura* (the “**Consultative Council**”) were introduced. 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.

Saudi Arabia's judicial system is composed of *Shari'a* courts of general jurisdiction, a system of administrative courts known as the Board of Grievances and various adjudicatory or semi-judicial committees with special jurisdiction over such matters as banking transactions, securities regulation, intellectual property, labour disputes, electricity industry disputes and medical malpractice. The Board of Grievances also holds jurisdiction over general commercial disputes as a temporary situation and until the commercial court is established. Saudi judges enjoy wide discretionary power in deciding disputes and some areas of law, including civil and commercial law, remain uncodified. Saudi judges are not bound by judicial precedent. Though efforts have been made to record and publish selected samples of judicial decisions, the vast majority of court decisions in Saudi Arabia are not published or available to the public.

In 2007, judicial reforms were announced, including the establishment of courts of appeal and two supreme courts as well as the merger of most special adjudicatory committees into the general *Shari'a* courts, though exceptions were made for certain adjudicatory committees. The main committees which were exempted from these reforms are: (a) the Committee for the Resolution of Banking Disputes, which operates under the aegis of SAMA; (b) the Committee for the Enforcement of the Banking Control Law, which also operates under the aegis of SAMA; (c) the Committee for the Resolution of Securities Disputes, which operates under the aegis of the CMA; and (d) the Committee for Resolution of Custom Duties Disputes. The 2007 reforms also included the transfer of jurisdiction over commercial disputes from the Board of Grievances to the general *Shari'a* courts. However, with the exception of the establishment of the courts of appeal and the two supreme courts, most of these reforms are yet to be put into practice.

POPULATION AND EMPLOYMENT

The population of Saudi Arabia in 2016, based on mid-year 2016 estimates carried out by the Central Department of Statistics and Information of the Ministry of Economy and Planning (the "CDSI"), is approximately 31.7 million, which represents growth of approximately 2.3 per cent. from the previous year's estimate of 31.0 million. Of this, Saudi nationals constituted 63.3 per cent. (approximately 20.1 million) and non-Saudi nationals constituted 36.7 per cent. (approximately 11.7 million) (source: CDSI website; General Authority for Statistics).

Figures issued by SAMA indicate that, in 2015, the total labour force in Saudi Arabia was approximately 11.8 million (10.6 million being employed in the private sector and 1.2 million being employed in the Government sector). Of the total labour force, 24.6 per cent. consisted of Saudi nationals and 75.4 per cent. consisted of non-Saudi nationals (source: SAMA annual statistics report published on the 16 June 2016 (the "**Annual Statistics Report**"). Overall unemployment in Saudi Arabia dropped to a rate of 5.6 per cent in 2015, a slight reduction to the previous year's unemployment rate of 5.7 per cent. This was mainly due to an increase in Saudi female participation in the workforce (the number of Saudi females that were employees increased by 20 per cent. in 2015 compared to 2014).

ECONOMY

Despite recent growth in other economic sectors, Saudi Arabia's economy is still dependent on oil revenues and the price of oil and gas on international markets. Traditionally, the oil industry has been the basis of development of Saudi Arabia's economy, which means that economic planning and development has been, and will continue to be, impacted by fluctuations in oil prices. Since mid-2014 there has been a sharp decline in international crude oil prices and this, coupled with challenging economic conditions generally, has had a significant adverse effect on the economy of Saudi Arabia and the other GCC countries that are dependent on oil revenues, resulting in reduced fiscal budgets and public spending plans in 2016, together with increased budget deficits across the GCC economies (including the Kingdom). According to data published by the Ministry of Finance in the 2017 Budget of Saudi Arabia, total revenues are expected to reach SAR 528 billion in 2016, with non-oil revenues expected to reach SAR 199 billion and representing a 20.6 per cent. increase on actual non-oil revenues compared to 2015.

The instability in oil prices is demonstrated by the average OPEC Reference Basket price per barrel which has fluctuated considerably in the last five years, having a year-end figure in 2011 of U.S.\$107.46 per barrel, a year-end figure in 2012 of U.S.\$109.45 per barrel, a year-end figure in 2013 of U.S.\$105.87 per barrel, a year-end figure in 2014 of U.S.\$96.29 per barrel and a year-end figure in 2016 of U.S.\$51.67 per barrel (source: OPEC website). Oil prices are expected to remain volatile and if the prevailing depressed

oil prices continue, this has the potential to adversely affect the economy of Saudi Arabia and other GCC countries in the future.

The table below shows Saudi Arabia's crude oil production for 2013, 2014 and 2015 (*source: Annual Statistics Report*):

	2015	2014	2013
	<i>(million barrels)</i>		
Total crude oil production.....	3,720.3	3,545.1	3,517.6
Daily average crude oil production	10.19	9.71	9.64

Notwithstanding the challenging economic conditions, the Saudi Arabian economy continued to grow during 2015 (but at a notable slower pace) as a result of ongoing government expenditure on development projects and continued structural and regulatory reforms aimed at achieving sustainable economic growth through diversifying the production base and increasing the contribution of the non-oil sector. Overall real GDP grew by 3.5 per cent. in 2015 compared to 3.6 per cent. in 2014. Non-oil sectors experienced a slowdown in growth compared to 2014, with real government sector growth slowing from 3.4 per cent. in 2014 to 3.3 per cent in 2015 and real non-oil private sector activity growth slowing from 5.4 per cent in 2014 to 3.4 per cent. in 2015 (*source: SAMA Financial Stability Report 2016*).

The table below shows Saudi Arabia's nominal GDP and related growth rates and the GDP at constant 2010 prices and related growth rates for 2013, 2014 and 2015 (*source: Annual Statistics Report*):

	2015	2014	2013
	<i>(U.S.\$ billion)</i>		
Nominal GDP.....	653.2	753.8	744.3
Percentage change in real GDP growth rates	3.5	3.6	2.7

The following table shows the contribution by economic sector to Saudi Arabia's GDP at constant 2010 prices for 2013, 2014 and 2015 (*source: Annual Statistics Report*):

	2015*	2014	2013
	<i>(SAR million)</i>		
Industries and other producers (excluding government services' producers)			
Agriculture, forestry and fishing	51,052	50,502	49,623
Mining and quarrying.....	1,004,215	972,729	963,602
(a) Crude oil and natural gas	994,714	963,411	954,551
(b) Other mining and quarrying activities	9,501	9,318	9,051
Manufacturing industries	296,140	279,987	255,603
(a) Oil refining.....	84,009	74,173	62,029
(b) Other industries.....	212,131	205,813	193,574
Electricity, gas and water	32,928	31,282	29,836
Construction and building.....	126,930	120,211	112,617
Wholesale and retail trade, restaurants and hotels.....	232,207	225,420	212,697
Transport, storage and communication	142,005	136,602	128,620
Finance, insurance, real estate and business services	231,984	225,533	218,36
(a) Houses ownership	124,000	119,382	115,307
(b) Others.....	107,984	106,152	103,059
Community, social and personal services	49,198	47,908	45,340
Less Calculated banking services.....	(20,514)	(20,333)	(20,169)
Government services' producers	353,919	346,099	335,057

Total (excluding import duties)	2,500,063	2,415,940	2,331,192
Import duties.....	20,739	19,956	19,181
GDP	2,520,802	2,435,896	2,350,373

*Preliminary data.

The decline in oil prices has provided an opportunity for the Government to implement growth-enhancing structural reforms (including the implementation of the Saudi Vision 2030 which has been designed as a road map to deal with certain economic issues; see “– Saudi Vision 2030” below). The acute drop in oil prices remains a challenge to oil dependent GCC countries and to counter this, the Government plans to continue its policy of economic reforms and diversification efforts (*source*: SAMA Financial Stability Report 2016).

According to data published by the Ministry of Finance in the 2017 Budget, expenditure was lower than initially projected due to the implementation of measures to reduce spending, and as result, the 2016 deficit will decrease to an estimated SAR 297 billion, significantly lower than its highest level in 2015 at SAR 366 billion. The GDP in 2016 is estimated to be SAR 2,581 million, a rise of 1.4 per cent. The GDP for the government sector is expected to rise by 0.51 per cent. and the private sector to grow by 0.11 per cent. The oil refinery activity has grown by 14.78 per cent., the highest growth rate within the economic constituents of the real GDP (*source*: 2017 Budget of the Kingdom of Saudi Arabia).

Domestic stock market

The CMA is the sole regulator and supervisor of Saudi Arabia’s capital markets and issues rules and regulations which are aimed at protecting investors and ensuring fairness and efficiency in the market.

The level of the general share price index of the Saudi Stock Exchange (“**Tadawul**”) increased from 6,911.76 at 31 December 2015 to 7,210.43 at 31 December 2016 (*source*: Tadawul website). During the same period the total market capitalisation of companies listed on the Tadawul increased from SAR 1,579 billion to SAR 1,682 billion.

Credit rating

The current difficulties in the macro-economic climate, particularly the concerns around the decline in global crude oil prices, recently prompted international rating agencies to take rating actions on the governments of a number of GCC states, including Saudi Arabia. On 17 February 2016, S&P lowered Saudi Arabia’s long-term and short-term foreign and local-currency sovereign credit ratings from A+/A-1 to A-/A-2 with the outlook changed from negative to stable. In March 2017, Fitch downgraded Saudi Arabia’s long-term foreign and local-currency issuer default ratings from AA- to A+ with a stable outlook while affirming Saudi Arabia’s country ceiling at AA+ and its short-term foreign-currency issuer default rating at F1+. Moody’s concluded its rating review on the GCC sovereigns on 14 May 2016, resulting in Saudi Arabia’s sovereign long-term issuer rating being downgraded from Aa3 to A1 with a stable outlook. Moody’s also lowered Saudi Arabia’s long-term foreign-currency bond and deposit ceilings from Aa3 to A1, whereas the short-term ceilings remained at Prime-1.

The following tables summarises Saudi Arabia’s current credit ratings assigned to by the three main credit rating agencies:

	Moody’s	Fitch	Standard and Poor’s
Long-term foreign currency.....	A1	A+	A-
Outlook.....	Stable	Stable	Stable

Foreign investment

The Saudi Arabian Foreign Investment Law requires all foreign investment in Saudi Arabia to be licensed by the Saudi Arabian General Investment Authority (“**SAGIA**”). Except for those areas expressly excluded by a list (referred to as the “**negative list**”) issued by the Supreme Economic Council under its authority in accordance with Article 3 of the Saudi Arabian Foreign Investment Law, foreign investment is permitted in all investment activities. The negative list is regularly updated. As part of its effort to attract foreign investment, Saudi Arabia acceded to the World Trade Organisation in

December 2005. SAGIA has the jurisdiction to license foreign investment in Saudi Arabia, in addition to the licensing of particular types of investment which are entrusted to other agencies (e.g., power generation and health care). Minimum investment thresholds for foreign investors may be amended by SAGIA from time to time. Currently, the minimum investment thresholds for obtaining foreign investment licenses for the four main categories are set as follows: (a) SAR 25 million for agricultural projects; (b) SAR 26.6 million for mixed ownership commercial projects; (c) 30 million for real estate development projects; and (d) SAR 500,000 for general services (subject to each service's additional requirements). To further promote foreign investment in the Kingdom, in June 2016, the Kingdom announced new licensing regulations to permit foreign investors to own 100 per cent. of companies operating in the wholesale and retail trading sectors in the Kingdom. The minimum share capital for a foreign investor to establish a local company in the wholesale and retail trading sectors is SAR 30 million and the minimum investment threshold is SAR 200 million for the next 5 years of the issuance of SAGIA license.

SAGIA, in coordination with a number of Saudi ministries launched the National Investment Plan (the “**NIP**”) to consolidate identified investment opportunities in the Kingdom under one program. The NIP aims to promote foreign and local investment and has to date identified 90 projects in the healthcare, transportation and industrial parts and equipment sectors. Promoting foreign investment is generally a key initiative and one of the three pillars under the Saudi Vision 2030 (see “– *Saudi Vision 2030*” below).

SAUDI VISION 2030

On 25 April 2016, the government of Saudi Arabia approved a new national reform plan, the ‘Saudi Vision 2030’, which sets out a methodology and roadmap for economic and developmental action in Saudi Arabia aimed at reducing the country’s economic and fiscal dependency on oil, boosting the private sector’s role in the economy, lowering unemployment and raising non-oil revenue. The Saudi Vision 2030 is centered on three pillars: (1) to remain at the heart of the Arab world; (2) to become a global investment powerhouse thereby stimulating the economy and diversifying revenues; and (3) to use its strategic location connecting three continents (Asia, Europe and Africa) to become a global hub for trade.

The vision includes regulatory, budget and policy changes that will be implemented over the next 15 years. Implementation over the first five years will be guided by the National Transformation Program 2020 which is designed to build the institutional capacity and capabilities needed to achieve the vision. The Council of Ministers has entrusted the Council of Economic and Development Affairs (“**CEDA**”) with the task of establishing the mechanisms and measures necessary to achieve the Saudi Vision 2030 and CEDA has developed a comprehensive governance model to coordinate efforts among stakeholders and to oversee progress.

The key initiatives and goals under the “Saudi Vision 2030” include the following (*source*: Vision 2030 website):

- to implement a government restructuring program and to strengthen public sector governance;
- to carry out a comprehensive regulatory review program in the Kingdom;
- to restructure the Public Investment Fund (“**PIF**”) and increase the size of its assets;
- to implement a strategic transformation program in respect of Saudi Arabian Oil Company (“**ARAMCO**”) to diversify its activities and transform ARAMCO from an oil producing company into a global industrial conglomerate;
- the privatisation of certain economic sectors such as health, airports, post and desalination;
- creating and promoting foreign investment opportunities in the Kingdom;
- encouraging SMEs and encouraging larger companies to list their shares (including on secondary markets);
- to increase non-oil government revenues to SAR 1,000 billion in 2030 from an estimated SAR 163 billion in 2016;

- to increase private sector contribution to GDP to 65 per cent. in 2030 from an estimated 40 per cent. in 2016;
- to increase non-oil exports as a percentage of GDP to 50 per cent. in 2030 from an estimated 16 per cent. in 2016; and
- to lower the unemployment rate of Saudi nationals to 7 per cent. in 2030 from an estimated 11.6 per cent. in 2016 and to increase female labour force participation to 30 per cent in 2030 from an estimated 22 per cent. in 2016.

THE BANKING SECTOR IN THE KINGDOM OF SAUDI ARABIA

GENERAL

As at 31 December 2016, there were 24 commercial banks operating in Saudi Arabia, of which 12 were incorporated in Saudi Arabia. The remaining 12 operating banks were branches of banks based in countries of the GCC other than Saudi Arabia (namely Gulf International Bank (“GIB”), Emirates NBD, National Bank of Bahrain, National Bank of Kuwait and Bank Muscat)) and included seven international banks (namely JPMorgan Chase, BNP Paribas, Deutsche Bank, T.C. Ziraat Bankası A.Ş., State Bank of India, National Bank of Pakistan and Industrial and Commercial Bank of China). Qatar National Bank is licensed but had not commenced operations. All of the 12 Saudi operating banks are publicly-listed joint stock companies and their shares are traded on the Tadawul.

All 12 Saudi banks provide a broad range of retail and wholesale banking products and services. Al Rajhi Bank, Bank Al-Bilad, Bank Al Jazira and Al Inma Bank provide only Shari’a compliant products and services. The remaining eight banks provide a combination of Shari’a compliant and conventional banking products and services.

In addition to the commercial banks, there are a number of state-run credit institutions, including the Saudi Industrial Development Fund, the Real Estate Development Fund, the Saudi Arabian Agricultural Bank, the Saudi Credit and Savings Bank and The Saudi Development Fund, which provide funds for targeted sectors. In addition, the Public Investment Fund is the investment arm of the Government while the Islamic Development Bank is a multilateral development financing institution. SAMA does not have governance of any of these entities.

As at 31 December 2016, there were 2,038 bank branches and 17,887 ATMs and 276,167 point of sale terminals in Saudi Arabia (*source: SAMA, December 2016 Monthly Statistics*).

Key highlights of the trends and outlook for the Saudi banking industry are as follows:

- the combination of growing consumer appetite and renewed demand in the corporate sector has allowed for a strengthening of most banks’ balance sheets;
- with the rising sophistication and education of an increasingly young Saudi population, demand for retail banking services in Saudi Arabia will continue to expand. The younger Saudis are moving away from using cash to using banks for their financial transactions. This is expected to lead to an expansion in the demand for retail services, an area dependent on the ability of Saudi banks to embrace technology. Most banks in Saudi Arabia have upgraded their automation processes, including offering internet and mobile banking and diversified their retail products to be better positioned to compete more effectively;
- fee based services and products for retail markets are proliferating, the focus being turned to non-funded business volumes and cross-selling opportunities; and
- Islamic banking continues to be an area of growth.

HISTORY

The first bank in Saudi Arabia was the Netherlands Trading Society which was founded in 1926 and is still operating in Saudi Arabia as AlAwwal Bank. National Commercial Bank, established as a partnership in 1950, was the first wholly Saudi-owned bank. Prior to 1976, a number of wholly foreign-owned banks operated branches and subsidiaries in Saudi Arabia, including The British Bank of the Middle East, whose operations were taken over by SABB in 1978.

In 1976, the Government issued a directive requiring all banks operating within its borders to convert to entities incorporated locally in which at least 60 per cent. of the shares are owned by Saudi nationals.

In 2000, the first branch of a foreign bank authorised in over 40 years was opened in Saudi Arabia, in connection with changes in GCC countries’ policies concerning cross-border banking. The new entrant was GIB, an off-shore bank based in Bahrain and owned by the six GCC states. GIB had been active in Saudi Arabia for many years, but having a branch allowed it to compete at close hand. More recently,

SAMA has granted several banking licences and these new banks are expected to intensify competition.

There are also non-bank competitors in brokerage and personal finance. The Saudi banking sector has seen an accelerating competitive convergence focused on Islamic banking, private and affluent segments, brokerage and investment banking, as well as aggressive investments in new distribution, marketing and technology.

RECENT DEVELOPMENTS

As part of the Government's general initiative to liberalise the Saudi economy and encourage foreign investment, the banking, financial and insurance sector was opened up to foreign participation.

SAMA granted licences to GIB, Emirates NBD P.J.S.C., National Bank of Bahrain, National Bank of Kuwait, Muscat Bank, JPMorgan Chase, BNP Paribas, Deutsche Bank, National Bank of Pakistan, State Bank of India, T.C. Ziraat Bankası A.Ş. and Industrial and Commercial Bank of China to operate branches in Saudi Arabia. The Government also developed the capital markets sector in Saudi Arabia with the enactment of the Capital Market Law (issued by Royal Decree No. M/30 dated 2/6/1424H (corresponding to 31/7/2003)). The CMA was also established to regulate the capital markets in Saudi Arabia. In line with the Government's overall desire to develop and boost the capital markets in Saudi Arabia, the CMA has encouraged the participation of foreign investment banks. Since its establishment, the CMA has licensed more than 83 entities to conduct various types of securities business in Saudi Arabia (*source*: CMA website).

CORPORATE BANKING SEGMENT

The majority of banking assets in Saudi Arabia are loans to businesses, and, as at 31 December 2016, commercial banks' claims on the private sector constituted more than 62 per cent. of total banking assets (*source*: SAMA, *December 2016 Monthly Statistics*). 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 the Saudi economy has contributed to growth in corporate assets.

Though commercial mortgages are a lucrative business in developed countries, Saudi banks have not been very active in this product due to legal and operational hurdles. However, financing is provided for real estate development purposes, which does not fall under commercial mortgages.

SIMAH provides consumer credit information and is considering introducing commercial credit information services for corporates. This will help the exchange of credit-related information among member banks, giving a broad coverage of the risk profiles of Saudi customers.

Investment banking activities have been growing rapidly in Saudi Arabia. Project finance has also been a strong growth area with several projects being financed in recent years. While the prevailing depressed oil prices pose challenges to the Saudi economy, leading to lower growth rates, a reduced fiscal budget and reduced public spending, project finance is nonetheless expected to continue to be a strong area for banking business as a result of planned investments in infrastructure and industry in line with the reform and stabilisation programs being implemented to reduce the state's dependency on oil-related revenues..

PERSONAL BANKING SEGMENT

Consumer lending increased by approximately 4.5 per cent. from 313.1 billion at the end of 2014 to SAR 327.1 billion at the end of 2015 (*source*: SAMA, *September 2016 Monthly Statistics*). The growth in consumer finance has been driven by several factors, including:

- continued economic growth (though at a slower pace) coupled with favourable consumer demographics;
- growth of the credit card market;
- product innovation and a rapidly expanding range of product and service offerings; and
- the creation of SIMAH.

The value of the credit card loans market was SAR 11.4 billion as at 30 September 2016 (*source: SAMA, September 2016 Monthly Statistics*). This credit card growth is expected to continue as a result of the increasing use of electronic forms of payment within Saudi Arabia. The majority of personal lending is tied to electronic salary assignment, thereby enhancing asset quality and effectively reducing the risk associated with personal lending which, coupled with higher margins than in corporate lending, has made personal finance a particularly attractive segment for banks in Saudi Arabia.

SIMAH offers consumer credit information services to respective members in Saudi Arabia. SIMAH was established by the commercial banks operating in Saudi Arabia within the context of the current banking act and regulations issued by SAMA. SIMAH aggregates credit-related information among participating members to provide credit providers with a more complete risk profile of customers.

ISLAMIC FINANCE

Islamic finance has been a main growth area for the Saudi financial economy and has been one of the most significant developments in financial markets in recent years. Saudi Arabia is one of the largest and the fastest growing markets for Islamic banking in the world. According to Ernst & Young (EY)'s *World Islamic Banking Competitiveness Report 2016*, Islamic banking assets in Saudi Arabia comprised approximately 51 per cent. of Saudi Arabia's total banking assets in 2014, increasing from approximately 38 per cent. in 2010 and representing year-on-year growth in Islamic banking assets in Saudi Arabia of approximately 20 per cent. between 2011 and 2014 (compared to year-on-year growth in conventional banking assets in Saudi Arabia of approximately 4 per cent. over the same period).

The Islamic banking industry in Saudi Arabia encompasses a blend of institutions of different categories ranging from fully dedicated Islamic banks to conventional banks offering Islamic banking services through separate divisions/windows. Many banks in Saudi Arabia have *Shari'a* boards opining as to the application of *Shari'a* principles in financing structures and approving all Islamic products.

Currently a wide range of *Shari'a* compliant products are available in the market for corporate and personal banking segments covering credit, deposit, investment and treasury offerings.

The personal banking segment has experienced the strongest demand for Islamic banking products and services with consumer Islamic assets forming the bulk of total consumer assets. In addition to deposit products, Islamic financing solutions include personal finance, home finance and Islamic credit cards. With growing business activity in the real estate sector and a growing population, *Shari'a* compliant home financing is expected to be a major driver of Islamic personal banking asset growth in future.

Credit demand from the corporate banking segment has experienced growth following the launch of infrastructure projects and increasing interest in manufacturing. Main product offerings include *ijara* and *murabaha* and are offered as bilateral facilities as well as through syndications. To cater to this market segment, Islamic banks have also introduced innovative *Shari'a* compliant solutions. In recent years, there have been several large size Islamic project finance transactions attracting participation from a large number of banks. This has placed the Islamic banking sector in a competitive position *vis-à-vis* its conventional counterparts. Corporations tapping the capital markets, both for debt and equity issues, find it difficult to raise funds if they have conventional financing on their balance sheets. This has led to many companies converting their conventional facilities to Islamic facilities.

Saudi Arabia has also witnessed rapid development of the sukuk market with a number of issuances being oversubscribed and attracting large investments. Moreover, in June 2009, the Tadawul launched the sukuk and bonds market providing many services such as listing, order submission, trade execution, clearing and settlement and prices information dissemination. This market enables investors to diversify their investments by buying and selling sukuk and bonds through existing brokerage firms and by using the same portfolio that is used for trading securities.

The Islamic banking segment is expected to continue to grow with credit demand anticipated from corporate and consumer segments (as for the conventional banking market, growth in Islamic banking may evolve at a slower pace in light of the current economic challenges caused by the acute drop in oil prices). It is also expected to be accompanied by a simultaneous increase in innovative Islamic product offerings and growing awareness and demand within the general public for sophisticated *Shari'a* compliant solutions.

TREASURY

The treasury activities of Saudi banks have increased over the past few years as the financial markets have become more sophisticated with the increased use of financial instruments. Some Saudi banks are able to offer their customers structured products that make use of derivatives and that are also *Shari'a* compliant.

INVESTMENT BANKING AND ASSET MANAGEMENT

The activity of investment banking and mutual fund services has seen large growth during the past years. Brokerage services especially flourished during the 2003-2006 period, when Tadawul peaked to all-time highs. Following market corrections in 2006 and again in 2008, Tadawul's market capitalisation declined considerably, recovering to record a compound annual growth rate of 13.65 per cent. from 2008 to 2013. The level of the general share price index of Tadawul has declined since 2013, decreasing from 8,535.6 at 31 December 2013 to 8,333.3 at 31 December 2014 and to 6,911.76 at 31 December 2015. Between 31 December 2015 and 31 December 2016, the general share price index increased to 7,210.43, representing a decrease of 15.5 per cent between the end of 2013 and 2016. The total market capitalisation of companies listed on Tadawul increased from SAR 1,753 billion in 2013 to SAR 1,813 billion in 2014, but subsequently declined to SAR 1,579 billion in 2015. During the period from 31 December 2015 to 31 December 2016, the total market capitalisation of companies listed on the Tadawul increased from SAR 1,579 billion to SAR 1,682 billion.

In harmony with the Government's drive to develop an efficient capital market platform, a number of banks, including SABB, embarked on providing corporate finance and equity and debt capital markets advisory services to companies. Since 2003, a number of initial public offerings have been effected, several of which were Government initiatives.

Furthermore, the CMA has issued licenses to several financial institutions to engage as principal or as an agent in equity lead arrangements, equity management arrangements and/or advisory and securities custody services. Following this, a number of Saudi banks have established separate subsidiaries to undertake these activities.

The Council of Ministries of Saudi Arabia passed a resolution permitting foreign financial institutions to buy and sell shares in companies listed on Tadawul. The CMA subsequently approved and published the rules of the Qualified Foreign Financial Institutions Investment in Listed Shares on 4 May 2015 which govern the investment by the Qualified Foreign investors ("**QFI**") into listed shares. The rules cover (i) the registration of QFI and their approved clients (ii) the continuing obligations for the QFIs (iii) the investment restrictions, and (vi) the obligations of the authorized persons when dealing with QFIs. The CMA has recently approved the amended Rules for Qualified Foreign Financial Institutions Investment in Listed Shares which became effective on 4 September 2016.

BANKING REGULATION AND SUPERVISION IN THE KINGDOM OF SAUDI ARABIA

SAUDI ARABIAN MONETARY AUTHORITY

Overview and Functions

SAMA is the regulator and supervisor of licensed financial institutions including banks, finance companies, leasing and real estate companies, insurance companies, money exchange companies and credit information companies in Saudi Arabia.

SAMA was established pursuant to Royal Decree No. 30/4/1/1046 dated 25/07/1371H (corresponding to 20/04/1952). Some of SAMA's major functions (as published on its website) are to:

- issue the national currency (Saudi Riyal);
- deal with the banking affairs of the Government;
- supervise commercial banks and exchange dealers;
- manage Saudi Arabia's foreign exchange reserves;
- manage monetary policy for maintaining price and exchange rate stability;
- promote the growth of the financial system and ensure its soundness;
- supervise cooperative insurance companies and the self-employment professions relating to the insurance industry;
- supervise finance companies; and
- supervise credit information companies.

Banking Control Law

The Banking Control Law (“**BCL**”) was issued by Royal Decree No. M/5 dated 22/02/1386H (corresponding to 12/06/1966) with the aim of protecting banks, customers' deposits and shareholders and securing adequate liquidity levels. The 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 BCL sets out the framework within which banks must operate in Saudi Arabia and is supplemented by circulars, directives and guidelines issued by SAMA from time to time. These circulars and directives are generally not made publicly available outside the banking sector.

Consumer Protection

SAMA has been a strong advocate of the protection of consumer interests since obtaining its charter in 1952 and the issuance of the BCL in 1966. Consequently, SAMA has played an important role in ensuring that the financial institutions under its supervision deal with consumers fairly and honestly.

As Saudi Arabia's financial sector evolves and grows, SAMA continues to review these developments and decides on appropriate legislative, regulatory and organisational changes to provide the level of consumer protection expected from a country that is a member of the world's main economic and financial organisations. SAMA's current objective is to ensure that all consumers who have dealings with licensed financial institutions in Saudi Arabia receive the expected level of consumer protection including fair treatment, honesty and ease of access to financial products and services.

SAMA has set out the conduct expected from such financial institutions through various regulations, policies and issued instructions including the “Banking Consumer Protection Principles” (the “**Principles**”) issued in June 2013.

The Principles set out key guidelines to enable licensed banking institutions to deliver the required level of fair treatment, honesty and financial inclusiveness thereby meeting SAMA's strategic objective for financial consumer protection in Saudi Arabia. The Principles apply to the activities of banks operating by way of a license, who are under the supervision of SAMA and who are dealing with persons who are, or may become consumers. It also applies to the activities of any third party engaged by such banks to undertake any outsourced activities. The Principles are binding on all such banks, complementary to the instructions and internal regulations issued by any such bank and applicable to all transactions that are made with individual consumers effective from 1 September 2013.

The Principles were issued pursuant to powers granted to SAMA under the following legislation and regulations:

- Charter of the Saudi Arabian Monetary Agency – Article (3d), issued by Royal Decree No. 23 dated 23/05/1377H (corresponding to 15/12/1957);
- Banking Control Law issued by Royal Decree No. M/5. dated 22/02/1386H (corresponding to 12/06/1966); and
- Ministerial Decree No.3/2149. dated 14/10/1406H (corresponding to 22/06/1986).

The “G20 High-Level Principles on Financial Consumer Protection” provide the background for the “General Principles for Financial Consumer protection” which are now being adopted as part of the Principles.

In addition, SAMA has recently published an updated Regulations for Consumer Finance, dated July 2014 (the “**New Regulations**”). These New Regulations supersede and replace the Regulations for Consumer Credit of October 2005 issued as circular 33232-MASH/516 dated 231426/09/H and its subsequent updates. The New Regulations came into effect from 11 Dhul Qada 1435H corresponding to 16 September 2014 and contain a number of provisions relating to the protection of consumer rights, including:

- allowing customers to partially or fully repay their remaining finance facilities anytime during the relevant financing period;
- unifying management fee across all banks in Saudi Arabia;
- providing customers with summaries of their financings, which include basic details of the same and also references key provisions thereof;
- prescribing rules and standards in relation to how banks deal with customers; and
- emphasising the principles of transparency and disclosure in consumer finance contracts.

The New Regulations are aimed at ensuring that consumer finance contracts have enhanced levels of disclosure and transparency and are aimed at, among other things, enabling customers to be better informed of their rights and obligations under their financings. Pursuant to the New Regulations, consumer finance contracts should set out, among other things:

- details of the financing, including the total cost of the financing;
- the calculation method for determining profit;
- all charges, commission and administration fees;
- consequences of delays in payments of instalments; and
- the procedure for exercising a customer's right of withdrawal, early settlement or termination.

The full (official) version the New Regulations is available for viewing on SAMA's website (www.sama.gov.sa).

Real Estate Financing and Finance Leasing

In August 2012, the Saudi Council of Ministers issued a package of legislation in relation to the finance industry including real estate financing (the “**Real Estate Finance Law**”), leasing (the “**Finance Lease Law**”) and supervision of financial companies (the “**Law of Supervision of Finance Companies**”), in each case, as further described below. In February 2012, SAMA issued the implementing regulations of these laws.

Real Estate Finance Law

This law provides the regulatory architecture for the authorisation and licensing of banks and finance companies to enter the real estate market. In particular:

- banks will be allowed to own real estate for the purposes of real estate finance – a key feature of Islamic financing products;
- the Government will publicise real estate market activity and financiers will be granted access to courts and notary registers; and
- a credit check will have to be conducted against borrowers through one of the authorised credit bureaus.

Financial Lease Law

This law prescribes the rules relating to finance leasing and specifically states that:

- the responsibilities of the lessor and lessee must be carried out in a *Shari’a* compliant manner, (placing asset risk on the lessor during the lease term but making the lessee responsible for the relevant use);
- the transfer of leased assets is permitted to the lessee upon maturity of the lease term; and
- the lessor is permitted to request payments of future rentals if the lessee is in payment default, provided the number of such payments is not greater than the number of late payments.

Law on Supervision of Finance Companies

This law provides a regulatory and supervisory framework for *Shari’a* compliant finance companies to provide SAMA approved forms of financing, including real estate financing.

However, regulations surrounding items such as capital adequacy, loan to value (LTV) ratios, transaction costs and consumer rights have yet to be announced.

CAPITAL MARKETS AUTHORITY

The CMA was established by the Capital Market Law, issued by Royal Decree No. (M/30) dated 2/6/1424H (corresponding to 31/7/2003) (the “**CML**”). The CMA is a governmental organisation with financial, legal and administrative independence.

The CMA regulates Saudi Arabia’s capital markets. It issues the required rules and regulations for the implementation of the provisions of the CML aimed at creating an appropriate investment environment. Some of the CMA’s major objectives are to:

- regulate and develop the capital market;
- protect investors and the general public from unfair and unsound practices involving fraud, deceit, cheating, manipulation and insider trading;
- achieve fairness, efficiency and transparency in securities transactions;
- develop measures to reduce the risks pertaining to securities transactions;

- develop, regulate and monitor the issuance of, and trading in, securities;
- regulate and monitor the activities of entities subject to the control of the CMA;
- regulate and monitor full disclosure of information related to securities and their issuers; and
- regulate proxy and purchase requests and public share offerings.

Formation of the Saudi Stock Exchange (Tadawul)

On 19 March 2007, the Saudi Council of Ministers approved the formation of The Saudi Stock Exchange (Tadawul) Company. This was in accordance with Article 20 of the Capital Market Law establishing Tadawul as a joint stock company.

In the early 1980s, the Government embarked on forming a regulated market for trading. In 1984, a Ministerial Committee composed of the Ministry of Finance and National Economy, the Ministry of Commerce and SAMA was formed to regulate and develop the market. SAMA was the government body charged with regulating and monitoring market activities until the establishment of the CMA in July 2003. As the sole regulator and supervisor of the capital markets, the CMA issues the required rules and regulations to protect investors and ensure fairness and efficiency in the market (*source*: Tadawul website).

MANAGEMENT OF LIQUIDITY AND CREDIT RISK

Under the BCL, 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 in order to comply with the requirements of the BCL.

Previously, the BCL sets a maximum limit on the amount of financial liability that a bank may incur in respect of any one person. This was replaced by the SAMA Rules on Large Exposures of Banks 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 its total eligible capital.

For large exposures that existed prior to 1 July 2015, transitional limits exist to facilitate compliance by 1 January 2019.

SAMA also has the power to regulate the liquidity and credit risk of a bank by restricting, among other things, the maximum amount of money which may be loaned by a bank, the level of a bank's exposure to single customer and the categories of loans which a bank can make. These restrictions may vary from bank to bank depending on the relevant circumstances and are in addition to the statutory deposit and liquid reserve requirements provided for in the BCL.

SAMA carries out a full review of the operations of each bank every three years and more regular assessments of specific functions within each institution. SAMA has also intervened to support banks that have found themselves in difficulties. Similarly, it allowed distressed banks to benefit from low cost of funding in the 1980s.

Over the years SAMA has developed a reputation as a strict regulator. In 1989, SAMA introduced accounting and disclosure standards for commercial banks in Saudi Arabia, which essentially comply with IFRS. All banks in Saudi Arabia are now in compliance with IFRS and the Accounting

Standards for Commercial Banks issued by SAMA. The banks also prepare their financial statements to comply with the BCL and the Regulations for Companies promulgated under Royal Decree No. M/3 dated 28/1/1437H (corresponding with 10 November 2015) (the “**Companies Regulations**”) in Saudi Arabia.

REPORTING REQUIREMENTS

Banks are required to submit monthly statements of the consolidated financial position of their domestic and foreign branches. Banks also have to submit quarterly, biannual and annual reports to SAMA. These reports are comprehensive and deal with matters like 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.

Banks are required to submit their audited annual statements to SAMA within six months of each financial year end. Annual financial statements have to be audited and signed by at least two external auditors. Listed joint stock companies have to publish quarterly financial statements as their stocks are listed on the Tadawul. However, quarterly financial statements are not audited but reviewed by the auditors in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and are limited in terms of the scope of procedures performed. Information such as non-performing loans and the breakdown of customer deposits are not disclosed in quarterly financial statements.

Since SAMA introduced mandatory disclosure standards, there has been an improvement in the level of disclosure by Saudi banks. Banks now publish a breakdown of loans by sector and geography, in addition to loans to the Government and related parties. Banks also report doubtful loans, loan loss reserves and write-offs.

ANTI-MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING

Saudi Arabia is a signatory to, and has implemented measures required by, the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, the International Convention for the Suppression of the Financing of Terrorism and various other international conventions and agreements relating to money laundering and terrorist financing.

Money laundering is considered an offence under *Shari’a* law. Over the past ten years, Saudi Arabia has put into place a relatively comprehensive legislative and regulatory framework that deals with money laundering and terrorist financing. Saudi Arabia implemented its first customer identification procedure in 1975. Beginning in the mid-1990s, Saudi Arabia began to put in place a more expansive anti-money laundering regime with the issuance of the 1995 anti-money laundering manual and several other circulars from SAMA and other government agencies.

Saudi Arabia has comprehensive rules covering know-your-customer (“**KYC**”) and anti-money laundering and counter-terrorist financing requirements for the banking sector. In April 2003, SAMA issued updated Rules Governing the Opening of Bank Accounts and General Operational Guidelines (SAMA No. 3222/BCI/60: dated 8 April, 2003) (the “**Account Opening Rules**”). 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. In 2008, SAMA revised the Account Opening Rules by adding additional requirements and providing guidelines on dealing with non-resident individuals, entities and multi-lateral organisations. A fourth update of these rules was issued during 2012 in which, among other changes, SAMA made certain additions to the list of specified legal entities subject to KYC requirements and account operating controls and increased the KYC required information for corporate clients to identify their beneficial owners.

Saudi Arabia’s existing anti-money laundering regime was overhauled by SAMA in May 2003 with its issue of Rules Governing Anti-Money Laundering and Combating Terrorist Financing (SAMA No. BCI/122: dated 27 May 2003) (the “**AML/CTF Rules**”). The AML/CTF Rules govern, among other things, the reporting of suspicious transactions, transaction monitoring, customer and transaction profiling, risk assessment, control systems, compliance programmes, reviews and audits, KYC policies and standards and record retention. Since 2003, the AML/CTF Rules were updated in December 2008

and in February 2012 in line with SAMA's continued efforts to further improve and refine the AML/CTF Rules and cope with the local, regional and global developments.

In August 2003, Saudi Arabia updated its existing anti-money laundering statutes with the enactment of the Anti-Money Laundering Law (pursuant to Royal Decree No. M/39 dated 24 August 2003) and its implementing regulations (the "**Anti-Money Laundering Law**") providing an up-to-date statutory basis for money laundering and terrorist financing offences. A Financial Intelligence Unit was also established, enabling a greater international exchange of financial information in cases of suspected money laundering and terrorist financing amongst 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 Authority pursuant to its Resolution number 1-83-2005, dated 21/5/1426H (corresponding to 28/6/2005) also require investment banks to comply with the Anti-Money Laundering Law.

In December 2008, the Board of the Authority issued the Anti-Money Laundering and Counter-Terrorist Financing Rules pursuant to its Resolution Number 1-39-2008, dated 03/12/149H (corresponding to 01/12/2008) issued by Royal Decree No. M/30 dated 02/06/1424H. The first update of the Anti-Money Laundering and Counter-Terrorist Financing Rules was issued in February 2012.

In April 2012, Saudi Arabia updated its existing Anti-Money Laundering Law and Implementing Rules (pursuant to Royal Decree No. M/31 dated 11/05/1433H) and in April 2013, SAMA issued a circular (SAMA No. 34100074807MAT, dated 15/06/1434H) requiring all banks and financial institutions operating in Saudi Arabia to strictly comply with the updated Anti-Money Laundering Law and Implementing Rules.

The GCC is in the unique position of being a member of the Financial Action Task Force on Money Laundering (the "**FATF**"), even though the individual member states of the GCC are not FATF members. Saudi Arabia is also a full member of the Middle East and North Africa Financial Action Task Force (the "**MENA-FATF**"). As a member of the GCC, Saudi Arabia has issued laws and regulations designed to comply with the "*Forty Recommendations on Money Laundering*" issued by the FATF.

In September 2003, the FATF carried out, in conjunction with the GCC, the mutual evaluation of Saudi Arabia. This evaluation was the sixth evaluation of the GCC member states and was performed on the basis of the common anti-money laundering/counter-terrorist financing assessment methodology employed by the FATF. With the approval of the evaluation of Saudi Arabia in February 2004, all GCC member states have now undergone a mutual evaluation and the GCC first round of evaluations has been completed.

Saudi Arabia underwent a joint assessment conducted by the MENA-FATF in participation with FATF, based on the "40 + 8 FATF Recommendations". The result of this assessment was discussed in May 2010 in the MENA-FATF meeting in Tunisia and in the plenary meeting of FATF held in June 2010 in Amsterdam where Saudi Arabia achieved a very positive result. The assessment report of Saudi Arabia can be found on the websites of MENA-FATF and FATF (source: *Rules governing anti-money laundering and combating terrorist financing, third update, February 2012*).

EXTERNAL AUDITORS

As a measure of prudence, SAMA requires all banks in Saudi Arabia to be audited jointly by two external auditors.

FINANCIAL REQUIREMENTS

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. The most significant regulations are summarised below:

Doubtful and Past Due Loans/Loan Loss Reserves

In 2004, SAMA issued regulations regarding the classification of assets as well as provisioning norms. The following table sets out the classifications and the reserves required for prudential regulation purposes:

<u>Classification</u>	<u>Defined as</u>	<u>Reserve Required</u>
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Current.....	No problems	1 per cent. of outstanding
IA (Special mention)	Potential weakness	1 per cent. of outstanding
II (Substandard).....	Inadequate capacity to pay and/or profit or principal overdue by more than 90 days	25 per cent. of outstanding
III (Doubtful).....	Full collection questionable and/or overdue by more than 180 days	50 per cent. of outstanding
IV (Loss)	Uncollectible and/or overdue by more than 360 days	100 per cent. of outstanding

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*).

Liquidity

Saudi banks are required to maintain liquid assets of at least 20 per cent. of deposit liabilities. For purposes of this calculation, cash, gold, treasury bills, government bonds, up to one month placements and any asset that can be liquidated within 30 days are included. The breakdown of call deposits, savings accounts and time deposits must also be shown on the balance sheet. The maturity of assets and liabilities has to be disclosed to determine the sensitivity to commission rate risk.

Capital Adequacy

The GCC has introduced a common standard for capital adequacy based on BIS capital adequacy standards (the “**Basel II Capital Accord**”). The GCC standard applicable in Saudi Arabia recommends a minimum 8 per cent. ratio of capital to risk weighted assets, including off-balance sheet risk. Assets are categorised into four risk groups carrying varying risk weights according to the risk assessment of the counterparty. There are also two levels of country risk, one for the GCC and member countries of the Organisation for Economic Cooperation and Development (“**OECD**”) and others that have special lending arrangements with the International Monetary Fund under its general agreement to borrow, considered a preferred risk. All other countries are considered full risk. In contrast, BIS only counts Saudi Risk and not all of the GCC at par with OECD. The other major difference is that the GCC standards account for mortgage loans as 100 per cent. risk as opposed to 50 per cent. under BIS standards.

Deposit liabilities of banks are limited to 15 times capital and reserves. In cases where this ratio is exceeded, banks have to place interest free deposits of half the excess amount with SAMA. Furthermore, 25 per cent. of net profits (post-deduction of zakat liabilities) have to be transferred to statutory reserves until the reserve balance equals paid-up capital.

SAMA 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.

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 cyclicity 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 up to 2019.

Since 2011, SAMA has introduced the main elements of the Basel III Framework in accordance with the timelines agreed by the Basel Committee. This includes the introduction of the leverage ratio in 2011 and the liquidity ratio in 2012 under the SAMA monitoring framework together with the final capital adequacy ratio framework in 2013.

SAMA has issued final liquidity guidelines on the Liquidity Coverage Ratio (“**LCR**”) and Net Stable Funding Ratio (“**NSFR**”). LCR and NSFR became a minimum standard from 1 January 2015 and from the 1 January 2016, respectively.

The Leverage ratio framework is currently under the parallel run phase by SAMA and any final adjustments to the definition and calibration of the leverage ratio will be carried out in the first half of 2017, with a view to migrating to a Pillar 1 treatment by 1 January 2018 based on appropriate review and calibration.

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" through the following measures:

- deductions from capital and prudential filters to be generally applied at the level of common equity or its equivalent;
- subordinated debt of high quality;
- fully discretionary non-cumulative dividends or coupons;
- neither a maturity date nor an incentive to redeem;
- innovative hybrid capital instruments with an incentive to redeem through features such as step-up clauses, currently limited to 15 per cent. of the Tier 1 capital base, will be phased out;
- Tier 3 capital instruments to cover market risks are eliminated; and
- to improve market discipline, the transparency of the capital base will be improved, with all elements of capital required to be disclosed along with a detailed reconciliation to the reported accounts.

After completing the implementation of Basel III standards related to capital, the minimum requirements for regulatory capital excluding capital buffers will be:

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.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent (as defined in the Conditions).

Master Murabaha Agreement

The Master Murabaha Agreement will be entered into on 8 August 2017 between the Trustee (as the Seller) and SABB (as the Purchaser). Pursuant to the terms of the Master Murabaha Agreement, the Seller will, in respect of each Series of Certificates to be issued and at the written request of the Purchaser (in the form of an irrevocable Purchase Order with Promise to Purchase), use no more than 49 per cent. of the proceeds from the issuance of such Series (such percentage to be set out in the applicable Final Terms for each Series of Certificates) to purchase, on the relevant Issue Date, Commodities (which may comprise of one, or a combination, of copper, platinum, palladium, zinc, lead, aluminium, aluminium alloy, iridium, nickel or rhodium). The Purchase Order with Promise to Purchase will contain a promise from the Purchaser to purchase the Commodities for the Deferred Sale Price after the Commodities have been purchased by the Seller.

The Seller may appoint a buying agent to act as its independent agent on, or prior to, a proposed Settlement Date, for the sole purpose of purchasing from a supplier the Commodities that the Seller will on-sell to the Purchaser pursuant to the relevant Murabaha Transaction.

Immediately upon completion of the purchase of the relevant Commodities and gaining title thereto and (actual or constructive) possession thereof by the Seller, the Seller shall, pursuant to the Master Murabaha Agreement, confirm to the Purchaser, by delivering a Form of Confirmation of Terms, that the Commodities have been purchased and confirm the terms that will apply to the Murabaha Transaction.

The Purchaser will then offer to purchase such Commodities from the Seller on deferred payment terms by delivering an Notice of Offer to Purchase to the Seller, pursuant to which the Purchaser will irrevocably undertake to purchase the relevant Commodities from the Seller. A Murabaha Transaction will be created between the Seller and the Purchaser upon the Seller signing the relevant Notice of Acceptance of Offer, with ownership of, and all risks in and to, the relevant Commodities together with all rights and obligations relating thereto passing to the Purchaser. The Purchaser may keep or on-sell any Commodities which are the subject of a Murabaha Transaction to a third party (other than the original Supplier).

Upon the creation of a Murabaha Transaction, the Purchaser will be irrevocably and unconditionally obliged to pay to the Seller the relevant Deferred Sale Price Instalments in respect of the relevant Commodities on each Deferred Sale Price Payment Date, subject to, in respect of any Murabaha Transactions entered into in connection with the issuance of Subordinated Certificates, the subordination of the Purchaser's payment obligations (see Condition 4.2 (*Status and Limited Recourse – Status of Subordinated Certificates*) and Condition 11 (*Write-Down at the Point of Non-Viability for Subordinated Certificates*)).

The Trustee will agree in the Master Murabaha Agreement that when the underlying Murabaha Transactions have been entered into in connection with the issuance of Subordinated Certificates: (i) on a Non-Viability Event Write-Down Date on which the Regulator has determined that a full Write-Down of any Subordinated Certificates is required and where a full Write-Down of the Subordinated Certificates has been specified in the applicable Non-Viability Notice, or if otherwise required by the Regulator pursuant to the Applicable Statutory Loss Absorption Regime, it will trigger an early partial pre-payment of the Deferred Sale Price under the Murabaha Transaction of an amount that is required to allow the Trustee to make payment of the Periodic Distribution Amounts accrued and unpaid to (but excluding) the relevant Non-Viability Event Write-Down Date. After payment of such amount into the Transaction Account, the right of the Trustee to receive the Deferred Sale Price under any such Murabaha Transactions will be cancelled and the remaining Deferred Sale Price of such Murabaha Transaction shall be Written-Down to zero; and (ii) on a Non-Viability Event Write-Down Date on which the Regulator has determined that a partial Write-Down of any Subordinated Certificates is required and where a partial Write-Down of the Subordinated Certificates has been specified in the applicable Non-Viability Notice, or if otherwise required by the Regulator pursuant to the Applicable Statutory Loss Absorption Regime, it will trigger an early partial pre-payment of the Deferred Sale Price under the Murabaha Transaction of the amount required to allow the Trustee to make payment of the Periodic Distribution Amounts accrued and unpaid to (but excluding) the relevant Non-Viability Event Write-Down Date, which amount will be paid into the Transaction Account, and the Deferred Sale Price due under the relevant Murabaha Transaction

shall then be reduced and Written-Down to be the Relevant Non-Viability Fraction of the Deferred Sale Price that would have otherwise been due under such Murabaha Transaction.

The Master Murabaha Agreement, and all non-contractual obligations arising out of or in connection with it, shall be governed by English law.

Mudaraba Agreement

The Mudaraba Agreement will be entered into on 8 August 2017 between the Trustee (as the *rab al-maal*) and SABB (as the Mudareb). Pursuant to the terms of the Mudaraba Agreement, the Trustee will, in respect of each Series of Certificates to be issued, provide 51 per cent. of the proceeds from the issuance of each Series of Certificates to SABB (as the Mudareb) to be applied as the Mudaraba Capital of the Mudaraba constituted in respect of the relevant Series of Certificates and the Mudareb shall invest the Mudaraba Capital in the Islamic banking and finance activities of SABB. The Mudareb agrees to use its reasonable efforts to ensure that the value of the Mudaraba Assets is at least 33 per cent. of the value of the Trust Assets.

The relevant Mudaraba will commence on the Issue Date of the relevant Series of Certificates and will end on: (a) the later of the Scheduled Dissolution Date and the date on which the relevant Series of Certificates is redeemed in full; or (b) in the event that all of the relevant Series of the Certificates is redeemed prior to the Schedule Dissolution Date, on the day immediately following such redemption.

The Mudareb shall perform its duties under the Mudaraba Agreement in accordance with all applicable laws and regulations, with the degree of skill and care that it would exercise in respect of its own assets and in a manner that is not repugnant to *Shari'a* principles (as determined by its own *Shari'a* advisory board).

The Mudareb will agree in the Mudaraba Agreement that all payments by it under the Mudaraba Agreement will be made without any deductions or withholding for or on account of any tax unless required by law and without set-off or counterclaim and, in the event that there is any deduction, withholding, set off or counterclaim, the Mudareb shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no withholding, deduction, set-off or counterclaim had been made.

The Trustee will agree in the Mudaraba Agreement that when Mudaraba has been entered into in connection with the issuance of Subordinated Certificates: (i) on a Non-Viability Event Write-Down Date in respect of which the Regulator has determined that a full Write-Down of any Subordinated Certificates is required and where a full Write-Down of the Subordinated Certificates has been specified in the applicable Non-Viability Notice, or if otherwise required by the Regulator pursuant to the Applicable Statutory Loss Absorption Regime, there will be a liquidation of the Mudaraba in respect of the relevant Series of Subordinated Certificates and, after payment of an amount into the Transaction Account which is equal to the amount required (when aggregated with the due and payable instalments of the relevant Deferred Sale Price) to allow the Trustee to make payment of the Periodic Distribution Amounts accrued and unpaid to (but excluding) the relevant Non-Viability Event Write-Down Date, any rights that the Trustee has in the Mudaraba Assets shall be automatically paid to the Mudareb (for its own account); and (ii) on a Non-Viability Event Write-Down Date in respect of which the Regulator has determined that a partial Write-Down of any Subordinated Certificates is required and where a partial Write-Down of the Subordinated Certificates has been specified in the applicable Non-Viability Notice, or if otherwise required by the Regulator pursuant to the Applicable Statutory Loss Absorption Regime, there will be a partial liquidation of the Mudaraba in respect of the relevant Series of Subordinated Certificates. After payment of an amount into the Transaction Account which is equal to the amount required (when aggregated with the due and payable instalments of the relevant Deferred Sale Price) to allow the Trustee to make payment of the Periodic Distribution Amounts accrued and unpaid to (but excluding) the relevant Non-Viability Event Write-Down Date, the Mudaraba Assets shall be reduced to an amount that is equal to the value of the Mudaraba Assets immediately prior to the partial liquidation, multiplied by the Relevant Non-Viability Fraction. Any rights that the Trustee has in the Mudaraba Assets that have been liquidated shall be automatically paid to the Mudareb (for its own account).

The Mudaraba Agreement, and all non-contractual obligations arising out of or in connection with it, shall be governed by the laws of the Kingdom of Saudi Arabia.

Trust Deed

The Master Trust Deed will be entered into on 8 August 2017 between SABB, the Trustee and the Delegate, and will be governed by English law. A Supplemental Trust Deed between the same parties will be entered into on the Issue Date of each Series and will also be governed by English law.

Upon issue of the Global Certificate initially representing any Series, the Master Trust Deed and the relevant Supplemental Trust Deed (together, the “**Trust Deed**”) shall together constitute the Trust declared by the Trustee in relation to such Series.

The Trust Assets in respect of each Series comprise: (i) all of the Trustee’s rights, title, interest and benefit, present and future, in, to and under the Mudaraba Assets and Murabaha Assets; (ii) all of the Trustee’s rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than (i) in relation to any representations given to the Trustee and/or the Delegate by SABB pursuant to the Transaction Documents and any rights which have been expressly waived by the Trustee in any of the Transaction Documents and (ii) the covenant given to the Trustee and/or the Delegate pursuant to Clause 14 of the Master Trust Deed); (iii) all moneys, from time to time, standing to the credit of the Transaction Account; and (iv) all proceeds of the foregoing (other than the ordinary share capital of the Trustee and any transaction or corporate benefit fee received by the Trustee);

Each Trust Deed will specify that, on or after the relevant Scheduled Dissolution Date or, as the case may be, Dissolution Date of a Series, the rights of recourse in respect of the relevant Certificates shall be limited to the amounts from time to time available and comprising the Trust Assets of that Series, subject to the priority of payments set out in the Trust Deed, the relevant Certificates and the Conditions. To the extent that the Trust Assets have been exhausted in accordance with the Transaction Documents, the Certificateholders will have no claim or recourse against the Trustee in respect of any amount which is or remains unsatisfied and any unsatisfied amounts will be extinguished.

Pursuant to the Trust Deed, the Trustee will, in relation to each Series, *inter alia*:

- (a) hold the relevant Trust Assets on trust absolutely for the relevant Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder; and
- (b) act as trustee in respect of the relevant Trust Assets, distribute the income from the relevant Trust Assets and perform its duties in accordance with the provisions of the Trust Deed and the other Transaction Documents to which it is a party.

In the Master Trust Deed, the Trustee by way of security for the performance of all covenants, obligations and duties of the Trustee to the Certificateholders will irrevocably and unconditionally appoint the Delegate to be its attorney and in its name and on its behalf to execute, deliver and perfect all documents and to exercise all the present and future duties, powers, authorities and discretions (including but not limited to the authority to request instructions from any Certificateholders and the power to make any determinations to be made under each Trust Deed) vested in the Trustee by each Trust Deed that the Delegate may consider to be necessary or desirable to perform the present and future duties, powers, authorities and discretions vested in the Trustee by the relevant provisions of each Trust Deed and any of the other Transaction Documents (to which it is a party) (provided that no obligations, duties, liabilities or covenants of the Trustee pursuant to the Master Trust Deed or any other Transaction Document will be imposed on the Delegate by virtue of such delegation).

The appointment of such delegate by the Trustee is intended to be in the interests of the Certificateholders and will not affect the Trustee’s continuing role and obligations as trustee.

The Delegate will undertake in the Master Trust Deed that, following the receipt of actual notice of the occurrence of a Dissolution Event in respect of any Series and subject to Condition 16 (*Dissolution Events and Enforcement*) it shall (a) promptly notify the relevant Certificateholders of that Series of the occurrence of such Dissolution Event. Subject to the Delegate being indemnified and/or secured and/or prefunded to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing, the Delegate may take all such steps as are necessary to enforce the obligations of SABB (in whatever capacity it is acting) and the Trustee under the relevant Trust Deed and any other Transaction Document to which SABB (in whatever capacity) and the Trustee (in whatever capacity) is a party.

The Master Trust Deed specifies, *inter alia*, that in relation to each Series:

- (i) following the distribution of the net proceeds of the Trust Assets in respect of the relevant Series to the Certificateholders in accordance with the Conditions and the relevant Trust Deed the obligations of the Trustee in respect of the Certificates shall be satisfied and the right of the Certificateholders to receive any further sums shall be extinguished and neither the Trustee nor the Delegate shall be liable for any further sums and, accordingly, the relevant Certificateholders may not take any action against the Trustee, SABB, the Delegate or any other person to recover any such sum or asset in respect of the relevant Certificates or the relevant Trust Assets;
- (ii) no Certificateholder shall be entitled to proceed directly against the Trustee and/or SABB, or provide instructions (not otherwise permitted by the Master Trust Deed) to proceed against the Trustee and/or SABB under any Transaction Document unless (i) the Delegate having become bound so to proceed, fails to do so within a reasonable period of becoming so bound and such failure is continuing and (ii) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders of the relevant Series who propose to proceed directly against the Trustee or SABB, as the case may be) holds at least one-fifth of the then aggregate Outstanding Face Amount of the Certificates of the relevant Series. Under no circumstances shall the Delegate or any Certificateholders have any right to cause the sale or other disposition of any of the relevant Trust Assets (other than pursuant to the Transaction Documents), and the sole right of the Delegate and the Certificateholders against the Trustee and SABB shall be to enforce their respective obligations under the Transaction Documents (to which each is a party);
- (iii) the Delegate shall not be bound in any circumstances to take any action to enforce or realise the relevant Trust Assets or take any action against the Trustee and/or SABB under any Transaction Document unless directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by the holders of at least one-fifth of the then aggregate Outstanding Face Amount of the Certificates of the relevant Series and in either case then only if it is indemnified and/or secured and/or prefunded to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing provided that the Delegate shall not be held liable for the consequences of exercising its discretion or taking any such action and may do so without having regard to the effect of such action on individual Certificateholders; and
- (iv) after enforcing or realising the relevant Trust Assets of a Series and distributing the net proceeds of the relevant Trust Assets in accordance with the terms of the relevant Trust Deed, the obligations of the Trustee and the Delegate in respect of the Series shall be satisfied and no Certificateholder may take any further steps against the Trustee, SABB and the Delegate to recover any further sums in respect of the relevant Series and the right to receive any such sums unpaid shall be extinguished. In particular, no holder of the Certificates of the relevant Series shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee or SABB.

Agency Agreement

Pursuant to an agency agreement (the “**Agency Agreement**”) entered into on or about the date of this Base Prospectus between the Trustee, the Delegate, SABB, the Principal Paying Agent, the Registrar and the Transfer Agents, provision will be made for, *inter alia*, payment of all sums due in respect of the Certificates.

TAXATION AND ZAKAT

Saudi Arabia

The following is a general description of certain tax and zakat considerations relating to Certificates issued under the Programme. It does not purport to be a complete analysis of all tax and zakat considerations relating to the Certificates. The summary below is not intended as tax or zakat advice, does not consider any investor's particular circumstances and does not consider tax or zakat consequences other than those arising under Saudi law. Prospective purchasers of any Certificates should consult their tax and zakat advisers (if applicable) as to the consequences under the tax and zakat laws (if applicable) of the country of which they are resident for tax purposes of acquiring, holding and disposing of the relevant Certificates and receiving payments under those Certificates. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any prospective or retrospective change in law that may take effect after such date.

Overview of Saudi Tax & Zakat Law

Income Tax

According to Saudi Arabian tax law, a resident capital company (on its foreign partner's (shareholder's) share) and a non-resident who does business in the Kingdom through a Permanent Establishment (as defined below) are subject to corporate income tax in Saudi Arabia at a flat rate of 20 per cent.

Companies which are wholly owned by Saudi nationals 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 nationals. Residents from countries belonging to the GCC (Bahrain, Kuwait, Oman, Qatar and the UAE) and 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.

Zakat

The guidance on *zakat* in Saudi Arabia is based on the provisions of Royal Decrees, Executive Regulations, Fatwas, Ministerial Resolutions, and General Authority of Zakat and Tax ("GAZT") circulars that are in force. In Saudi Arabia, *zakat* is assessed on Saudi and GCC nationals and on Saudi companies wholly owned by such individuals. 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 taxable profits or the *zakat* base which, in general, comprises equity, loans and provisions reduced by deductible investments and fixed assets.

Withholding Tax ("WHT")

The Saudi Arabian tax law provides for actual withholding tax 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 sale of goods. Services are defined to mean anything done for consideration other than the purchase and sale of goods and other property. Loan charges paid to non-residents generally attract five per cent. Saudi WHT, unless such WHT is reduced or eliminated pursuant to the terms of an applicable double tax treaty.

Withholding tax implications in connection with the transaction

As the Trustee is not a Saudi resident, the payment of Mudaraba Profit by the Mudareb to the Trustee pursuant to the Mudaraba Agreement will be subject to a five per cent. withholding tax.

In accordance with the Income Tax Regulation (as defined below) the Mudareb will be responsible for withholding and settling the tax with the GAZT on payments of the Mudaraba Profit. If such payments are subject to any withholding or deduction on account of tax in Saudi Arabia, the Mudaraba Agreement provides for the Mudareb to pay additional amounts as will result in the Trustee receiving the amounts which would otherwise be receivable.

Certain tax and zakat implications for Certificateholders

GCC Certificateholders who are Resident in Saudi Arabia

Certificateholders who are GCC Persons (as defined below) and Resident in Saudi Arabia are not subject to any Saudi Arabian income tax, whether by WHT or direct assessment, in respect of any profit payment received or gain realised in respect of the Certificates. However, such Certificateholders will be subject to *zakat* in respect of any profit payment received or gain realised in respect of the Certificates. Additionally, the GAZT does not allow an investment in the Certificates to be deducted from the *zakat* base of such a Certificateholder, as stipulated under Zakat implementation regulations.

Non-GCC Certificateholders who are Resident in Saudi Arabia

Certificateholders who are non-GCC Persons and Resident in Saudi Arabia will be subject to Saudi Arabian corporate income tax at the rate of 20 per cent. on any profit payment received or gain realised in respect of the Certificates but they will not be subject to any *zakat*.

Certificateholders who are not Resident in Saudi Arabia

Certificateholders, either natural persons or legal entities, who are not Residents in Saudi Arabia (whether such Certificateholders are Saudi Arabian nationals or non-Saudi Arabian nationals (including Certificateholders resident in the GCC)) and do not have a Permanent Establishment in Saudi Arabia for tax purposes, will not be subject to Saudi Arabian withholding tax (as the payments will be received from a Saudi non-resident) or *zakat* on any payments received by them in respect of the Certificates.

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 profit payment received or gain realised in respect of the Certificates but will not be subject to *zakat*. Notwithstanding the above, pursuant to Condition 13 (Taxation) of the Trust Certificates, to the extent that any WHT is deducted, the Trustee will generally be obliged to pay such additional amounts as will result in receipt by the Certificateholders, after such withholding or deduction, of such amounts as would have been received by them had no such withholding or deduction been required.

General

For the purposes of this summary:

“**GCC**” means the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia and the United Arab Emirates.

A “**GCC Person**” means (a) a natural persons having the nationality of any of the GCC Countries and (b) any legal entity owned by GCC nationals and established under the laws of a GCC country. A GCC Person will include a company owned by both Saudi/GCC and non-Saudi/(non-GCC) nationals (“mixed companies”), to the extent it is ultimately owned by Saudi/ GCC nationals.

A “**Resident**” is defined as follows:

- (a) A natural person is considered a 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.
- (b) 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 Regulations; or
 - (ii) its place of central control and management is located in Saudi Arabia.

Certificateholders will not be deemed to be Resident in Saudi Arabia solely by reason of holding any Certificates.

“**Permanent Establishment**” or “**PE**”, 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 PE in Saudi Arabia.

Cayman Islands

The following is a discussion on certain Cayman Islands income tax consequences of an investment in Certificates to be issued under the Programme. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor’s particular circumstances and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws payments on Certificates to be issued under the Programme will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of Certificates nor will gains derived from the disposal of Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

The Trustee has received an undertaking from the Governor in Cabinet of the Cayman Islands dated 25 August 2015, pursuant to the Tax Concessions Law (as amended) of the Cayman Islands, that for a period of 20 years from the date of grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which includes the Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment as defined in the Tax Concessions Law (as amended). No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Certificates. However, an instrument transferring title to any Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is U.S.\$853.66. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

The Proposed Financial Transactions Tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common 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 proposed FTT has very broad scope and could, if introduced, apply to certain dealings in Certificates (including secondary market transactions) in certain circumstances. The issuance and subscription of Certificates should, 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 Certificates 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 FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Certificates are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

FATCA provides for a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to: (i) any non-U.S. financial institution (a foreign financial institution, or “**FFI**” (as defined by FATCA)) that does not become a “**Participating FFI**” by entering into an agreement with the U.S. Internal Revenue Service (“**IRS**”) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA; and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States account” of the Trustee (a “**Recalcitrant Holder**”). The Trustee may be classified as an FFI.

The new withholding regime is now in effect for payments from sources within the United States and will apply to foreign passthru payments (a term not yet defined) no earlier than 1 January 2019. This withholding would potentially apply to payments in respect of: (i) any Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the “**grandfathering date**”, which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date; and (ii) any Certificates characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued.

The United States and a number of other jurisdictions have entered into IGAs. Pursuant to FATCA and the Model 1 and Model 2 IGAs released by the United States, an FFI in an IGA signatory country could be treated as a “**Reporting FI**” not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being “**FATCA Withholding**”) from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

On 29 November 2013, the Cayman Islands government entered into an inter-governmental agreement with the US (the “**US-Cayman IGA**”) in connection with the implementation of FATCA. The US-Cayman IGA is intended to result in the automatic exchange of tax information under FATCA. The two governments have also signed a Tax Information Exchange Agreement which outlines the legal channels through which tax information will automatically be exchanged

On 4 July 2014, the Cayman Islands government issued the Tax Information Authority (International Tax Compliance) (United States of America) Regulations, 2014 (as amended) (the “**US FATCA Regulations**”) to accompany the Tax Information Authority Law (2014 Revision) (the “**TIA Law**”). The US FATCA Regulations implement the provisions of the US-Cayman IGA. The US FATCA Regulations provide for the identification of and reporting on certain direct and indirect US investors who are US citizens, and impact the Trustee and its investors.

If the Trustee is treated as a Reporting FI pursuant to the US-Cayman IGA it does not anticipate that it will be obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Trustee will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. The Trustee and financial institutions through which payments on the Certificates are made may be required to withhold FATCA Withholding if: (i) any FFI through or to which payment on such Certificates is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA; or (ii) an investor is a Recalcitrant Holder.

In addition, the Cayman Islands government entered into an inter-governmental agreement with the UK (the “**UK-Cayman IGA**”) on 5 November 2013. On 4 July 2014, the Cayman Islands government issued the Tax Information Authority (International Tax Compliance) (United Kingdom) Regulations, 2014 (as amended) (the “**UK FATCA Regulations**”) to accompany the TIA Law to implement the UK-Cayman IGA. The UK FATCA Regulations provide for the identification of and reporting on certain direct and indirect UK investors, and impact the Trustee and its investors.

The Trustee will be required to report to the Cayman Islands Tax Information Authority or its delegate (the “**TIA**”) under the UK FATCA Regulations and will accordingly need to identify and undertake prescriptive due diligence on ‘UK-Cayman Reportable Accounts’, being financial accounts held by UK tax resident individuals or entities controlled by UK tax resident persons. In this regard, the Trustee may request further information

from an investor in order to identify UK Reportable Accounts and in order to comply with its obligations under the UK FATCA Regulations. The TIA may then provide this information to HM Revenue and Customs.

On 29 October 2014, the Cayman Islands along with 50 other jurisdictions signed a Multilateral Competent Authority Agreement to demonstrate its commitment to implement the Common Reporting Standard (“CRS”). Local regulations, which require extensive due diligence to be undertaken on new and pre-existing accounts, were enacted on 16 October 2015 with a view to commencing reporting on such accounts during 2017. With more than 80 countries having since agreed to implement the CRS, which will impose similar reporting and other obligations as the US-Cayman IGA and/or the UK-Cayman IGA with respect to investors who are tax resident in other signatory jurisdictions, the scope of the Trustee’s reporting obligations to the TIA will significantly increase in 2017, as will the level of dissemination of account information by the TIA to tax authorities around the globe. The Cayman Islands government may also enter into additional agreements with other countries in the future, and additional countries may adopt CRS, which will likely further increase the reporting and/or withholding obligations of the Trustee.

Whilst the Certificates are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Certificates by the Trustee, SABB, the Principal Paying Agent and the Common Depositary, given that each of the entities in the payment chain between the Trustee and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Certificates. The documentation expressly contemplates the possibility that the Certificates may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Certificates will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Trustee and to payments they may receive in connection with the Certificates.

SUBSCRIPTION AND SALE

HSBC Bank plc, in its capacity as the Arranger and a Dealer has, in a programme agreement (the “**Programme Agreement**”) dated 8 August 2017, agreed with the Trustee and SABB a basis upon which it may from time to time agree to purchase Certificates. In the Programme Agreement, each of the Trustee and SABB has agreed to reimburse a Dealer for certain of its expenses in connection with the establishment and any future update of the Programme and the issue, offer and sale of Certificates under the Programme and to indemnify the Dealers against certain liabilities incurred by it in connection therewith.

SELLING RESTRICTIONS

United States

The Certificates have not been nor will be registered under the Securities Act nor any state securities law, and the Certificates may not be offered or sold within the United States or to or for the account or benefit of, any U.S. person except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Arranger has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Programme Agreement, it will not offer, sell or deliver Certificates (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Certificates on a syndicated basis, the relevant lead manager, of all Certificates of the Series of which such Certificates are a part, within the United States or to, or for the account or benefit of, U.S. persons. The Arranger has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Certificates during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Certificates, an offer or sale of such Certificates within the United States by any dealer (whether or not participating in the offering) 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.

This Base Prospectus has been prepared by the Trustee and SABB for use in connection with the offer and sale of the Certificates outside the United States. The Trustee, SABB and the Dealers reserve the right to reject any offer to purchase the Certificates, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States. Distribution of this Base Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Trustee of any of its contents to any such U.S. person or other person within the United States, is prohibited.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area (each, a “**Relevant Member State**”), the Arranger 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 Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the 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 Certificates 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 Trustee for any such offer;

- (c) at any time if the denomination per Certificate being offered amounts to at least €100,000 (or equivalent); or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Certificates referred to above shall require the Trustee, SABB or the Dealers 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, the expression an “**offer of Certificates to the public**” in relation to any Certificates 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 Certificates to be offered so as to enable an investor to decide to purchase or subscribe Certificates, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

United Kingdom

The Arranger 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 Certificates 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 Certificates 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 Certificates would otherwise constitute a contravention of section 19 of the FSMA by the Trustee;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any 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 Certificates in circumstances in which section 21(1) of the FSMA does not apply to the Trustee or SABB; 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 Certificates in, from or otherwise involving the United Kingdom.

Cayman Islands

The Arranger has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make any offer or invitation to the public in the Cayman Islands to subscribe for any Certificates.

United Arab Emirates (excluding the Dubai International Financial Centre)

The Arranger has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates 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

The Arranger 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 Certificates 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 Markets Rules (MKT) Module of the Dubai Financial Services Authority (the “**DFSA**”); 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.

Japan

The Certificates 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**”). The Arranger 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, and will not, directly or indirectly, offer or sell, any Certificates 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 of 1949 (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.

Saudi Arabia

No action has been or will be taken in Saudi Arabia that would permit a public offering of the Certificates. Any investor in Saudi Arabia or who is a Saudi person (a “**Saudi Investor**”) who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under 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. The Certificates may thus not be advertised, offered or sold to any person in Saudi Arabia other than to “sophisticated investors” under Article 11 of the Offers of Securities Regulations or by way of a limited offer under Article 12 of the Offers of Securities Regulations.

The Arranger has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Certificates to a Saudi Investor will be made in compliance with the Offers of Securities Regulations, as amended and/or supplemented from time to time.

The offer of Certificates shall not therefore constitute a “public offer” pursuant to the Offers of Securities Regulations. Investors are informed that Article 18 of the Offers of Securities Regulations places restrictions on secondary market activity with respect to the Certificates, including as follows:

- (a) a Saudi Investor (referred to as a “**transferor**”) who has acquired Certificates pursuant to a private placement may not offer or sell Certificates 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 Certificates in any one transaction is equal to or exceeds SAR 1 million or an equivalent amount;
 - (ii) the Certificates are offered or sold to a sophisticated investor; or
 - (iii) the Certificates 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 Certificates being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Certificates 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 Certificates if he/she sells his entire holding of Certificates to one transferee; and
- (d) the provisions of paragraphs (a), (b) and (c) above shall apply to all subsequent transferees of the Certificates.

Bahrain

The Arranger has represented and agreed that it has not offered or sold and will not offer or sell, any Certificates except on a private placement basis to persons in 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;
- (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).

Qatar (including the Qatar Financial Centre)

The Arranger has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, delivered or sold, and will not offer, deliver or sell, directly or indirectly, any Certificates in Qatar (including the Qatar Financial Centre), except (i) in compliance with all applicable laws and regulations of Qatar; and (ii) 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 Qatar. This Base Prospectus has not been reviewed or approved by the Qatar Central Bank, the Qatar Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority and is only intended for specific recipients, in compliance with the foregoing.

State of Kuwait

The Arranger has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree the following: No Certificates have been licensed for offering in the State of Kuwait by the Kuwait Capital Markets Authority or any other relevant Kuwaiti government agency. No private or public offering of the Certificates is being made in the State of Kuwait, and no agreement relating to the sale of the Certificates will be concluded in the State of Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Certificates in the State of Kuwait.

Hong Kong

The Arranger 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 Certificates other than (i) to “**professional investors**” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”), and any rules made under the SFO; 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 (the “**C(WUMPO)**” or which do not constitute an offer to the public within the meaning of the C(WUMPO); 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 Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to any Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Malaysia

The Arranger 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 Certificates have not been and will not be offered, sold or delivered, and no invitation to subscribe for or purchase the Certificates 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 or in categories falling within Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)), and Schedule 8 (or Section 257(3)) of the CMSA 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 Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and more of the Dealers are responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

Singapore

The Arranger has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that this Base Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Arranger 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 Certificates or caused such Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell such Certificates or cause such Certificates 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 Certificates, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289, of Singapore) (the “SFA”)) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or 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 Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (i) 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
- (ii) 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 Certificates pursuant to an offer made under Section 275 of the SFA except:

- (a) 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;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

General

The Arranger has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws, regulations and directives in force in any jurisdiction in which it purchases, offers, sells or delivers any Certificates or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Certificates under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Trustee, SABB nor any of the Dealers shall have any responsibility therefor.

Neither the Trustee, SABB nor any of the Dealers represents that Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Series, the relevant Dealer(s) will be required to comply with such other restrictions as the Trustee, SABB and the relevant Dealer(s) shall agree and as shall be set out in the relevant subscription agreement or, as the case may be, in the applicable Final Terms

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Certificates have been duly authorised by a resolution of the Board of Directors of the Trustee dated 17 July 2017. The Trustee has obtained or will obtain from time to time all necessary consents, approvals and authorisations in the Cayman Islands in connection with the issue and performance of Certificates to be issued under the Programme and the entry into and performance of the Transaction Documents to which it is a party. The entry into of the Transaction Documents to which it is a party relating to the establishment of the Programme and any issue of Certificates under the Programme has been duly authorised by a resolution of the Board of Directors of SABB dated 13 March 2017. Any Certificates issued pursuant to the Programme will conform with the laws of the Cayman Islands, be duly authorised according to the requirements of the Trustee's articles of association and any necessary statutory or other consents in respect of such issue will have been obtained.

Listing

Application has been made to the London Stock Exchange for Certificates issued under the Programme to be admitted to the Official List and to trading on the Market. The admission of Certificates issued under the Programme to trading on the Market is expected to be granted on or around 10 August 2017 for a period of 12 months. Any Series of Certificates intended to be admitted to trading on the Market will be so admitted to trading upon submission to the London Stock Exchange of the relevant Final Terms and any other information required by the London Stock Exchange, subject to the issue of the Global Certificate representing Certificates of that Series. If such Global Certificate is not issued, the issue of such Certificate may be cancelled. Prior to admission to trading, dealings in the Certificates of the relevant Series will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the day of the transaction. Unlisted Certificates may be issued pursuant to the Programme. The application for listing of Certificates of any Series issued under the Programme relates to all Certificates of that Series issued or proposed to be issued. In the case of PD Exempt Instruments, the relevant Certificates will not be listed and/or admitted to trading on the Market or any other regulated market.

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies (and English translations where the documents in question are not in English) of the following documents will, when published, be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection in physical format at the offices of the Principal Paying Agent for the time being in London:

- (a) the Transaction Documents (save that any such documents relating to a Series which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Certificate and such holder must produce evidence satisfactory to the Trustee, SABB and the Principal Paying Agent as to its holding of the relevant Certificates and identity);
- (b) the Memorandum and Articles of Association of the Trustee and the constitutional documents of SABB;
- (c) the audited consolidated financial statements of the Group as at and for the year ended 31 December 2016 and the notes thereto, and the audited consolidated financial statements of the Group as at and for the year ended 31 December 2015 and the notes thereto. SABB currently prepares audited consolidated financial statements on an annual basis. The Trustee is not required to, and does not intend to, publish any annual financial statements;
- (d) the unaudited interim condensed consolidated financial statements of the Group as at and for the six month period ended 30 June 2017 and the notes thereto;
- (e) a copy of this Base Prospectus; and
- (f) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms (save that a Final Terms relating to a Certificate which is neither admitted to trading on a

regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Certificate and such holder must produce evidence satisfactory to the Trustee and the Principal Paying Agent as to its holding of the relevant Certificates and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

Clearing Systems

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Series will be specified in the applicable Final Terms.

If the Certificates are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for Determining Price

The price and amount of Certificates to be issued under the Programme will be determined by the Trustee, SABB and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position of the Trustee and no material adverse change in the financial position or prospects of the Trustee, in each case, since the date of its incorporation.

There has been no material adverse change in the financial or trading position of SABB and its subsidiaries, taken as a whole, since 31 December 2016 and there has been no significant change in the financial position or prospects of SABB and its subsidiaries, taken as a whole, since 30 June 2017.

Legal and Arbitration Proceedings

Other than the Appeal Proceedings pending before the GAZT in respect of Contested Assessments (see further, “*Description of SABB – Litigation*” and “*Risk Factors – Risks relating to SABB – Contested zakat assessments by the General Authority of Zakat and Tax could lead to additional payment obligations to the GAZT on behalf of SABB’s shareholders*”), neither the Trustee, SABB nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which SABB is aware) since 31 December 2016 which may have or have in such period had a significant effect on the financial position or profitability of Trustee, SABB or the Group.

Auditors

The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

The joint auditors of SABB are Ernst & Young and KPMG. Ernst & Young and KPMG, through their respective partners, are each members of the Saudi Organisation of Certified Public Accountants and had jointly audited SABB’s financial statements, without qualification, in accordance with the Accounting Standards for Commercial Banks promulgated by SAMA and IFRS for each of the financial years ended on 31 December 2016 and 31 December 2015. Neither Ernst & Young nor KPMG has a material interest in SABB.

Dealer transacting with SABB

The Arranger and its affiliates have engaged, and the Arranger and any future Dealer and its affiliates may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, SABB (and its affiliates) in the ordinary course of business for which they have received, and for which they may in the future receive, fees.

In addition, in the ordinary course of their business activities, a Dealer and its 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 SABB or SABB's affiliates. A Dealer or its affiliates that have a lending relationship with SABB may hedge their credit exposure to the Trustee consistent with their customary risk management policies. Typically, a Dealer and its 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 Certificates issued under the Programme. Any such short positions could adversely affect future trading prices of Certificates issued under the Programme. A Dealer and its 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.

Shari'a Approvals

The transaction structure relating to the Certificates (as described in this Base Prospectus) has been approved by the Shari'a Committee of SABB and the Executive Shari'a Committee of HSBC Saudi Arabia Limited. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own Shari'a advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with Shari'a principles.

Description of the members of the Shari'a Committee of SABB

The Shari'ah Committee of SABB is an independent committee appointed by SABB's board of directors. It is an independent committee which guides SABB and meets regularly to review and appraise various transactions and ensure compliance with the principles of Shari'ah. The Shari'ah Committee of SABB comprises of the following members:

Members of the Shari'a Committee of SABB

Sheikh Abdullah Bin Sulaiman Al Manea (Chairman)

Sheikh Abdullah Al Manea is a Consultant to the Royal Diwan and was formerly Deputy President of the Makkah Courts.

Sheikh Abdullah Al Manea is a member of the Senior Scholars Council, the Supreme Judiciary Committee of Saudi Arabia, the Islamic Fiqh Academy (Jeddah) and the Shari'ah Council of the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOFI").

Sheikh Abdullah Sheikh Abdullah Al Manea is a member of a number of Saudi banks' Shari'ah committees and is an author of a number of books and research publications on Islamic economy.

Sheikh Dr. Abdullah Bin Mohammed Al-Mutlaq

Sheikh Abdullah Al-Mutlaq is a Professor of Shari'ah, a member of the Permanent Committee for Research and Pronouncements (iftaa) and Consultant to the Royal Diwan.

Sheikh Abdullah Al-Mutlaq received his Ph.D. from Imam Mohammed Bin Saud University, Riyadh (Kingdom of Saudi Arabia) in 1404H (1984G) and was formerly Chairman of the University's Comparative Fiqh Department.

Sheikh Abdullah Al-Mutlaq is a member of many Saudi banks' Shari'ah committees and is a member of AAOFI.

Sheikh Abdullah Al-Mutlaq has supervised a number of Ph.D. thesis and has participated in the discussion of a number of M.A. and Ph.D. dissertations. He has compiled a number of Shari'ah rulings (interpretive opinions) and is an author of a number of books on Islamic finance.

Sheikh Dr. Mohammed Ali Elgari

Dr. Elgari is Professor of Islamic Economics at King Abdulaziz University, Jeddah (Kingdom of Saudi Arabia) and former Director of the Centre for Research in Islamic Economics in the same university. He is an Expert at

the Islamic Jurisprudence Academy of The Organisation of Islamic Cooperation and the Islamic Jurisprudence Academy of the Islamic World League and a member of the Shari'ah Council of AAOFI.

Dr. Elgari is chairman and a member of numerous Shari'ah boards of Islamic banks and takaful companies worldwide. He has authored several books on Islamic finance and published articles on the subject both in Arabic and English. Dr. Elgari is also a frequent speaker in conferences worldwide.

Dr. Elgari is the recipient of the Islamic Development Bank prize in Islamic Banking and Finance for the year 1424H (2004). Dr. Elgari holds a Ph.D. from the University of California (United States of America).

Description of the members of the Executive Shari'a Committee of HSBC Saudi Arabia Limited

The Executive Shari'ah Committee of HSBC Saudi Arabia Limited is an independent committee appointed by the board of directors of HSBC Saudi Arabia Limited. It meets regularly for review and appraisal to ensure full compliance with Shari'ah of transactions conducted by HSBC Saudi Arabia Limited, its affiliated institutions or its clients.

Members of the Executive Shari'a Committee of HSBC Saudi Arabia Limited

Sheikh Dr. Mohammed Ali Elgari

Please see biography set out in “ - *Description of the members of the Shari'a Committee of SABB - Sheikh Dr. Mohammed Ali Elgari*”.

Sheikh Nizam Yaquby

Sheikh Nizam is a graduate in Economics and Comparative Religion from McGill University and is an internationally acclaimed scholar in the Islamic banking industry. He has been a teacher of Tafsir since 1976G. He advises a number of banks and financial institutions including HSBC, Abu Dhabi Islamic Bank, BNP Paribas, Citi Islamic Investment Bank E.C. Bahrain and Standard Chartered on matters pertaining to Islamic banking and finance.

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