IMPORTANT NOTICE

THE ATTACHED BASE PROSPECTUS IS NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES, EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS ("QIBS"), AS DEFINED IN, AND IN COMPLIANCE WITH, RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR OTHERWISE TO PERSONS TO WHOM IT CAN LAWFULLY BE DISTRIBUTED.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the base prospectus attached to this electronic transmission and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached base prospectus (the “Base Prospectus”). In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from CBB International Sukuk Programme Company S.P.C. (the “Trustee”) or The Kingdom of Bahrain, acting through the Ministry of Finance and National Economy (the “Kingdom”), as a result of such access.

Restrictions: THE FOLLOWING ELECTRONIC TRANSMISSION MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE BASE PROSPECTUS MAY ONLY BE DISTRIBUTED IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”) AND TO QIBS PURSUANT TO RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE BASE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THE BASE PROSPECTUS CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY CERTIFICATES DESCRIBED THEREIN.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED 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) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE ARRANGERS AND THE DEALERS (EACH, AS DEFINED IN THE BASE PROSPECTUS) AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. DISTRIBUTION OR REPRODUCTION OF THE BASE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.


THE DISTRIBUTION IN THE UNITED KINGDOM OF THE BASE PROSPECTUS, ANY FINAL TERMS (AS DEFINED IN THE BASE PROSPECTUS) AND ANY OTHER MARKETING MATERIALS RELATING TO THE SECURITIES IS BEING ADDRESSED TO, OR DIRECTED AT: (A) IF THE DISTRIBUTION OF THE SECURITIES (WHETHER OR NOT SUCH SECURITIES ARE AFIBS) IS BEING EFFECTED BY A PERSON WHO IS NOT AN AUTHORISED PERSON UNDER THE FSMA, 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 (II) ANY OTHER PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE MADE IN ACCORDANCE WITH THE FINANCIAL PROMOTION ORDER; AND (B) IF THE SECURITIES ARE NOT AFIBS AND THE DISTRIBUTION IS EFFECTED BY A PERSON WHO IS AN AUTHORISED PERSON UNDER THE FSMA, ONLY THE FOLLOWING PERSONS: (I) PERSONS FALLING WITHIN ONE OF THE CATEGORIES OF INVESTMENT PROFESSIONALS AS DEFINED 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 PERSONS 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 BE LAWFULLY PROMOTED.

THIS ELECTRONIC TRANSMISSION IS BEING DIRECTED ONLY AT PERSONS HAVING PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS ELECTRONIC TRANSMISSION RELATES WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. NO OTHER PERSON SHOULD RELY ON IT.

Confirmation of Your Representation: By accessing the Base Prospectus you confirm to the Arrangers and the Dealers, the Trustee, as issuer of the Certificates (as defined in the Base Prospectus) and the Kingdom, that: (i) you understand and agree to the terms set out herein; (ii) either (a) you are a QIB or (b) you are not a U.S. person (within the meaning of Regulation S), or acting for the account or benefit of any U.S. person, and that you are not in the United States, its territories and possessions; (iii) you consent to delivery of the Base Prospectus by electronic transmission; (iv) you will not transmit the Base Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the prior written consent of the Arrangers and the Dealers; and (v) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Certificates.

You are reminded that the Base Prospectus has been delivered to you on the basis that you are a person into whose possession the Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Base Prospectus, electronically or otherwise, to any other person and in particular to any U.S. person or to any U.S. address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

If you received the Base Prospectus by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the “Reply” function on your email software, will be ignored or rejected. If you received the Base Prospectus by e-mail, your use of this email is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction the offering shall be deemed to be made by the Dealers or such affiliate on behalf of the Trustee in such jurisdiction.

Under no circumstances shall the Base Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the Base Prospectus who intend to subscribe for or purchase the Certificates are reminded that any subscription or purchase may only be made on the basis of the information contained in the Base Prospectus.

The Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Trustee, the Kingdom, the Arrangers, the Dealers or any person who controls or is a director, officer, employee or agent of the Trustee, the Kingdom, the Arrangers or the Dealers nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.
The distribution of the Base Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the Base Prospectus comes are required by the Trustee, the Kingdom, the Arrangers and the Dealers to inform themselves about, and to observe, any such restrictions.
THE KINGDOM OF BAHRAIN
acting through the Ministry of Finance and National Economy

CBB International Sukuk Programme Company S.P.C.
(a single person company incorporated in the Kingdom of Bahrain
with limited liability whose proprietor is the Central Bank of Bahrain)

Trust Certificate Issuance Programme

Under the trust certificate issuance programme (the “Programme”) described in this Base Prospectus (the “Base Prospectus”), CBB International Sukuk Programme Company S.P.C. (in its capacity 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(s) (as defined below). Certificates may only be issued in registered form.

The Certificates may be issued on a continuing basis to one or more of the Dealers specified under “Overview of the Programme” and any additional Dealer(s) appointed under the Programme from time to time (each, a “Dealer”, and together, the “Dealers”) by the Trustee and The Kingdom of Bahrain, acting through the Ministry of Finance and National Economy (the “Kingdom”), which appointment may be for a specific issue of Certificates or on an ongoing basis. References in this Base Prospectus to the “relevant Dealer(s)” 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 to such Certificates.

An investment in Certificates issued under the Programme involves certain risks. For a discussion of these risks, see “Risk Factors”.

Each Tranche (as defined in the terms and conditions of the Certificates (the “Conditions”)) of Certificates will be constituted by: (i) a master trust deed (the “Master Trust Deed”) dated 23 September 2019 entered into by the Trustee, the Kingdom and Citibank N.A., London Branch as delegate of the Trustee (in such capacity, the “Delegate”); and (ii) a supplemental trust deed (each a “Supplemental Trust Deed”) in relation to the relevant Tranche. Certificates of each Series confer on the holders of the Certificates from time to time (the “Certificateholders”) the right to receive payments (as more particularly described herein) arising from the assets of a trust declared by the Trustee in relation to the relevant Series (the “Trust”).

The Base Prospectus has been approved by the Central Bank of Ireland, as competent authority under Regulation (EU) 2017/1129 (the “Prospectus Regulation”). The Central Bank of Ireland only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. Such approval should not be considered as an endorsement of the Trustee or the Kingdom or the quality of the Certificates that are subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Certificates.

Application has been made to the Irish Stock Exchange plc, trading as Euronext Dublin (“Euronext Dublin”) for the Certificates issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list (the “Official List”) and to trading on the regulated market (the “Regulated Market”) of Euronext Dublin. The Regulated Market is a regulated market for the purposes of Directive 2014/65/EU (“MiFID II”). Such approval relates only to the Certificates which are to be admitted to trading on a regulated market for the purposes of MiFID II and/or which are to be offered to the public in any member state of the European Economic Area (the “EEA”). References in this Base Prospectus to the Certificates being “listed” (and all related references) shall mean that, unless otherwise specified in the applicable Final Terms (as defined below), the Certificates have been admitted to the Official List and trading on the Regulated Market of Euronext Dublin.

The Programme provides that Certificates may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Trustee, the Kingdom and the relevant Dealer. The Trustee may also issue unlisted Certificates and/or Certificates not admitted to trading on any market.
This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to Certificates which are to be admitted to trading on a regulated market in the EEA. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

Notice of the aggregate face amount of Certificates, profit (if any) payable in respect of Certificates, the issue price of Certificates and certain other information which is applicable to each Tranche of Certificates will be set out in a final terms document (the "Final Terms") which will be delivered to the Central Bank of Ireland and Euronext Dublin.

The Certificates have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States. Certificates may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Certificates are being offered, sold or delivered only (A) outside the United States in offshore transactions to non-U.S. persons in accordance with Regulation S and initially represented by a global certificate in registered form (a "Regulation S Global Certificate") and (B) in the United States to "qualified institutional buyers" ("QIBs") within the meaning of Rule 144A under the Securities Act ("Rule 144A") and represented by one or more global certificates in registered form (a "Rule 144A Global Certificate", together with a Regulation S Global Certificate, the "Global Certificates"). For a description of certain restrictions on offers and sales of Certificates and on distribution of this Base Prospectus, see “Subscription and Sale and Transfer and Selling Restrictions”. Global Certificates will either (A) be deposited on the relevant issue date with, and registered in the name of a nominee for, a common depositary (the “Common Depositary”) on behalf of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream, Luxembourg”) or (B) be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (“DTC”). The provisions governing the exchange of interests in Global Certificates for definitive Certificates are described in “Summary of Provisions relating to the Certificates while in Global Form”.

Amounts payable on Floating Rate Certificates will be calculated by reference to one of LIBOR and EURIBOR, as specified in the applicable Final Terms. As at the date of this Base Prospectus, the administrators of LIBOR and EURIBOR are included in ESMA’s register of administrators under Article 36 of the Regulation (EU) № 2016/1011 (the “Benchmarks Regulation”).

On 1 December 2017, Standard & Poor’s Credit Market Services Europe Limited (“Standard & Poor’s”) rated Bahrain’s long-term foreign currency sovereign debt as B+ (Stable Outlook). On 1 March 2018, Fitch Ratings Ltd. (“Fitch”) rated Bahrain’s long-term foreign currency sovereign debt and local currency as BB- (Stable Outlook). Each of Standard & Poor’s and Fitch is established in the European Union (the “EU”), included in the list of credit rating agencies published by the European Securities and Markets Authority (“ESMA”) on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with Regulation (EC) № 1060/2009 (as amended) (the “CRA Regulation”) and registered under the CRA Regulation. A security 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 Shariah Advisory Board of Citi Islamic Investment Bank E.C. and the Shari’a advisers of J.P. Morgan Securities plc. Prospective Certificatetholders 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.

Arrangers

Citigroup  J.P. Morgan  National Bank of Bahrain

Dealers

Citigroup  J.P. Morgan  National Bank of Bahrain

The date of this Base Prospectus is 23 September 2019.
IMPORTANT NOTICES

This Base Prospectus comprises a base prospectus for the purposes of Article 8 of the Prospectus Regulation.

Each of the Trustee and the Kingdom accepts responsibility for the information contained in this Base Prospectus and the applicable Final Terms for each Tranche of Certificates issued under the Programme. To the best of the knowledge of each of the Trustee and the Kingdom (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 includes a map of the Kingdom of Bahrain ("Bahrain"), statistical data and macroeconomic information regarding Bahrain for the periods indicated (comprising information on unemployment levels, the national income, the real Gross Domestic Product ("GDP"), the consumer price index ("CPI") and inflation, price levels, average monthly wage rates, foreign direct investment levels, the balance of payments, the crude oil and oil refining industries, the banking industry, foreign reserves, the budget, domestic liquidity, Bahrain Bourse ("BHB") (the "Bahrain Bourse") transactions and the equity holdings of the Government of Bahrain (the "Government") in local and foreign companies) and information regarding clearing and settlement of the Certificates under the following headings: "Overview of The Kingdom of Bahrain", "Economy of the Kingdom of Bahrain", "Balance of Payments and Foreign Trade", "Monetary and Financial System", "Public Finance", "Indebtedness" and “Book-Entry Clearance System”. This information has been extracted from information provided by:

(i) the International Monetary Fund (the "IMF") (in the case of certain information included under the headings “Economy of The Kingdom of Bahrain” and “Monetary and Financial System”);
(ii) the Ministry of Finance and National Economy (the “MOFNE”) (in the case of certain information included under the headings “Economy of The Kingdom of Bahrain”, “Public Finance” and “Indebtedness”);
(iii) the Information eGovernment Authority (in the case of certain information included under the headings “Economy of The Kingdom of Bahrain” and “Balance of Payments and Foreign Trade”);
(iv) the Central Bank of Bahrain (the “CBB”) (in the case of certain information included under the headings “Economy of The Kingdom of Bahrain”, “Balance of Payments and Foreign Trade” and “Monetary and Financial System”);
(v) the General Organisation for Social Insurance and Civil Service Bureau (in the case of certain information included under the heading “Economy of The Kingdom of Bahrain”);
(vi) the National Oil and Gas Authority (“NOGA”) (in the case of certain information included under the headings “Economy of The Kingdom of Bahrain”, “Balance of Payments and Foreign Trade” and “Public Finance”);
(vii) the Bahrain Bourse (in the case of certain information included under the heading “Monetary and Financial System”);
(viii) the Ministry of Industry, Commerce and Tourism (in case of certain information included under the heading “Economy of The Kingdom of Bahrain”);
(ix) the Nationality, Passports and Residences Affairs (in case of certain information included under the heading “Economy of The Kingdom of Bahrain”);
(x) Bahrain Mumtalakat Holding Company B.S.C.(c) (in the case of certain information included under the headings “Economy of The Kingdom of Bahrain” and “Public Finance”);
(xi) the Oil and Gas Holding Company B.S.C.(c) (in the case of certain information included under the headings “Economy of The Kingdom of Bahrain” and “Public Finance”);
(xii) the Telecommunications Regulatory Authority (in the case of certain information included under the heading “Economy of The Kingdom of Bahrain”);
(xiii) the Survey & Land Registration Bureau (in the case of certain information included under the heading “Overview of The Kingdom of Bahrain”); and
(xiv) DTC, Euroclear and Clearstream, Luxembourg (in the case of certain information included under the heading “Book-Entry Clearance System”).

Each of the Trustee and the Kingdom 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 each of the relevant sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.
This Base Prospectus should be read and construed together with any amendments or supplements hereto and, in relation to any Tranche of Certificates, should be read and construed together with the applicable Final Terms.

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

No person has been authorised to give any information or to make any representation other than those contained in 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, the Kingdom, the Arrangers, the Dealers, the Delegate or the Agents (as defined herein). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Trustee or the Kingdom since 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 the Kingdom 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 at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and the offering or sale of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Trustee, the Kingdom, the Arrangers and the Dealers to inform themselves about and to observe any such restrictions. The Certificates have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Certificates may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Certificates are being offered, sold or delivered only outside the United States in offshore transactions to non-U.S. persons in accordance with Regulation S. Each purchaser of the Certificates in making its purchase will be deemed to have made certain acknowledgements, representations and agreements. Prospective purchasers are hereby notified that the offer, sale or delivery of Certificates to it will be made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S. For a description of certain restrictions on offers and sales of Certificates and on distribution of this Base Prospectus, see “Subscription and Sale and Transfer and Selling Restrictions”.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Arrangers or Dealers or any affiliate of the Arrangers or Dealers is a licensed broker or dealer in that jurisdiction the offering shall be deemed to be made by that Arranger or Dealer or such affiliate on behalf of the Trustee in such jurisdiction.

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

To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Delegate or the Agents accepts any responsibility for the contents of this Base Prospectus or for any other statement made, or purported to be made, by the Arrangers, the Dealers, the Delegate, the Agents or on its or their behalf in connection with the Trustee, the Kingdom or the issue and offering of the Certificates. Each of the Arrangers, the Dealers, the Delegate and the Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement, including in relation to the information contained in this Base Prospectus or any other information provided by the Trustee or the Kingdom in connection with the Programme or the issue or offering of Certificates thereunder. Neither this Base Prospectus nor any other such statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Trustee, the Kingdom, the Arrangers, the Dealers, the Delegate or the Agents that any recipient of this Base Prospectus or any other such statements should purchase the Certificates. Each potential purchaser of Certificates should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Certificates should be based upon such investigation as it deems necessary. None of the Arrangers, the Dealers, the Delegate or the Agents undertakes to review the financial condition or affairs of the Trustee or the Kingdom during the life of the arrangements contemplated by this Base Prospectus, nor to advise any investor or potential investor in Certificates issued under the Programme of any information coming to the attention of any of the Arrangers, the Dealers, the Delegate or the Agents.

The Arrangers, the Dealers, the Delegate and the Agents have not 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 the Arrangers, the Dealers, the Delegate or the Agents as to the accuracy
or completeness of the information contained in this Base Prospectus or any other information provided by the Trustee or the Kingdom in connection with Certificates issued under the Programme.

The Certificates may not be a suitable investment for all investors. Each potential investor in any 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 advisers, whether it:

(i) 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 supplement thereto;

(ii) 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 such investment will have on its overall investment portfolio;

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Certificates, including Certificates where the currency for any Dissolution Distribution Amount or Periodic Distribution Amount (each as defined herein) payments are different from the potential investor’s currency;

(iv) understands thoroughly the terms of the relevant Certificates and is familiar with the behaviour of financial markets; and

(v) 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 and such instruments may be purchased 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 unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Certificates will perform under changing conditions, the resulting effects on the value of such 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 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.

The Certificates to which this Base Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Certificates offered should conduct their own due diligence on the Certificates. If you do not understand the contents of this Base Prospectus you should consult an authorised financial adviser.

No comment is made or advice given by the Trustee, the Kingdom, the Arrangers, 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. 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.

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

STABILISATION

In connection with the issue of any Tranche, the Dealer or Dealers (if any) named as the stabilisation manager(s) (the “Stabilisation Manager(s)” or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may 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 may not necessarily occur. Any stabilisation action may begin on or after the issue date of the relevant Tranche and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.
MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Certificates may include a legend entitled “MiFID II product governance”, which will outline the target market assessment in respect of the Certificates and which channels for distribution of the Certificates are appropriate. Any person subsequently offering, selling or recommending the Certificates (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, “MiFID II”) is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the “MiFID Product Governance Rules”), any Dealer subscribing for any Certificates is a manufacturer in respect of such Certificates, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

This Base Prospectus has been prepared on the basis that any Certificates with a minimum denomination of less than €100,000 (or equivalent in another currency) will (i) only be admitted to trading on an EEA regulated market (as defined in MiFID II), or a specific segment of an EEA regulated market, to which only qualified investors (as defined in the Prospectus Regulation) can have access (in which case they shall not be offered or sold to non-qualified investors) or (ii) only be offered to the public in an EEA Member State pursuant to an exemption under Article 1(4) of the Prospectus Regulation.

NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE “SFA”)

Unless otherwise stated in the applicable Final Terms all Certificates issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

VOLCKER RULE

The Trustee is not, and solely after giving effect to any offering and sale of the Certificates and the application of the proceeds thereof will not be, a “covered fund” for purposes of regulations adopted under Section 13 of the U.S. Bank Holding Company Act of 1956, as amended (commonly known as the Volcker Rule). In reaching this conclusion, although other statutory or regulatory exclusions and/or exemptions under the U.S. Investment Company Act of 1940, as amended (the “Investment Company Act”) and under the Volcker Rule and its related regulations may be available, the Trustee has relied on the determinations that (i) the Trustee would satisfy all of the elements of the exemption from registration under the Investment Company Act provided by Rule 3a-5 of the Investment Company Act, and, accordingly, (ii) the Trustee may rely on the exemption from the definition of a “covered fund” under the Volcker Rule made available to entities that do not rely solely on Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act for their exclusion and/or exemption from registration under the Investment Company Act. Each investor is responsible for analysing its own position under the Volcker Rule.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Base Prospectus may be forward looking statements. Forward looking statements include statements concerning the Government’s plans, objectives, goals, strategies, 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”, “Overview of The Kingdom of Bahrain”, “Economy of The Kingdom of Bahrain”, “Balance of Payments and Foreign Trade”, “Monetary and Financial System”, “Public Finance” and “Indebtedness” and other sections of this Base Prospectus. The Kingdom has based these forward looking statements on the Government’s current view with respect to future events and financial performance. Although the Kingdom believes that the expectations, estimates and projections reflected in its forward looking statements are reasonable as of the date of this Base Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which have otherwise been identified in this Base Prospectus, or if any of the Government’s underlying assumptions prove to be incomplete or inaccurate, events relating to the Government or the Government’s actual results may be materially different from those expected, estimated or predicted.
The risks and uncertainties referred to above include, but are not limited to, the following:

External factors, such as:

- the impact of changes in the international prices of commodities, including in particular the prices of crude oil, natural gas and aluminium;
- global and regional conflicts, including recent developments involving the Islamic Republic of Iran and the State of Qatar;
- terrorism;
- interest rates in financial markets outside Bahrain;
- present and future exchange rates and the ability to maintain the peg of the Bahraini Dinar to the U.S. Dollar;
- investors’ perceptions of Bahrain;
- the impact of changes in the credit ratings and outlooks of Bahrain; and
- economic conditions in Bahrain’s major export markets.

Internal factors, such as:

- the volumes of crude oil, natural gas and aluminium produced and exported from Bahrain;
- the impact of fiscal consolidation, diversification and removal of subsidies;
- domestic inflation;
- delays in projects and implementation of fiscal reform (including a failure to achieve estimated savings from subsidies reforms and fiscal consolidation);
- changes in political, social, legal or economic conditions in Bahrain;
- domestic terrorism and the domestic security situation;
- the level of foreign currency reserves;
- natural disasters; and
- the levels of foreign direct and portfolio investment.

Without limiting the generality of the foregoing, this Base Prospectus contains estimates of, and statements with respect to anticipated items of, public revenues and expenditures, and revenues and expenditures of Government-owned entities, for future periods. Any forward looking statements contained in this Base Prospectus speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Trustee and the Kingdom expressly disclaim any obligation or undertaking to disseminate after the date of this Base Prospectus any updates or revisions to any forward looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward looking statement is based.

Information included herein which is identified as being derived from information published by Bahrain or one of its agencies or instrumentalities is included herein on the authority of such publication as a public official document of Bahrain. All other information herein with respect to Bahrain is included herein as a public official statement made on the authority of the Ministry of Finance and National Economy of Bahrain.

CERTAIN DEFINED TERMS AND CONVENTIONS

Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed thereto in “Terms and Conditions of the Certificates” or any other section of this Base Prospectus.

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.

Any website referred to in this document does not form part of the Base Prospectus and has not been scrutinised or approved by the Central Bank of Ireland.
Exchange Rate Data

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to “U.S.$” and “U.S. Dollars” are to U.S. Dollars and references to “Bahraini Dinars” and “BD” are to the lawful currency of Bahrain.

This Base Prospectus contains a conversion of certain Bahraini Dinar amounts into U.S. Dollars at specified rates solely for the convenience of the reader. These conversions should not be construed as representations that the Bahraini Dinar amounts actually represent such U.S. Dollar amounts or could actually be converted into U.S. Dollars at the rate indicated.

The Bahraini Dinar has been pegged to the U.S. Dollar at a fixed exchange rate of BD 0.376 = U.S.$1.00, and, unless otherwise indicated, U.S. Dollar amounts in this Base Prospectus have been converted from BD at this exchange rate.

References to a “billion” are to a thousand million.

Fiscal Data

Bahrain’s budget is prepared on a modified cash basis. This means that flows are recorded when cash is received or disbursed. Although non-monetary flows can be recorded, most accounting systems (including that used in Bahrain) using the modified cash basis do not record non-monetary flows because the focus is on cash management rather than resource flows. In addition, with respect to accruals, the time of recording may diverge significantly from the time of the economic activities and transactions to which they relate. For this reason, together with the fact that a number of extra-budgetary transactions are only presented on a net basis, social security spending is sometimes recorded off-budget. Accordingly, actual Government funding and its aggregate subsidy bill may not be completely reflected in the budget, and off-budget expenses have a significant impact on the Government’s financial reserves. See “Risk Factors—Risks relating to the Kingdom—Bahrain’s fiscal deficit and debt ratio may not be fully reflective of all of the Government’s obligations” and “Public Finance”.

Statistical Information

The statistical information contained in this Base Prospectus has been produced by the MOFNE, the CBB, the Economic Development Board of Bahrain (the “EDB”), the Information eGovernment Authority (previously known as the Central Informatics Organisation (the “IGA”) and certain other named sources. Such statistical information may differ from statistics produced by similar sources in Western Europe and the United States for a variety of reasons, including the use of different definitions and different cut-off times. In addition, standards of accuracy of statistical data may vary from ministry to ministry or authority to authority or from period to period due to the application of different methodologies. In this Base Prospectus, data is presented, as applicable, as having been provided by the relevant ministry or authority to which the data is attributed, and no attempt has been made to reconcile such data to data compiled by other ministries or by other organisations, such as the IMF or the World Bank. Bahrain produces data in accordance with the IMF’s enhanced general data dissemination system.

Where specified, certain statistical information has been estimated based on information currently available and should not be relied upon as definitive or final. Such information may be subject to future adjustment. In addition, in certain cases, the information is not available for recent periods and, accordingly, has not been updated. Certain information, figures and percentages included in this Base Prospectus for all or part of 2018 and subsequent periods are preliminary and subject to further adjustment and revision. While the Government does not expect revisions to be material, no assurance can be given that material adjustments will not be made. Final figures will be published on the relevant Government website, when available. The information for past periods should not be viewed as indicative of current circumstances or periods not presented.

U.S. INFORMATION

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

Certificates may be offered or sold within the United States only to QIBs in transactions exempt from registration under the Securities Act in reliance on, and in accordance with, Rule 144A or any other applicable exemption. Each U.S. purchaser of Certificates is hereby notified that the offer and sale of any Certificates to it may be being made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.
Each purchaser or holder of Certificates represented by a Rule 144A Global Certificate or any Certificates issued in exchange or substitution therefor (together, “Legended Certificates”) will be deemed, by its acceptance or purchase of any such Legended Certificates, to have made certain representations and agreements intended to restrict the resale or other transfer of such Certificates as set out in “Subscription and Sale and Transfer and Selling Restrictions”.

Unless otherwise stated, terms used in this paragraph have the meanings given to them in “Form of Final Terms”.

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

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

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

A substantial part of the Kingdom’s assets are located in Bahrain. If the choice of law by the parties in relation to any applicable agreement relating to the transaction is English law, the courts of Bahrain are likely to apply English law as the governing law of the transaction at the request of a party, provided that (a) the relevant provisions of English law are proved, as a matter of evidence, by the parties relying on it; and (b) such provisions are not contrary to Bahraini public order or morality.

The Kingdom, to the extent permitted by law and subject as set out below, has in the Transaction Documents irrevocably and unconditionally waived and agreed not to raise with respect to the Certificates any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and to the extent permitted by law, irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property or assets whatsoever of any order or judgment made or given in connection with any proceedings. The Kingdom’s waiver of sovereign immunity constitutes a limited and specific waiver for the purposes of the Certificates, and under no circumstances shall such waiver be interpreted as a general waiver by the Kingdom or a waiver of immunity in respect of: (a) property used by a diplomatic or consular mission of the Kingdom; (b) property of a military character and under the control of a military authority or defence agency of the Kingdom; or (c) public or state-owned property located in Bahrain.

Investors should be aware that, pursuant to Article 251 of the Law of Civil and Commercial Procedure (Decree Law № (12) of 1971), state property may not be attached nor may execution be carried out against it, and in related proceeding brought in the courts of Bahrain to enforce or seek recognition of a judgment or award obtained outside of Bahrain, the waiver of immunity would not be given effect to the extent that it violates Article 251. See “Risk Factors—Risks relating to Enforcement—Waiver of sovereign immunity”.

The Kingdom has agreed in the Transaction Documents that any dispute in relation to the Certificates may be referred to, and finally resolved by, arbitration in London, England under the Arbitration Rules of the London Court of International Arbitration (the “Rules”). However, before the arbitration tribunal has been constituted in respect of a claim asserted or brought by or against Certificateholder(s), such Certificateholder(s) may, by notice in writing to the Kingdom, require that the dispute be referred to the courts of England, which shall have exclusive jurisdiction to settle any such dispute. In these circumstances, each party has agreed to submit to the exclusive jurisdiction of the courts of England. Notwithstanding that a judgment may be obtained in an English court, there is no assurance that the Kingdom has or would at the relevant time have assets in the United Kingdom against which such a judgment could be enforced.

Bahrain has ratified the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, and the party seeking to enforce the arbitration award must supply the duly authenticated original or a duly certified copy of the award and the original or a duly certified copy of the arbitration agreement. Enforcement of an arbitration award may be refused at the request of the party against whom it is invoked, if that party furnishes to the competent authority, where the recognition and enforcement is sought, proof that:
(i) the party to the agreement was, under the law applicable to it, under some incapacity, or the said agreement is not valid under the law to which the parties have subjected to or failing any indication thereon under the laws of Bahrain;

(ii) the party against whom the award is invoked was not given proper notice of the appointment of the arbitrator or of the arbitration proceedings or was otherwise unable to present his case;

(iii) the award deals with a dispute not contemplated by or not falling within the terms of the submission to arbitration or it contains decisions on matters beyond the scope of the submission to arbitration. Provided that the decision on matters submitted to arbitration can be separated from those not so submitted, only that part of the award which contains decisions on matters not submitted to arbitration may be set aside;

(iv) the composition of the arbitral authority or the arbitral procedure was not in accordance with the agreement of the parties or, failing such agreement, was not in accordance with the laws of the country where the arbitration took place; or

(v) the award has not yet become binding on the parties, or has been set aside or suspended by a competent authority of the country in which, or under the laws of which, that award was made.

Recognition and enforcement of an arbitral award may also be refused if the competent authority in Bahrain finds that the subject matter of the dispute is not capable of settlement by arbitration under the laws of Bahrain or the recognition or enforcement of the award would be contrary to the public policy of Bahrain.

There is limited reciprocity between Bahrain and other countries in relation to the recognition and enforcement of judgments. The courts of Bahrain may enforce a foreign law judgment without re-examining the merits of the claim, provided that:

(i) such court enforces judgments and orders rendered in Bahrain;

(ii) the courts of Bahrain did not have jurisdiction in the matter in respect of which the order or judgment has been made and it was made by a foreign court of competent jurisdiction under the jurisdiction rules or laws applied by such court;

(iii) the parties had been served with due notice to attend and had been properly represented;

(iv) the judgment was final in accordance with the law of the court making it; and

(v) the judgment did not conflict with any previous decision of the courts of Bahrain and did not involve any conflict with public order or morality in Bahrain.

To date, there has been no reciprocity between England and Bahrain and the United States and Bahrain in relation to the recognition and enforcement of judgments. In order to enforce an English court judgment or a United States court judgment in the courts of Bahrain, a fresh case must be filed in the courts of Bahrain, which may accept the English court judgment or the United States court judgment as evidence of a debt.

Judicial precedents in Bahrain generally do not have binding effect on subsequent decisions except for decisions of the Constitutional Court. Although decisions rendered by the Court of Cassation do not have binding effect on lower courts, the present practice is for the lower courts to adhere to the precedents and principles laid down by the Court of Cassation. There is no formal system of reporting court decisions in Bahrain except for those decisions of the Court of Cassation and the Constitutional Court.

In addition, no document will be admitted in evidence in the courts of Bahrain unless they are submitted in Arabic or accompanied by a duly authenticated Arabic translation approved by the official translator of the courts of Bahrain, which will be the official text.

See “Risk Factors—Risks relating to enforcement—Enforcement risk”.

NOTICE TO RESIDENTS IN THE UNITED KINGDOM

Any Certificates to be issued under the Programme which do not constitute “alternative finance investment bonds” (“AFIBs”) within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010 will represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000, as amended (“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 is being addressed to, or directed at: (A) if the distribution of the Certificates (whether or not such Certificates are AFIBs) is being effected by a person who is not an authorised
person under the FSMA, 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 not AFIBs and the distribution is effected by a person who is an authorised person under the FSMA, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined 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 be lawfully promoted.

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.

Prospective investors in the United Kingdom in any Certificates 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 UK Financial Services Compensation Scheme. Any prospective investor intending to invest in any investment described in this Base Prospectus should consult its professional adviser and ensure that it fully understands all the risks associated with making such an investment and that it has sufficient financial resources to sustain any loss that may arise from such investment.

NOTICE TO RESIDENTS IN THE KINGDOM OF BAHRAIN

This Base Prospectus does not constitute an offer of securities in Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law № 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 Certificates 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 the Certificates, whether directly or indirectly, to persons in Bahrain, other than as marketing to accredited investors (as such term is defined by the CBB) for an offer outside Bahrain.

A copy of the Base Prospectus has been filed with the CBB. 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 Certificates 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.

The offering of Certificates issued under the Programme will comply with Legislative Decree № (4) of 2001 with respect to the Prevention and Prohibition of the Laundering of Money and the Ministerial Orders issued thereunder, including, but not limited to, Ministerial order № (7) of 2001 with respect to Institution’s Obligations Concerning the Prohibition and Combating of Money Laundering and Anti-Money Laundering and Combating of Financial Crime Module contained in the Central Bank of Bahrain Rulebook, Volume 6.

NOTICE TO RESIDENTS IN THE KINGDOM OF SAUDI ARABIA

This document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document you should consult an authorised financial adviser.

NOTICE TO RESIDENTS IN MALAYSIA

Any Certificates to be issued under the Programme may not be offered for subscription or purchase and no invitation to subscribe for or purchase such 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 Part I of Schedule 6 or Section 229(1)(b), Part I of Schedule 7 or Section 230(1)(b), read together with Schedule 8 or Section 257(3) of the Capital Market and
Services Act 2007 (the “CMSA”) of Malaysia, as may be amended and/or varied from time to time and subject to any amendments to the applicable laws from time to time.

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

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMPORTANT NOTICES</td>
<td>i</td>
</tr>
<tr>
<td>RISK FACTORS</td>
<td>1</td>
</tr>
<tr>
<td>STRUCTURE DIAGRAM AND CASH FLOWS</td>
<td>17</td>
</tr>
<tr>
<td>OVERVIEW</td>
<td>19</td>
</tr>
<tr>
<td>TERMS AND CONDITIONS OF THE CERTIFICATES</td>
<td>29</td>
</tr>
<tr>
<td>SUMMARY OF PROVISIONS RELATING TO THE CERTIFICATES WHILE IN GLOBAL FORM</td>
<td>61</td>
</tr>
<tr>
<td>FORM OF FINAL TERMS</td>
<td>64</td>
</tr>
<tr>
<td>USE OF PROCEEDS</td>
<td>71</td>
</tr>
<tr>
<td>DESCRIPTION OF THE TRUSTEE</td>
<td>72</td>
</tr>
<tr>
<td>OVERVIEW OF THE KINGDOM OF BAHRAIN</td>
<td>73</td>
</tr>
<tr>
<td>ECONOMY OF THE KINGDOM OF BAHRAIN</td>
<td>83</td>
</tr>
<tr>
<td>BALANCE OF PAYMENTS AND FOREIGN TRADE</td>
<td>104</td>
</tr>
<tr>
<td>MONETARY AND FINANCIAL SYSTEM</td>
<td>107</td>
</tr>
<tr>
<td>PUBLIC FINANCE</td>
<td>121</td>
</tr>
<tr>
<td>INDEBTEDNESS</td>
<td>133</td>
</tr>
<tr>
<td>SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS</td>
<td>137</td>
</tr>
<tr>
<td>BOOK-ENTRY CLEARANCE SYSTEM</td>
<td>142</td>
</tr>
<tr>
<td>TAXATION</td>
<td>146</td>
</tr>
<tr>
<td>SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS</td>
<td>155</td>
</tr>
<tr>
<td>GENERAL INFORMATION</td>
<td>161</td>
</tr>
</tbody>
</table>
RISK FACTORS

Each of the Trustee and the Kingdom believes that the following factors may affect both the Trustee’s ability to pay amounts owing under Certificates issued under the Programme and the Kingdom’s ability to satisfy its obligations under the relevant Transaction Documents (as defined in the Conditions). All of these factors are contingencies, which may or may not occur, and neither the Trustee nor the Kingdom expresses a view on the likelihood of any such contingency occurring. However, should any of these factors occur, it would have the potential to materially adversely affect the Kingdom’s ability to perform its obligations in respect of the relevant Transaction Documents.

Factors which each of the Trustee and the Kingdom believes may be material for the purpose of assessing the market risks associated with Certificates issued under the Programme are also described below.

Each of the Trustee and the Kingdom believes that the non-exhaustive list of factors described below represent the material risks inherent in investing in Certificates, but the inability of the Trustee to pay Periodic Distribution Amounts, Dissolution Distribution Amounts or other amounts on or in connection with any Certificates may occur for other reasons, which may not be considered significant risks by the Trustee and/or the Kingdom based on information currently available to them or which they may not currently be able to anticipate. Neither the Trustee nor the Kingdom represents that the statements below regarding the risks of holding any Certificates are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision. Words and expressions defined elsewhere in this Base Prospectus shall have the same meanings in this section.

RISKS RELATED TO THE TRUSTEE

The Trustee was incorporated under the laws of Bahrain on 3 May 2016 and has a limited operating history. Prior to the establishment of the Programme, on 16 May 2016, the Trustee issued a single series of trust certificates in an aggregate face amount of U.S.$435 million (which matured and were fully repaid in their entirety on 16 May 2019). The Trustee’s only assets, which will be held on trust for Certificateholders, will be the Trust Assets in respect of each Series of Certificates issued, including its right to receive payments from the Kingdom (acting in the relevant capacities) under the Transaction Documents relating to each Series. Therefore, the Trustee is subject to all of the risks to which the Kingdom is subject to the extent that such risks could limit the Kingdom’s ability to satisfy in full and on a timely basis its obligations under the Transaction Documents. Investors should, therefore, carefully review the description of the Kingdom herein under “Overview of the Kingdom of Bahrain”.

Accordingly, the ability of the Trustee to pay amounts due under the Certificates will primarily be dependent upon receipt by the Trustee from the Kingdom (acting in the relevant capacities) of amounts to be paid under the Transaction Documents relating to each Series. In the event of any shortfall in such amounts, the ability of the Trustee to meet its payment obligations under the Certificates may be adversely affected.

RISKS RELATING TO THE KINGDOM

Bahrain’s economy remains significantly dependent on oil revenues and is vulnerable to external shocks, including the current low oil price environment

Although the Government has sought to promote the growth of the non-oil sector, Government revenues remain significantly dependent on oil revenues, with actual revenue from oil and gas accounting for approximately 82.4% of public revenue for the year ended 31 December 2018, 75.1% of public revenue for the year ended 31 December 2017, 75.7% for the year ended 31 December 2016, 78.1% for the year ended 31 December 2015 and 86.2% for the year ended 31 December 2014. Revenues from oil and gas increased by 38.6% to U.S.$6.1 billion in 2018 from U.S.$4.4 billion in 2017, as a result of increases in global oil prices. A continued low oil price environment is expected to continue to have a significant negative effect on Bahrain’s public finances and continue the trend of current account deficits that began in 2015 as Government budget break even prices of oil remain above current market levels (the Government budget break even prices were U.S.$124 per barrel in 2017, U.S.$112.6 per barrel in 2018 and U.S.$95 per barrel in 2019).

As a result, Government revenues are susceptible to fluctuations in global oil prices. Bahrain also has smaller oil reserves than a number of other GCC countries, and Bahrain shares a substantial portion of its reserves with Saudi Arabia. Bahrain’s main source of oil is from the Abu Saafa oilfield, which is on the maritime border with Saudi Arabia. Under a treaty with Saudi Arabia first signed in 1958, Bahrain is entitled to receive 50% of the output from the Abu Saafa field, although historically Bahrain has received significantly more than its 50% entitlement. However, no assurance can be given that Bahrain will continue to receive more than its 50% share of entitlement from the Abu Saafa oilfield, which further increases Bahrain’s vulnerability to reductions in oil and gas revenues.

On 14 September 2019, the Abqaiq processing facility and the Kurais oil field in Saudi Arabia were damaged in a major incident, which reduced the output of Saudi Aramco, Saudi Arabia’s national oil company, and, in turn, interrupted Saudi Aramco’s crude oil shipments to Bahrain Petroleum Company’s (“Bapco”) oil processing facilities, following the shutdown of the crude oil pipeline from Saudi Arabia to Bahrain due to the reduction in available
volumes. Bapco announced that its refinery operations remain uninterrupted and that its business continuity plans have been activated. There can be no assurance, however, what impact this incident will have on Bapco’s results of operations, global oil prices or Bahrain’s production sharing or non-oil related agreements with Saudi Arabia and any corresponding impact on the Kingdom’s revenues. See “—Bahrain’s economy is dependent on economic and other conditions of Saudi Arabia in particular, as well as the GCC countries” and “—Bahrain is located in a region that has been subject to on-going geo-political and security concerns”.

If Bahrain does not decrease public expenditure (or increase non-oil revenues), an environment of prolonged low oil prices may lead to a further widening in the fiscal deficit and adversely impact Bahrain’s sovereign credit rating, as well as its borrowing costs.

Additional factors, such as the price and availability of new technologies, including renewable energy and unconventional oil and gas extraction methods, and the global geopolitical climate and other relevant conditions, have an indirect impact on oil demand and oil prices in Bahrain. Long-term effects may occur as a result of international regulatory efforts, such as the 2015 Paris Climate Agreement to curb greenhouse gas emissions and limit climate change, which has recently come into force. There can be no assurances that these factors, in combination with others, will not result in a prolonged or further decline in oil prices, which may continue to have an adverse effect on, among other things, Bahrain’s GDP growth, Government revenues, balance of payments and foreign trade.

**Bahrain has large fiscal deficits, its fiscal consolidation efforts may not be successful, leading to an increase in public debt and debt financing costs**

While revenues, in particular oil revenues, have declined in the past during periods of relatively low oil prices, Government spending has been stable in recent years leading to a larger fiscal deficit. Bahrain’s budget deficit in 2018 was U.S.$2.4 billion, as compared to U.S.$3.6 billion in 2017, and is budgeted to be U.S.$2.0 billion in 2019 and U.S.$1.6 billion in 2020. Bahrain’s budget deficit represented 6% of GDP in 2018, as compared to 10% in 2017 and is budgeted to decrease to 5% of GDP in 2019, as a result of projected increases in both oil and non-oil revenues, as well as cost reductions as a result of fiscal consolidation measures.

Bahrain’s fiscal deficit has resulted in increases in its public debt and debt-to-GDP ratio. Total outstanding Government debt (which includes loans from GCC members, but excludes borrowings from the CBB) was U.S.$33.1 billion, as at 31 December 2018, as compared to U.S.$28.5 billion, as at 31 December 2017. The debt-to-GDP ratio was 87.4% as at 31 December 2018, as compared to 80.5% and 73.3% as at 31 December 2017 and 31 December 2016, respectively. The IMF estimated Bahrain’s real GDP growth at 1.8% in 2019 and 2.1% in 2020. The EDB forecasts real GDP growth at 2.3% in 2019 and 2.7% in 2020. The EDB forecasts nominal GDP growth to be 3.3% in 2019 and 4.7% in 2020.

The FBP includes a number of economic targets, including an overall objective to achieve a balanced budget by 2022. The Government is also seeking to reduce public spending through various fiscal consolidation programmes. There can be no assurance that the targets set out in the FBP or the implementation of PBP initiatives or other fiscal consolidation programmes will be in line with originally set out timeframes, that such measures will achieve targeted outcomes or savings or that such measures will be sufficient to offset the recent increases in spending combined with below-trend income from oil revenues. See “Public Finance—Fiscal Policy—Subsidies”

The restructuring of the subsidies and incentives programmes may not result in expected savings and may have an adverse effect on economic growth and have been, and are likely to continue to be, subject to significant opposition or delays from the National Assembly or the public. For example, the adoption of each of the 2017/2018 budget and the 2019/2020 budget was delayed due, in part, to continuing debate regarding the restructuring of subsidies and efforts to reduce public spending. Despite the Government’s attempts to achieve fiscal consolidation without a significant effect on living standards, there is a possibility that this may lead to social instability among the lower income sections of society. Any social instability may lead to a degree of political instability and have a negative impact on investors’ perceptions of Bahrain. See also “—Bahrain is subject to a number of on-going domestic political risks”.

A failure to reduce the budget deficit and/or public spending (and the corresponding effect on the size of Bahrain’s public debt), and a failure to diversify the economy, could make the economy more susceptible to the risks associated with the sectors in which the economy is concentrated (for example, the oil industry), and any downturn in such sectors or the economy generally, could have an adverse effect on the economic and financial condition of Bahrain.

**Bahrain’s fiscal deficit and debt ratio may not be fully reflective of all of the Government’s obligations**

The potential liability of the Government for borrowings by state-owned entities, even in the absence of a Government guarantee, may result in additional liabilities for the Government, which are not reflected in the Government’s debt figures.

**Bahrain’s economy is dependent on economic and other conditions of Saudi Arabia in particular, as well as the GCC countries**

In addition to sharing oil production at the Abu Saafa oilfield with Saudi Arabia, Bahrain’s economy is closely aligned and dependent on the economy of Saudi Arabia in particular, as well as the economies of the other GCC countries.
This includes interest rates and trade and energy policies within the GCC. Based on IGA foreign trade data, non-oil exports to GCC countries amounted to 49.6% of total non-oil exports in 2018, and Saudi Arabia accounted for 25.6% of total non-oil exports, as compared to non-oil exports to GCC countries of 73.4% and non-oil exports to Saudi Arabia of 26.6% in 2017. As for non-oil imports, 17.7% of non-oil imports in 2018 were from other GCC countries, and Saudi Arabia contributed 7.4% of total non-oil imports, as compared to 6.8% and 7.0%, respectively, in 2017. Accordingly, Bahrain’s economy may be adversely affected by any adverse change in the social, political or economic conditions in Saudi Arabia and the other GCC countries. See also “—Bahrain is located in a region that has been subject to on-going geo-political and security concerns”. Although Bahrain has sought to diversify its geographical economic dependence, there can be no assurance that such geographical diversification will be successful which could have a material adverse effect on the economy and financial condition of Bahrain.

In recent years, Bahrain has significantly benefitted from support from Saudi Arabia and other GCC countries. In October 2018, Saudi Arabia, Kuwait and the United Arab Emirates (the “UAE”) pledged U.S.$10 billion to Bahrain to support the FBP and to alleviate near-term financing constraints. Bahrain received an initial instalment of U.S.$2.29 billion in 2018 and expects to receive an additional U.S.$2.28 billion in 2019 with further payments of U.S.$1.76 billion in 2020, U.S.$1.85 billion in 2021, U.S.$1.42 billion in 2022 and U.S.$650 million in 2023, which will total U.S.$10.25 billion in support. However, there can be no assurance that future payments will be available, in a timely manner or at all and such payments may be subject to delays or conditions beyond Bahrain’s control.

Furthermore, Bahrain benefits from a separate U.S.$7.5 billion development fund established in 2011 with contributions made by the non-donee GCC member states (the “GCC Development Fund”). The GCC Development Fund includes investments in key infrastructure projects across the manufacturing, energy, healthcare and education sectors. The GCC Development Fund was originally established with the aim of raising U.S.$10 billion for Bahrain with preliminary commitments from four GCC member states. To date, U.S.$7.5 billion has been allocated to Bahrain by three GCC member states (Kuwait, Saudi Arabia and the UAE, following the withdrawal by Qatar of its portion). Of the U.S.$7.5 billion, as of 31 July 2019, U.S.$7.4 billion was allocated to projects, U.S.$4.6 billion of contracts were awarded and U.S.$2.8 billion was actually paid from the GCC Development Fund. The GCC Development Fund is intended to stimulate economic growth and is expected to be used in furtherance of development goals set out in Vision 2030, and, in particular, on important infrastructure projects See “Public Finance—Government Budget” for a description of the priority projects to be financed through the GCC Development Fund, which is in addition to the Government project budget allocations. Under the terms of the GCC Development Fund, the Government has to coordinate with the Saudi Fund for Development (representing the Government of the Kingdom of Saudi Arabia) (the “Saudi Fund”), the Kuwait Fund for Arab Economic Development (representing the Government of the State of Kuwait (“Kuwait”)) (the “Kuwait Fund”), and the Abu Dhabi Fund for Development (representing the Government of the UAE) (the “Abu Dhabi Fund”) to finalise the planned projects. This support has significantly contributed to Bahrain’s economy and fiscal stimulus. However, there can be no assurance that any further support may be available and the timings of any pledged support may be subject to changes, delays or conditions beyond Bahrain’s control, including political, economic and social conditions in Saudi Arabia and the GCC. Any adverse change in the amount or rate at which funding under the fiscal support programme, the GCC Development Fund or any other fiscal support initiatives could have an adverse effect on Bahrain’s growth prospects, Bahrain’s ability to meet its external financing needs or further increase Bahrain’s budget deficit if Bahrain is required to turn to other funding sources to meet its development and other requirements.

**Bahrain is subject to a number of on-going domestic political risks**

Although Bahrain has not experienced any significant political or security disruptions in recent years, the ongoing political stasis and tensions with opposing political and social groups continue to impact investor perceptions of Bahrain’s political stability and foreign investment flows.

Following widespread protests that occurred in February and March 2011 (as described further under “Overview of The Kingdom of Bahrain— Constitution and Government”), the Government has been unable to reach a political accommodation with certain political groups.

His Majesty the King and His Royal Highness the Crown Prince initiated several rounds of national dialogue in 2011, 2013 and 2014 despite repeated withdrawals by opposition groups. In September 2014, a national dialogue framework document was produced, which laid out key steps for political reform. His Majesty the King signed into law a set of reforms to the distribution of electoral districts, and all political groups were encouraged to participate in the November 2014 parliamentary elections. However, certain opposition groups decided to boycott the November 2014 parliamentary elections. Nevertheless, 52.6% of eligible voters cast their vote and independent candidates won 37 of 40 seats.

On 11 June 2016, His Majesty King Hamad bin Isa Al-Khalifa issued an amendment to the country’s political society law, banning the use of religion in political societies. On 17 July 2016, Bahrain’s High Civil Court dissolved Al Wefaq National Islamic Society citing attempts to undermine the constitution, support for terrorism, slander of the judiciary and incitement of lawless action. Bahrain’s Second High Civil Court of Appeals and Court of Cassation rejected appeals from Al Wefaq National Islamic Society against its dissolution in September 2016 and February 2017,
respectively. However, the Government reiterated its intention to continue its cooperation with political societies within the bounds of the law, including the ban on the use of religion in political societies. In May 2017, Bahrain’s High Civil Court ordered the dissolution of the National Democratic Action Society for violations of the law on political associations. In May 2018, Parliament approved a bill, which was ratified by the King in June 2018, barring members of certain dissolved opposition groups (including Al Wefaq National Islamic Society and Waad) from running in elections. The most recent parliamentary elections held in November and December 2018 saw 67% of eligible voters cast their votes. While a few opposition political groups boycotted the elections, independent candidates won 35 of the 40 seats in the Parliament.

Parliamentary elections are scheduled for October or November 2022. There can be no assurance that there will not be a boycott in respect of these elections. There can be no assurance that there will not be a boycott in respect of these elections, however, as in the past, elections will take place notwithstanding a boycott.

In May 2017, the police in Bahrain arrested 286 people as part of an operation to arrest militants and dangerous persons. During the course of the operation, five people were killed, and there were a few acts of violence. In July 2017, 60 persons were charged with forming a terrorist organisation (including 24 in absentia), and using weapons and explosives, as well as being trained with the aim of carrying out terrorist attacks that target police officers and civilians. In January 2018, the Criminal High Court, sanctioned by parliament as the legislative authority, sentenced two persons charged to death and 56 others were sentenced to prison terms ranging from five years to life, with the remaining two people acquitted. In addition, 47 of the persons charged were stripped of their Bahraini citizenship.

Although Bahrain’s security situation has stabilised over the past few years, since January 2017, there have been a number of small protests in various villages, and there can be no assurance that further protests or unrest will not occur in the future. In the event that political unrest should take place, such a development could have an adverse material impact on foreign direct investment in Bahrain or on the country’s reputation in the region, including its standing as a regional leader in the financial services sector. An unsettled political environment may also have negative implications on Bahrain’s fiscal accounts and future growth trajectory. While the Government has already begun to implement a broader strategy to diversify its revenue base and cut expenditures further, progress has been hampered by political and religious factionalism. The lack of a broad political consensus that encompasses Bahrain’s various political and religious groups may undermine the Government’s ability to implement the full extent of its fiscal readjustment programme and may hinder its efforts to reverse the rise in public debt in the near term.

Political instability in Bahrain and in the region may have a material adverse effect on Bahrain’s economy and adversely affect the trading price of the Certificates. See also “—Bahrain is located in a region that has been subject to on-going geo-political and security concerns”.

**Bahrain is located in a region that has been subject to on-going geo-political and security concerns**

Bahrain is located in a region that is strategically important and parts of the region have, at times, experienced political instability. For example, the region is currently subject to a number of armed conflicts, including those in Yemen, Syria, Iraq and Palestine, as well as the multinational conflict with Islamic State. Bahrain, along with other Arab states, is currently participating in the Saudi-led intervention in Yemen, which began in 2015 and is ongoing. The intervention was in response to requests for assistance from the Yemeni government.

On 14 September 2019, the Abqaiq processing facility and the Kurais oil field in Saudi Arabia were damaged in a major incident. It is unknown what, if any, response will be made by Saudi Arabia and its allies to this incident, what form any response will take and what the impact of such response will be. His Majesty the King has condemned the incident and pledged Bahrain’s full support for any measures taken in response by Saudi Arabia. See “—Bahrain’s economy remains significantly dependent on oil revenues and is vulnerable to external shocks, including the current low oil price environment” and “Overview of The Kingdom of Bahrain—International Relations—GCC”.

In addition, tensions have persisted between Bahrain and Iran regarding alleged interference by Iran in Bahrain’s domestic affairs, which resulted in Bahrain recalling its ambassador to Iran on 1 October 2015 and subsequently announcing the severance of diplomatic ties with Iran on 4 January 2016. There have also been a number of domestic violent incidents in Bahrain that have been alleged by the Bahraini government to be linked to Iran, which has also increased tensions between Iran, Bahrain and a number of other GCC countries.

More generally, since 2011, the prospect of a nuclear Iran has been at the centre of international geopolitical discourse. The comprehensive agreement between the U.N. Security Council’s five permanent members plus Germany (“P5+1”) and Iran that was reached on July 2015 (the “Joint Comprehensive Plan of Action”) conditions international economic sanctions relief, mainly U.S. and EU sanctions, on Iranian nuclear capabilities reduction and supervision by the International Atomic Energy Agency (the “IAEA”). After the IAEA confirmed that Iran met the relevant requirements of the Joint Comprehensive Plan of Action, certain economic sanctions were lifted on 16 January 2016 with a view to improving Iran’s position in the international community. However, certain other sanctions remain in place and the United States imposed certain additional sanctions on Iran in July 2017 relating to Iran’s ballistic missile programme, human rights matters, arms sales and Iran’s Revolutionary Guard Corps. On 8 May 2018, the United States announced its withdrawal from the Joint Comprehensive Plan of Action, reinstating U.S. nuclear sanctions on the
Iranian regime. The United States also announced that it would not renew exceptional waivers for importing Iranian oil for several oil-importing countries, effective from May 2019. Since May 2019, a number of incidents in and around the Gulf have occurred, including the alleged seizure of three oil tankers by Iran. Any continuation or increase in international or regional tensions regarding Iran including further attacks on or seizures of oil tankers which disrupt international trade, including any impairment of trade flow through the Strait of Hormuz, or any military conflict could have a destabilising impact on the Gulf region, including with respect to Bahrain, including its ability to export oil and its security.

Bahrain has also been subject in recent months to cyber attacks, including those traced to a network of electronic accounts operated in several countries, including Iran. These attacks have been aimed at inciting sedition, threatening social peace and destabilising security in Bahrain. There can be no assurance that Bahrain will not be subject to further cyber attacks in the future.

On 5 June 2017, three GCC countries – Saudi Arabia, the UAE and Bahrain – as well as Egypt, Yemen and a number of African countries – severed diplomatic ties with Qatar, cut trade and transport links and imposed sanctions based on evidence of Qatar’s support to terrorist and extremist organisations, including Qatar’s meddling in other countries’ internal affairs. Measures taken by the affected countries included the closure of land, sea and air links to Qatar, and requesting certain Qatari officials, residents and visitors to leave the territories of the affected countries. In order to resolve the situation, the affected countries have expressed a willingness to discuss a restoration of ties and the lifting of the other boycott measures on the condition that Qatar commits to agreements it signed, cease support of terrorist and extremist organisations and stop interfering in other countries’ affairs. In November 2017, Bahrain introduced visa requirements for Qatari nationals and residents. In December 2017, Saudi Arabia, the UAE and Bahrain attended the annual GCC summit amid the on-going dispute with Qatar. Diplomatic efforts to end the crisis are being undertaken by Kuwait and several other countries.

These recent and ongoing developments, along with terrorist acts, acts of maritime piracy and other forms of instability in the region (that may or may not directly involve Bahrain), may contribute to instability in the Middle East and surrounding regions and may have a material adverse effect on Bahrain’s attractiveness for foreign investment and capital, its ability to engage in international trade and, consequently, its economy and financial condition.

**Bahrain’s sovereign credit ratings are subject to revision and downgrade**

Ratings are an important factor in establishing the financial strength of debt issuers and are intended to measure an issuer’s ability to repay its obligations based upon criteria established by the rating agencies. On 1 December 2017, Standard & Poor’s downgraded Bahrain’s rating from BB- to B+ with a stable outlook, which was affirmed in May 2019, reflecting Standard & Poor’s view that Bahrain’s gross international reserves are low and have become increasingly volatile, increasing Bahrain’s financing risks should access to external liquidity deteriorate sharply, as well as its continued fiscal dependency on oil revenues, rapid accumulation of government debt and unresolved tensions. On 1 March 2018, Fitch downgraded Bahrain’s long-term foreign sovereign credit rating and local currency issuer default rating to BB- and assigned a stable outlook, which was affirmed in February 2019, reflecting Fitch’s view that the Government has not identified a clear medium-term strategy to tackle high deficits and although Fitch noted that Bahrain has continued to implement measures to raise revenue, Fitch projects increasing government debt to GDP ratios. On 3 August 2018, Moody’s, which rates Bahrain on an unsolicited basis, downgraded Bahrain’s long-term issuer ratings to B2 from B1 and maintained a negative outlook reflecting Moody’s view that the high external financing needs of the Government and the economy as a whole in the context of impaired access to the international capital markets indicate heightened external and government liquidity risks for Bahrain. In December 2018, Moody’s assigned a stable outlook to Bahrain’s long-term issuer ratings, which was affirmed in July 2019. The ratings may not reflect the potential impact of all risks related to structure, market, macro-economic performance and geo-politics and other factors that may affect the value of the Bonds.

These ratings reflect the current opinion of the relevant rating agencies, and one or more of the ratings could be downgraded or withdrawn in the future. Rating agencies may increase the frequency and scope of ratings reviews, revise their criteria or take other actions that may negatively impact Bahrain’s ratings. In addition, changes to the process or methodology of issuing ratings, or the occurrence of events or developments affecting Bahrain, could make it more difficult for Bahrain to achieve ratings that it would otherwise have expected. A credit rating is not a recommendation to buy, sell, or hold securities and may be revised, suspended or withdrawn by its assigning rating agency at any time.

The Kingdom cannot be certain that a credit rating will remain for any given period of time or that a credit rating will not be affirmed or withdrawn entirely by the relevant rating agency if, in its judgement, circumstances in the future so warrant. The Kingdom has no obligation to inform Certificateholders of any such revision, downgrade or withdrawal.

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). 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, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by 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 page of this Base Prospectus.

Any downgrade in Bahrain’s credit rating or a change outlook could have a material adverse effect on its cost of borrowing and could limit its access to debt capital markets. A downgrade may also adversely affect the market value of the Certificates. Furthermore, any unsolicited ratings may not benefit from Government input but could also negatively impact Bahrain’s cost of borrowing. Whilst the Government is continuing to monitor and manage the risk of further credit ratings downgrades or negative changes in outlook, there can be no assurance that its efforts in this respect will be sufficient or successful.

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

Investing in securities involving emerging markets, such as Bahrain, generally involves a higher degree of risk than investments in securities of issuers from more developed countries. Bahrain’s economy is susceptible to future adverse effects similar to those suffered by other emerging market countries. International investors’ reactions to the events occurring in one emerging market country sometimes appear to demonstrate a “contagion” effect, in which an entire region or class of investment is disfavoured by international investors, Bahrain could be adversely affected by negative economic or financial developments in other emerging market countries. Key factors affecting the environment include the timing and size of adjustments in interest rates in the United States, further evidence of a slowdown in China and geo-political tensions in the Middle East, as well as on-going tensions between Russia and Ukraine.

Accordingly, there can be no assurance that the market for securities bearing emerging market risk, such as the Certificates, will not be affected negatively by events elsewhere, especially in emerging markets. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

Bahrain’s efforts to further diversify its economy may not be successful

Bahrain’s economy remains highly dependent on the oil industry and the Government has been working towards increasing oil and gas production over the past few years. It is expected that these efforts will continue in the foreseeable future. See “Economy of The Kingdom of Bahrain—Principal Sectors of the Economy—Mining—Oil Production”. The Government has set out a comprehensive economic vision for Bahrain (“Vision 2030”) to outline a path for the development of Bahrain’s economy, as described in “Overview of The Kingdom of Bahrain—Vision 2030.” Vision 2030 is based on realigning Bahrain’s economy from an oil-driven economy to a more diversified, competitive economy, predominantly focused on the finance, tourism, healthcare and industrial sectors. However, there can be no assurance that Bahrain’s efforts to diversify its economy and reduce its dependence on oil will be successful or that Bahrain’s priority projects will have the desired effect of boosting productivity and improving revenues.

Bahrain may not be successful in addressing certain social policy concerns and failure to appropriately address such concerns may have an adverse impact on the financial condition of Bahrain

A principal social policy concern in Bahrain is housing. The Government is seeking to invest in the housing sector, although such investment is expected to take several years to reduce the current shortage of affordable housing and the success of the Government’s current social housing initiatives will depend, in part, on finding suitable partners in the private sector to aid in real estate and infrastructure development. See “Economy of The Kingdom of Bahrain—Principal Sectors of the Economy—Other Services—Real Estate”.

Another social policy concern is unemployment. The level of unemployment among Bahraini nationals was 3.8% in 2014, 3.5% in 2015, 4.3% in 2016, 4.1% in 2017 and 4.3% in 2018. Bahrain employs a significant number of expatriate workers. According to the Labour Market Regulatory Authority (“LMRA”), as at 30 June 2018, 79.1% of employees in Bahrain registered at the Civil Service Bureau and the Social Insurance Organisation were expatriate workers. See “Overview of The Kingdom of Bahrain—Location and Population”. In recent years, the Government has followed a policy of aiming to increase the number of Bahraini nationals in employment while also seeking to increase the efficiency of Government functions (through voluntary retirement programmes and otherwise) which have resulted in a considerable number of reductions of available roles. There are no assurances that this policy will be successful or that it will not have an impact on the financial condition of Bahrain. In addition, the implementation of voluntary retirement programmes may have a negative impact on the number of Bahraini nationals employed in the short-term.

A crisis in the financial services and banking sectors could have an adverse effect on Bahrain’s economy

The Government has made concerted efforts over the past decade to encourage the growth of its financial services and banking sectors, and Bahrain is one of the primary financial centres for the Middle East and North Africa. In 2018, the financial services sector was the single largest non-oil contributor to the Bahraini economy, accounting for
16.4% of real GDP for the year ended 31 December 2018 and 16.8% of real GDP in the three months ended 31 March 2019. The Government is also a shareholder in various Bahraini banks. The global economic downturn, which started in 2007, has impacted some financial institutions in Bahrain, including Arcapita Bank, which filed for Chapter 11 bankruptcy protection in 2012. On 17 September 2013, Arcapita Bank exited Chapter 11 proceedings after agreeing to a plan to dispose of its assets over time to pay off creditors. As at April 2015, Arcapita Bank had divested approximately 14 investments to raise U.S.$2.4 billion. The CBB is Arcapita Bank’s largest creditor holding approximately U.S.$230 million of the bank’s debt as at 30 June 2019.

Bahraini banks are major lenders to the Government. As at 31 December 2018, approximately 84.0% of domestic public debt was held by Bahraini banks, and Bahraini banks had outstanding loans to the Government of U.S.$694.5 million, as compared to U.S.$886.2 million, as at 31 December 2017. This is in addition to the reserves and deposits maintained by the retail banks with the CBB. The ratio of required reserves to banking sector assets was 0.64% as at 31 December 2018 (as compared to 0.67% as at 31 December 2017).

Furthermore, factors adversely affecting the asset quality, liquidity, capital adequacy or profitability of banks operating in Bahrain may add further pressure on the banking industry. While the loan to deposit ratio, the ratio of non-performing loans to gross loans and the ratio of liquid assets to total assets, which are key indicators of the state of the Bahraini banking sector, have remained broadly stable in recent years, any subsequent global or regional deterioration in the global financial services sector (including global commodity prices) could have an adverse impact on Bahrain’s economy, its extractive, financial, real estate and manufacturing sectors, and/or its credit rating and adversely affect the trading price of the Certificates. See “Monetary and Financial System—The Banking Sector”. In addition, any sustained outflows of capital from Bahrain as a result of deteriorating global and/or regional financial conditions could place considerable pressure on the Bahraini Dinar’s fixed exchange rate against the U.S. Dollar.

**Bahrain’s currency may be subject to depreciation**

Since 2001, the Bahraini Dinar has been formally pegged to the U.S. Dollar at a rate of BD 0.376 = U.S.$1.00, having been previously informally pegged at the same rate since 1980. Any failure of the CBB to maintain this peg and the depreciation of the Bahraini Dinar against the U.S. Dollar (or other foreign currencies) may adversely affect the financial condition of Bahrain, as well as Bahrain’s ability to repay its debt denominated in currencies other than the Bahraini Dinar, including amounts due under the Certificates. The value of the Bahraini Dinar is impacted by a number of factors which are outside of Government control. Neither the Government nor the CBB have taken any steps to end the peg or devalue the Bahraini Dinar. However, while the GCC member states, including Bahrain, have indicated their commitment to maintaining the peg, there can be no assurance that there will not be a need for a devaluation as a result of internal or external factors. In particular, Bahrain’s gross foreign reserves have decreased in recent years from U.S.$6,055.1 million as at 31 December 2014 to U.S.$2,148.6 million as at 31 December 2018 and U.S.$3,215.2 million as at 31 July 2019 and were estimated by the CBB to be sufficient to finance 2.0 months of obligations in respect of imports of goods as at 31 July 2019. In addition, the CBB is a significant lender to the Government, which may impact the ability of the CBB to maintain the peg.

There is a risk that a depreciation of the Bahraini Dinar could result in reduced revenues in the balance of payments or outflows of capital from Bahrain, each of which could have a material adverse effect on Bahrain’s economy. Although a devaluation of the Bahraini Dinar could make exports, particularly aluminium (as further described below), more competitive in international markets, it may not be sufficient to mitigate the impact of a devaluation.

**Bahrain has significant plans to expand its oil and gas capacities, and these plans are subject to construction and financing risks. Moreover, nogaholding may not pay any dividends to the Government in future years**

Although Bahrain continues to seek to diversify its economy, the oil sector (crude petroleum and natural gas) represents a significant part of GDP (17.6% of real GDP in 2018 and 16.8% of Bahrain’s real GDP in the first three months of 2019, as compared to 18.2% of real GDP for the year ended 31 December 2017, 19.2% of real GDP for the year ended 31 December 2016, 19.8% of real GDP for the year ended 31 December 2015 and 20.4% for the year ended 31 December 2014) and a critical component of Government finances. See also “—Bahrain’s economy remains significantly dependent on oil revenues and is vulnerable to external shocks, including the current low oil price environment”. Bahrain is engaged in a number of significant projects to enhance its oil and gas sector, and any delay or increase in costs of these projects may have a negative impact on Bahrain’s public finances, may adversely affect the economy of Bahrain and may affect the ability of the Kingdom to satisfy its obligations under the Certificates. Bahrain’s projects to expand its oil and gas capabilities may also result in the Oil and Gas Holding Company B.S.C. (c), (“nogaholding”) not paying dividends to the Government in future years. See “Public Finance” for details of the Government’s diversification efforts.

In 2015, although dividends were declared, nogaholding did not receive a cash dividend from its operating companies Banagas and Bahrain National Gas Expansion Company (“Tawseah”), due to falling oil prices and the equity requirements of their portfolio companies, however, it paid a U.S.$150 million dividend to the Government. Given the medium- to long-term nature of the ongoing projects, as well as in respect of any future projects, and the need to fund its respective equity requirements, nogaholding did not pay dividends in 2013 or 2016. nogaholding also did not

Bapco is presently working on a modernisation programme with the aim of increasing its refining capacity at the Sitra oil refinery by a third, significantly improving its product mix and reducing sulphur content, which is expected to occur over a period of five years and estimated to cost approximately U.S.$6.8 billion (excluding financing) (the “Bapco Modernisation Programme”). The Bapco Modernisation Programme includes plans for the construction of a new refining plant. The EPC contracts tendering process commenced in May 2016, and bids to expand the Sitra oil refinery were received in December 2016. In February 2018, Bapco signed a U.S.$4.2 billion EPC contract to a consortium led by French-U.S. petroleum services group TechnipFMC. In December 2018, greenfield construction at the site was commenced and the foundation stone for the Bapco Modernisation Project was laid by His Royal Highness the Prime Minister of Bahrain in March 2019. Financial close for the project occurred on 9 May 2019 with the participation of a total of 21 banks (eight international, six regional and seven Bahraini banks) and a stakeholder engagement meeting was initiated in July 2019. The project is expected to be completed in 2022. Any delays in the work relating to the Bapco Modernisation Programme may affect Bahrain’s growth and revenue generation strategy and impact the Kingdom’s ability to satisfy its obligations under the Certificates.

In 2018, nogaholding announced the largest discovery of oil and gas reserves in Bahrain at the Khalij Al-Bahrain Basin; however, the project is in its appraisal phase and the assessment of technical and commercial feasibility, timing, cost and financing of any potential exploitation is still underway and production is not expected to begin until 2024. Projects for the expansion of gas capacity are also ongoing. The Pre-Unayzah gas exploration project is in the appraisal phase, with estimates for the Pre-Unayzah gas reservoir resources announced in 2018 and re-entry and drilling of wells ongoing. The timing for the assessment of technical and commercial feasibility, timing, cost and financing of any potential exploitation is unknown. There can be no assurance that these discoveries will generate the anticipated increase in Bahrain’s oil and gas production or that development will be commercially viable.

Any delay in the completion of the Bapco Modernisation Programme or the exploitation of the Khalij Al-Bahrain Basin or Pre-Unayzah gas exploration and other projects, as a result of construction delays or other issues, including as a result of projects not being completed to specification, or the inability to obtain sufficient financing, may adversely affect Bahrain’s growth and revenue generation strategy and impact the Kingdom’s ability to satisfy its obligations under the Certificates.

**Increases in commercial tariffs of natural gas and diesel may impact the economy**

Starting from 1 April 2015, the commercial tariff of natural gas increased to U.S.$2.50 per one million British Thermal Units ("mmbtu"). Under a multi-phased readjustment programme, the price of natural gas will increase by 25 cents per mmbtu each year, until it reaches U.S.$4.00 per mmbtu by 1 April 2021. The Government has also introduced a four-year phased programme for the increase in prices of diesel, where the price of diesel payable by consumers in 2019 would be U.S.$0.48 per litre. However, there can be no assurances that these increases will be sufficient or will not have an adverse effect on the economy of Bahrain, which may impact the Kingdom’s ability to satisfy its obligations under the Certificates.

**The prices of aluminium are cyclical, and sustained low prices may impact the economy**

Bahrain’s revenues are influenced by global aluminium prices through its ownership of Alba. Alba’s exports also accounted for approximately 11.3% of Bahrain’s total exports and 27.8% of its total non-oil exports in 2018 and 10.0% of total exports and 22.0% of total non-oil exports in the three months ended 31 March 2019. The cyclical aluminium industry has historically experienced significant shifts in global demand and price volatility. Over the past few years, the market has faced overcapacity and declining prices; however 2015 saw the major producers begin work to restore supply-side discipline by cutting production. While aluminium prices declined significantly in 2015 (by 10.9%) and continued to decline in 2016 (by 3.6%), aluminium prices recovered in 2017, reaching a high of U.S.$2,246.0 per tonne in December 2017, as compared to a year average per tonne of U.S.$1,644.7, U.S.$1,604.2 and U.S.$1,968.8 per tonne in 2015, 2016 and 2017, respectively. Aluminium prices continued to increase in 2018, reaching a high of U.S.$2,597.5 per tonne in April 2018, before decreasing to U.S.$1,868.5 per tonne at the end of December 2018 and U.S.$1,773 as at 28 June 2019. The slow-down in the global economic growth has also curtailed demand in the short-term. Further declining domestic demand in China and Russia has led to excess supply in the market. As prices fall, demand and sentiment is expected to rise in the medium-term. These circumstances make price forecasts for Alba’s products difficult to predict. Despite weak international markets, Alba has generated significant profits for the Government, and its exports have continued to contribute to Bahrain’s balance of payments account. There can be no assurance that this trend will continue, and sustained low demand or low prices could have an adverse effect on Government revenues or the economy.

Alba’s competitive position in the global aluminium market is dependent on its continued access to sufficient gas supplies on attractive terms from its sole supplier, Bapco. Although Alba expects to remain highly competitive globally following the conclusion of a long-term agreement with Bapco for the supply of gas on favourable terms (which is not due to expire until April 2021), as well as through reductions in production costs, efficiency improvement programmes,
and maximising output of value-added products which attract higher premiums, no assurances can be given that Alba will maintain or improve its competitive position. Decisions by Bapco to change the terms under which it supplies gas to Alba or Alba’s inability to lock in a long-term alternative gas supplier on commercially attractive terms could have a material adverse effect on Alba’s business, financial condition, results of operations and prospects.

Ongoing global geopolitical tensions, particularly those within the MENA region, can lead to factors that could affect Alba’s performance. For example, the on-going civil war in Yemen could lead to disruption off its coast at the Bab al-Mandab gateway, which Alba relies on for shipments of incoming raw materials required for aluminium production and through which it ships a small portion of its finished product to customers outside of the GCC to Europe, the United States and Asia. Disruption to this shipping channel could require Alba to seek out alternative shipping routes, which may be more costly and less efficient.

In addition, on 1 March 2018, the United States announced the implementation of a new 10% tariff on aluminium imports.

**RISKS RELATING TO THE CERTIFICATES**

*The Certificates are limited recourse obligations of the Trustee*

The Certificates are not debt obligations of the Trustee, instead, each Certificate represents an undivided ownership interest in the Trust Assets relating to that Series. Recourse to the Trustee is limited to the Trust Assets of the relevant Series and the proceeds of the Trust Assets of the relevant Series are the sole source of payments on the Certificates of that Series. Upon the occurrence of a Dissolution Event, the sole rights of the Trustee and/or the Delegate (acting on behalf of the Certificateholders of the relevant Series of Certificates) will be against the Kingdom to perform its obligations under the Transaction Documents.

Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets), the Delegate, any Agent or (to the extent that it fulfils all of its obligations under the Transaction Documents) the Kingdom in respect of any shortfall in the expected amounts due on the Certificates. Certificateholders will also not be able to petition for, institute or join any other person in, instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy, winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee, the Delegate, the Agents or any of their respective directors, officers, employees or agents as a consequence of any shortfall or otherwise. The Kingdom is obliged to make certain payments under the Transaction Documents directly to the Trustee, and the Trustee and/or the Delegate will have direct recourse against the Kingdom to recover such payments due to the Trustee under the Transaction Documents.

After enforcing or realising the rights in respect of the Trust Assets in respect of a Series of Certificates and distributing the net proceeds of such Trust Assets in accordance with Condition 6(b), the Master Trust Deed and the Agency Agreement, the obligations of the Trustee and/or the Delegate in respect of that Series of Certificates shall be satisfied, neither the Trustee nor the Delegate nor any Certificateholder may take any further steps against the Trustee or the Kingdom to recover any further sums in respect of the 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 any right to cause the sale or other disposition of any of the Trust Assets other than as contemplated in the Transaction Documents. The sole right of the Trustee, the Delegate and the Certificateholders against the Kingdom shall be to enforce the obligation of the Kingdom to perform its obligations under the Transaction Documents.

*The Conditions contain provisions, which permit their modification without the consent of all the Certificateholders*

The Conditions contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally and for the passing of written resolutions of Certificateholders without the need for a meeting. Such provisions are commonly referred to as “collective action clauses”. These provisions permit defined majorities to bind all Certificateholders, including any Certificateholders who did not attend and vote at the relevant meeting or sign the relevant written resolution and Certificateholders who voted in a manner contrary to the majority.

In addition, the Conditions permit “cross-series modifications” to be made to more than one series of securities, provided that each affected series of securities also contains a cross-series modification provision. The Trustee and the Kingdom expect that all Series of Certificates issued under the Programme will include such collective action clauses, thereby giving the Trustee and the Kingdom the ability to request modifications or actions in respect of Reserved Matters across multiple Series of Certificates.

Any modification or actions relating to any Reserved Matter, including in respect of payments and other important terms, may be made (a) to a single Series of Certificates with the consent of the holders of 75% of the aggregate face amount of the outstanding Certificates, and (b) to multiple series of securities which may be issued by the Trustee or the Kingdom, as the case may be, with the consent of both (i) the holders of at least two thirds of the aggregate face amount of all outstanding securities being aggregated and (ii) the holders of at least 50% in aggregate face amount of the outstanding securities of each series being aggregated. In addition, under certain circumstances, including the satisfaction of the Uniformly Applicable condition (as more particularly described in the Conditions), any such modification or action relating to any Reserved Matter may be made to multiple series of the Trustee’s securities or the
Kingdom’s securities, as the case may be, with the consent of 75% of the aggregate face amount of the outstanding securities of all affected series, without requiring a particular percentage of the holders of any individual affected securities to vote in favour of or approve any proposed modification or action. Any modification or action proposed by the Trustee or the Kingdom, as the case may be, may, at the option of the Trustee or the Kingdom, as the case may be, be made in respect of certain series of securities only and, for the avoidance of doubt, the collective action provisions may be used for different groups of two or more securities simultaneously. At the time of any proposed modification or action, the Trustee or the Kingdom, as the case may be, will be obliged, *inter alia*, to specify which method or methods of aggregation will be used by the Trustee or the Kingdom, as the case may be.

It is, therefore, possible that the Conditions may be amended, modified or waived in circumstances whereby the holders of securities voting in favour of or signing a written resolution in respect of an amendment, modification or waiver may be holders of different series of securities and, as such, the majority of Certificatetholders of the relevant Series would not necessarily have voted in favour or signed a written resolution in respect of such amendment, modification or waiver. In addition, there is a risk that the provisions allowing for aggregation across multiple series of securities may make the Certificates less attractive to purchasers in the secondary market on the occurrence of a Dissolution Event or in a distress situation. Further, any such amendment, modification or waiver in relation to the Certificates may adversely affect their trading price.

**The Master Trust Deed may be modified without the consent of, or notice to, Certificateholders**

The Master Trust Deed contains provisions permitting the Delegate from time to time, without the consent or sanction of the Certificateholders, to: (a) agree to make any modification to the Conditions, Trust Deed or any other Transaction Document if, in the opinion of the Delegate such modification is (i) of a formal, minor or technical nature, or (ii) made to correct a manifest error, or (iii) not materially prejudicial to the interests of the outstanding Certificateholders; or (b) (i) agree to any waiver or authorisation of any breach or proposed breach of, any of the Conditions or any of the provisions of the Trust Deed or any other Transaction Document, or (ii) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, provided that such consent, waiver, authorisation or determination is in the opinion of the Delegate not materially prejudicial to the interests of the outstanding Certificateholders. Unless the Delegate otherwise decides, any such modification, consent, waiver, authorisation or determination shall as soon as practicable thereafter be notified to the Certificateholders in accordance with Condition 19 and shall in any event be binding upon the Certificateholders.

**The Certificates may be subject to early redemption**

If so specified in the applicable Final Terms, a Series may be redeemed early at the option of the Kingdom pursuant to Condition 9(b). Any such early redemption feature of any Certificate is likely to limit its market value. During any period when the Kingdom elects to require the Trustee to redeem the Certificates pursuant to Condition 9(b), the market value of those Certificates generally will not rise substantially above the Dissolution Distribution Amount payable. This also may be true prior to any other Dissolution Date.

In the case of Certificates with such an optional dissolution feature pursuant to Condition 9(b), the Kingdom may elect to require the Trustee to redeem such Certificates when its cost of financing is lower than the Profit Rate on the Certificates. At those times, an investor generally would not be able to re-invest 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. Prospective investors should consider re-investment risk in light of other investments available at that time.

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

The Shariah Advisory Board of Citi Islamic Investment Bank E.C. and the Shari’a advisers of J.P. Morgan Securities plc have each confirmed that the Transaction Documents are, in their view, in compliance with Shari’a principles. However, there can be no assurance that the Transaction Documents or any issue and trading of Certificates will be deemed to be Shari’a compliant by any other Shari’a board or Shari’a scholars. None of the Trustee, the Kingdom, the Arrangers, the Dealers, the Delegate or the Agents 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 whether the Transaction Documents and any issue of Certificates will meet their individual standards of compliance and should also make their own determination as to the future tradability of the Certificates on any secondary market. Questions as to the Shari’a permissibility of the Transaction Documents or the tradability of the Certificates may limit the liquidity and adversely affect the market value of the Certificates.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties under the Transaction Documents would be, if in dispute, the subject of arbitration under the Rules. The Kingdom has also agreed under the Transaction Documents to submit to the exclusive jurisdiction of the courts of England, at the option of the Trustee or the Delegate. In such circumstances, the arbitrator or court (as applicable) should apply the governing law of the relevant Transaction Document in determining the obligations of the parties.
**Shari’a requirements in relation to interest awarded by an arbitrator or 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 awarded in its favour by any arbitrator or court (as applicable) in connection with any dispute under any of the Transaction Documents. Should there be any delay in the enforcement of an arbitral award or a judgment against the Kingdom, interest may well 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. Certificateholders should note that the Trust Assets specifically exclude any rights which have been expressly waived by the Trustee in any of the Transaction Documents (which, to the extent applicable, would extend to any award of interest made in favour of the Trustee by an arbitrator or court (as applicable) in respect of a dispute).

**There can be no assurance as to the impact of a change in the laws governing the Certificates or the Transaction Documents**

The structure of each issue of Certificates under the Programme is based on English law and the laws of Bahrain 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 judicial decision or change to such law or administrative practices in any 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 Kingdom to make payments under the Transaction Documents and/or the Trustee to make payments under any Series of Certificates, or the ability of the Trustee or the Kingdom to otherwise comply with their respective obligations under the Transaction Documents.

**Effects of the Volcker Rule on the Trustee**

The Trustee is relying on an exclusion or exemption under the Investment Company Act other than the exclusions contained in Section 3(c)(1) and Section 3(c)(7). The Trustee was structured so as not to constitute a “covered fund” for purposes of the regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended (commonly known as the Volcker Rule). The Volcker Rule generally prohibits “banking entities” (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from (a) engaging in proprietary trading, (b) acquiring or retaining an ownership interest in or sponsoring a “covered fund” and (c) entering into certain relationships with such funds. Under the Volcker Rule, unless otherwise jointly determined by specified federal regulators, a “covered fund” does not include an issuer that satisfies all of the elements of the exemption from registration under the Investment Company Act provided by Rule 3a-5 of the Investment Company Act. The Volcker Rule became effective on 1 April 2014, but was subject to a conformance period for certain funds which concluded on 21 July 2015. The general effects of the Volcker Rule remain uncertain. Any prospective investor in the Certificates, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisers regarding such matters and other effects of the Volcker Rule.

**The Delegate may request that the Certificateholders provide an indemnity and/or security and/or pre-funding to its satisfaction**

Pursuant to the Conditions and the Master Trust Deed, the Delegate may, in certain circumstances, request the Certificateholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any action on behalf of Certificateholders. 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 any indemnity and/or security and/or pre-funding can be a lengthy process and may have an impact on when such actions can be taken.

**Credit ratings do not reflect all risks**

One or more independent credit rating agencies may assign credit ratings to the Kingdom or the Certificates. The ratings do not reflect the potential impact of all risks related to structure, market, additional factors discussed herein and other factors that may affect the value of the Certificates. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the 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). 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, subject to transitional provisions that apply in certain circumstances). If the status of the rating agency rating the Certificates changes, European regulated investors may no longer be able to use the rating for regulatory purposes and the Certificates may have a different regulatory treatment. This may result in European regulated investors selling the Certificates which may impact the value of the Certificates and any secondary market. The list of registered and certified rating agencies published by 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.

**Interest or profit rate risks**

Investment in Fixed Rate Certificates involves the risk that if market interest or profit rates subsequently increase above the Profit Rate paid on the Fixed Rate Certificates, this will adversely affect the value of the Fixed Rate Certificates. Certificates with variable Profit Rates can be volatile investments. If they are structured to include caps or floors or a combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

**The Certificates may be subject to exchange rate risks and exchange controls**

The Trustee will pay all amounts due on any Certificates, and the Kingdom will make any payments pursuant to the Transaction Documents, in the Specified Currency. 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. Any appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease: (a) the Investor’s Currency-equivalent yield on the Certificates; (b) the Investor’s Currency-equivalent value of the Dissolution Distribution Amount payable in respect of the Certificates; and (c) 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 a result, investors may receive less than expected, or no payment at all.

**A secondary market may not develop or be maintained for the Certificates**

The Certificates of any Series may have no established trading market when issued, and one may never develop. If a market for the Certificates does develop, it may not be very liquid. Therefore, investors may not be able to sell their Certificates easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

**Certificates that 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 denominations consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that such 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 its 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 at, or in excess of, the minimum Specified Denomination such that its holding amounts to a 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.

A Certificateholder who holds an amount, which is less than the minimum Specified Denomination in its account with the relevant clearing system at the relevant time, 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 also be illiquid and difficult to trade.

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

Each Series of Certificates issued under the Programme will be represented on issue by one or more Global Certificates that may be deposited with, and registered in the name of a nominee for, DTC and/or a Common Depositary for Euroclear and Clearstream, Luxembourg or may (each, as defined in “Summary of Provisions relating to the Certificates while in Global Form”). Except in the limited circumstances described in each Global Certificate, investors will not be entitled to receive Certificates in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the interests in each Global Certificate held through it. While the Certificates of each Series are represented by Global Certificates, investors will be able to trade their interests only through the relevant clearing systems and their respective participants.
While the Certificates of each Series are represented by Global Certificates, the Trustee will discharge its payment obligation under the Certificates by making payments through the relevant clearing systems. A holder of an interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the relevant Series of Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, interests in any Global Certificate.

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

The regulation and reform of “benchmarks” may adversely affect the value of Certificates linked to or referencing such “benchmarks”

Interest rates and indices which are deemed to be “benchmarks” (including the London interbank offered rate (“LIBOR”) and the Euro interbank offered rate (“EURIBOR”)) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences, which cannot be predicted. Any such consequence could have a material adverse effect on any Certificates referencing such a benchmark.

The Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and the majority of its provisions have applied since 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Certificates linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, and in subsequent speeches by FCA officials, the FCA confirmed that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “FCA Announcements”). The FCA Announcements indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average (“SONIA”) over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

Separate workstreams are also underway in Europe to reform EURIBOR using a hybrid methodology and to provide a fallback by reference to a Euro risk-free rate (based on a Euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on Euro risk-free rates recommended Euro Short-term Rate (“ESTR”) as the new risk-free rate. ESTR is expected to be published by the ECB by October 2019. In addition, on 21 January 2019, the Euro risk-free-rate working group published a set of guiding principles for fallback provisions in new Euro denominated cash products (including trust certificates). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the European financial system.

It is not possible to predict with certainty whether, and to what extent, any benchmark, including LIBOR and EURIBOR, will continue to be supported going forwards. This may cause any such benchmark to perform differently than it has done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (a) discouraging market participants from continuing to administer or contribute to a benchmark; (b) triggering changes in the rules or methodologies used in the benchmark; and/or (c) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Certificates linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.
Investors should be aware that, if a benchmark were discontinued or otherwise unavailable, the Profit Rate (or the relevant component part thereof) on Floating Rate Certificates which reference such benchmark will be determined for the relevant period by the fall-back provisions applicable to such Certificates set out in the Conditions. Depending on the manner in which the Profit Rate is to be determined under the Conditions, this may: (a) if ISDA Determination applies, be reliant upon the provision by reference banks of offered quotations which, depending on market circumstances, may not be available at the relevant time; or (b) if Screen Rate Determination applies, result in the Profit Rate (or the relevant component part thereof) being set by reference to a Successor Rate or an Alternative Reference Rate which may be determined by an Independent Adviser or the Kingdom or lead to the effective application of a fixed rate based on the Profit Rate which applied for the last preceding Return Accumulation Period when the relevant benchmark was available, as further described below. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Certificates which reference a benchmark.

The Conditions provide for certain fallback arrangements in the event that a Benchmark Event occurs, including if an original Reference Rate and/or any page on which an original Reference Rate may be published, becomes unavailable, or if the Trustee, the Kingdom, the Calculation Agent or any other party responsible for the calculation of the Profit Rate (as specified in the applicable Final Terms) is no longer permitted lawfully to calculate profit on any Certificates by reference to such an original Reference Rate under the Benchmarks Regulation or otherwise. Such fallback arrangements include the possibility that the Profit Rate (or the relevant component thereof) could be set by reference to a Successor Rate or an Alternative Reference Rate, with or without the application of an Adjustment Spread, and may include amendments to the Conditions, the Master Trust Deed and/or any other Transaction Document to ensure the proper operation of the successor or replacement benchmark, all as determined by an Independent Adviser, acting in good faith and following consultation with the Trustee and the Kingdom, or the Kingdom (acting in good faith and in a commercially reasonable manner), as applicable, and without the requirement for the consent or sanction of Certificateholders. An Adjustment Spread, if applied, is (a) the spread, formula or methodology which is formally recommended in relation to the replacement of the original Reference Rate with the Successor Rate by any Relevant Nominating Body (which may include a relevant central bank, supervisory authority or group of central banks/supervisory authorities), (b) if no such recommendation has been made, or in the case of an Alternative Reference Rate, the spread, formula or methodology which the Independent Adviser (following consultation with the Trustee and the Kingdom) determines is customarily applied to the relevant Successor Rate or the Alternative Reference Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the original Reference Rate, or (c) if the Independent Adviser (following consultation with the Trustee and the Kingdom) determines that no such spread is customarily applied, the spread, formula or methodology which the Independent Adviser determines and which is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate, as the case may be. Accordingly, the application of an Adjustment Spread may result in the Certificates performing differently (which may include payment of a lower Profit Rate) than they would if the original Reference Rate were to continue to apply in its current form. If no Adjustment Spread can be determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Profit Rate (or the relevant component thereof). The use of a Successor Rate or Alternative Reference Rate (including with the application of an Adjustment Spread) will still result in any Certificates linked to or referencing an original Reference Rate performing differently (which may include payment of a lower Profit Rate) than they would if the original Reference Rate were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Reference Rate is determined, the ultimate fallback for the purposes of the calculation of the Profit Rate (or the relevant component part thereof) for the relevant immediately following Return Accumulation Period may result in the Profit Rate (or the relevant component part thereof) for the last preceding Return Accumulation Period being used. This may result in the effective application of a fixed rate for Floating Rate Certificates based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates, the involvement of an Independent Adviser and the potential for further regulatory developments, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

**RISKS RELATING TO ENFORCEMENT**

**Enforcement risk**

Bahrain is a foreign sovereign state, and the vast majority of the assets of the Kingdom are located outside the United Kingdom. As a result, it may not be possible for investors to enforce against it in courts located in the United Kingdom judgments obtained courts located in the United Kingdom.

A substantial part of the Kingdom’s assets are located in Bahrain. If the choice of law by the parties in relation to any applicable agreement relating to the transaction is English law, the courts of Bahrain are likely to apply English law as the governing law of the transaction at the request of a party, provided that (i) the relevant provisions of English law are proved, as a matter of evidence, by the parties relying on it; and (ii) such provisions are not contrary to Bahraini public order or morality.
Ultimately, the payments under the Certificates are dependent upon the Kingdom making payments to the Trustee in the manner contemplated under the Transaction Documents. If the Kingdom fails to do so, it may be necessary to bring an action against it to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time consuming.

The Kingdom has irrevocably agreed that the Transaction Documents (other than the Master Head Lease Agreement, each Supplemental Head Lease Agreement, the Master Sub-Lease Agreement and each Supplemental Sub-Lease Agreement), and any non-contractual obligations arising out of, or in connection with, them are governed by, and shall be construed in accordance with, English law.

Any dispute in relation to the Certificates and/or the Transaction Documents, and any non-contractual obligations arising out of, or in connection with, them, may be referred to arbitration in London, England under the Rules. However, before the arbitration tribunal has been constituted in respect of a claim asserted or brought by or against the Trustee or the Delegate, the Trustee or the Delegate, as the case may be, may, by notice in writing to the Kingdom, require that the dispute be referred to the courts of England (who shall have exclusive jurisdiction to settle any such dispute).

In these circumstances, each party irrevocably agrees to submit to the exclusive jurisdiction of the courts of England. Notwithstanding that a judgment may be obtained in an English court, there is no assurance that the Kingdom has or would at the relevant time have assets in the United Kingdom against which such a judgment could be enforced. Further, notwithstanding the agreement to submit to the exclusive jurisdiction of the courts of England, there is a possibility that the courts of Bahrain may assume jurisdiction where any defendants in a claim filed before the courts of Bahrain have an elected domicile or place of residence in Bahrain.

Bahrain has ratified the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, and the party seeking to enforce the arbitration award must supply the duly authenticated original or a duly certified copy of the award and the original or a duly certified copy of the arbitration agreement. Enforcement of the arbitration award may be refused at the request of the party against whom it is invoked, if that party furnishes to the competent authority, where the recognition and enforcement is sought, proof that:

(a) the party to the agreement was, under the law applicable to it, under some incapacity, or the said agreement is not valid under the law to which the parties have subjected to or failing any indication thereon under the laws of Bahrain; or

(b) the party against whom the award is invoked was not given proper notice of the appointment of the arbitrator or of the arbitration proceedings or was otherwise unable to present his case; or

(c) the award deals with a dispute not contemplated by or not falling within the terms of the submission to arbitration or it contains decisions on matters beyond the scope of the submission to arbitration. Provided that the decision on matters submitted to arbitration can be separated from those not so submitted, only that part of the award which contains decisions on matters not submitted to arbitration may be set aside; or

(d) the composition of the arbitral authority or the arbitral procedure was not in accordance with the agreement of the parties or, failing such agreement, was not in accordance with the laws of the country where the arbitration took place; or

(e) the award has not yet become binding on the parties, or has been set aside or suspended by a competent authority of the country in which, or under the laws of which, that award was made.

Recognition and enforcement of an arbitral award may also be refused if the competent authority in Bahrain finds that the subject matter of the dispute is not capable of settlement by arbitration under the laws of Bahrain or the recognition or enforcement of the award would be contrary to the public policy of Bahrain.

There is limited reciprocity between Bahrain and other countries in relation to the recognition and enforcement of judgments. The courts of Bahrain may enforce a foreign court judgment without re-examining the merits of the claim, provided that:

(i) such court enforces judgments and orders rendered in Bahrain;

(ii) the courts of Bahrain did not have jurisdiction in the matter in respect of which the order or judgment has been made and it was made by a foreign court of competent jurisdiction under the jurisdiction rules or laws applied by such court;

(iii) the parties had been served with due notice to attend and had been properly represented;

(iv) the judgment was final in accordance with the law of the court making it; and

(v) the judgment did not conflict with any previous decision of the courts of Bahrain and did not involve any conflict with public order or morality in Bahrain.
As there has been no reciprocity between England and Bahrain, the courts of Bahrain are unlikely to enforce an English judgment without requesting that a fresh case is filed in the courts of Bahrain which may lead to the possibility that the courts of Bahrain may re-examine the merits of the claim although the courts of Bahrain may also accept the English court judgment as evidence of a debt. The choice by the parties of English law as the governing law of the Certificates and the relevant Transaction Documents will be recognised by the courts of Bahrain provided that the provisions thereof are (a) proved, as a matter of evidence to the satisfaction of the Bahraini court, by the party relying on it and (b) not contrary to Bahraini public order and morality.

Generally where provisions relating to interest payments are provided for in an agreement, the courts of Bahrain may give effect to such a provision so long as the agreement between the parties which provides for payment of interest is a commercial agreement relating to commercial activities.

Judicial precedents in Bahrain generally do not have binding effect on subsequent decisions except as a directive for decisions of the Constitutional Court. Although decisions rendered by the Court of Cassation do not have binding effect on lower courts, the present practice, albeit non-binding, is for the lower courts to adhere to the precedents and principles laid down by the Court of Cassation. There is no formal system of reporting court decisions in Bahrain except for those decisions of the Court of Cassation and the Constitutional Court.

In addition, no document will be admitted in evidence in the courts of Bahrain unless they are submitted in Arabic or accompanied by a duly authenticated Arabic translation approved by the official translator of the courts of Bahrain, which will be the official text.

**Waiver of sovereign immunity**

The Kingdom, to the extent permitted by law and subject as set out below, has irrevocably and unconditionally waived and agreed not to raise with respect to the Transaction Documents any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and to the extent permitted by law, irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property or assets whatsoever of any order or judgment made or given in connection with any proceedings. The Kingdom’s waiver of sovereign immunity constitutes a limited and specific waiver for the purposes of the Transaction Documents, and under no circumstances shall such waiver be interpreted as a general waiver by the Kingdom or a waiver of immunity in respect of: (a) property used by a diplomatic or consular mission of the Kingdom; (b) property of a military character and under the control of a military authority or defence agency of the Kingdom; or (c) public or state-owned property located in Bahrain.

Investors should be aware that, pursuant to Article 251 of the Law of Civil and Commercial Procedure (Decree Law № (12) of 1971), state property may not be attached nor may execution be carried out against it, and in related proceeding brought in the courts of Bahrain to enforce or seek recognition of a judgment or award obtained outside of Bahrain, the waiver of immunity would not be given effect to the extent that it violates Article 251.

**Claims for specific enforcement**

In the event that the Kingdom fails to perform its obligations under the Transaction Documents, the potential remedies available to the Trustee and the Delegate (as the case may be) include obtaining an order for specific enforcement of the relevant obligations or a claim for damages. There is no assurance that any court would order specific performance of a contractual obligation.

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 the breach. No assurance is provided on the level of damages which a court may award in the event of a failure by the Kingdom to perform its obligations under the Transaction Documents.
STRUCTURE DIAGRAM AND CASH FLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying each Series issued. Potential investors are referred to the terms and conditions of the Certificates set out in “Terms and Conditions of the Certificates” and the detailed descriptions of the relevant Transaction Documents set out in “Summary of the Principal Transaction Documents” for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.

Structure Diagram

Payments by the Certificateholders and the Trustee

On the Issue Date of each Tranche of Certificates, the Certificateholders will pay the issue price (the “Issue Price”) in respect of the Certificates to the Trustee, and the Trustee will apply as follows:

(a) an amount as specified in the applicable Final Terms, which shall be equal to no less than 51% of the aggregate face amount of the relevant Certificates, to the Kingdom (in its capacity as head lessor, the “Head Lessor”) as the advance rental amount (the “Advance Rental”) to lease from the Head Lessor, and the Head Lessor shall lease to the Trustee (in its capacity as head lessee, the “Head Lessee”), certain real estate assets located in Bahrain (in the case of the first Tranche of the relevant Series of Certificates, the “Assets” or, in the case of each subsequent Tranche of such Series, the “Additional Assets”, and, where the context so requires, the expression “Assets” shall be deemed to include any Additional Assets from time to time) under the Master Head Lease Agreement and the relevant Supplemental Head Lease Agreement for a lease term of 100 years; and

(b) the remaining portion of the proceeds of the relevant Issue Price as specified in the applicable Final Terms, which shall be equal to no more than 49% of the aggregate face amount of the relevant Certificates as the cost price (the “Murabaha Investment Amount”) to purchase certain Shari’a compliant commodities (the “Commodities”) for the purpose of selling such Commodities by the Trustee (in its capacity as seller, the “Seller”) to the Kingdom (in its capacity as buyer, the “Buyer”) on a deferred payment basis for a deferred sale price comprised of the Murabaha Investment Amount together with a profit amount (being an amount equal to 10% of the Murabaha Investment Amount) (the “Deferred Sale Price”) payable on the relevant Dissolution Date pursuant to a murabaha contract (the “Murabaha Contract”) (such sale of Commodities by the Seller to the Buyer, the “Commodity Murabaha Investment”).
On the Issue Date of the first Tranche of each Series of Certificates, pursuant to the terms of the Master Sub-Lease Agreement and the relevant Supplemental Sub-Lease Agreement, the Trustee (in its capacity as sub-lessor, the “Sub-Lessor”) shall sub-lease to the Kingdom (in its capacity as “sub-lessee”, the Sub-Lessee) and the Sub-Lessee shall sub-lease from the Sub-Lessor, the Assets for a lease term equal to the tenor of the relevant Certificates in consideration for payment of a periodic rental amount (the “Rental”). On the Issue Date of each subsequent Tranche of each such Series, the Sub-Lessor and the Sub-Lessee shall enter into a replacement Supplemental Sub-Lease Agreement for the sub-lease of the Assets in existence prior to such Issue Date and the Additional Assets.

**Periodic Distribution Payments**

On the Payment Business Day immediately preceding each Periodic Distribution Date, an amount equal to the Rental payable in connection with such Periodic Distribution Date shall be paid by the Sub-Lessor into an account maintained in London in the Trustee’s name (the “Transaction Account”), which is intended to fund an amount equal to the aggregate of the Periodic Distribution Amounts payable by the Trustee under the Certificates of the relevant Series on the immediately following Periodic Distribution Date and shall be applied by the Trustee for that purpose.

**Dissolution Payments**

On the Payment Business Day immediately preceding the Scheduled Dissolution Date in relation to each Series:

(a) the aggregate amounts of Deferred Sale Price then outstanding, if any, shall become immediately due and payable under the Master Murabaha Agreement;

(b) the Termination Payment (as defined below) shall become immediately due and payable under the Master Head Lease Agreement and each relevant Supplemental Head Lease Agreement; and

(c) any accrued and unpaid Rental shall become immediately due and payable under the Master Sub-Lease Agreement and the relevant Supplemental Sub-Lease Agreement,

and such amounts are intended to fund the relevant Dissolution Distribution Amount payable by the Trustee under the Certificates of the relevant Series on the Scheduled Dissolution Date.

“Termination Payment” is, in relation to each Series, an amount equal to the aggregate outstanding face amount of the Certificates then outstanding on the relevant Dissolution Date plus any additional amounts payable in accordance with the Head Lease Agreement minus the aggregate amounts of Deferred Sale Price then outstanding (if any) on the relevant Dissolution Date.

The Certificates in relation to any Series may be redeemed in whole, but not in part, prior to the Scheduled Dissolution Date for the following reasons: (i) if so specified in the applicable Final Terms, at the option of the Kingdom; and (ii) following a Dissolution Event. In the case of each of (i) and (ii), such redemption of the Certificates shall be funded in a similar manner as for the payment of the relevant Dissolution Distribution Amount on the Scheduled Dissolution Date.
OVERVIEW

This overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus. It does not contain all the information investors may consider important in making their investment decision. Therefore, investors should read this entire Base Prospectus carefully, including, in particular, the section entitled “Risk Factors”. The Trustee and any relevant Dealer(s) may agree that Certificates shall be issued in a form other than that contemplated in the Terms and Conditions of the Certificates, in which event, if appropriate, a supplement to this Base Prospectus will be published.

This overview constitutes a general description of the Programme for the purposes of Article 25(1) of Commission Delegated Regulation (EU) Nº 2019/980.

Words and expressions defined in “Terms and Conditions of the Certificates” and “Summary of Provisions relating to the Certificates while in Global Form” shall have the same meanings in this overview.

Overview of The Kingdom

Bahrain’s economy has a track record of continued growth and low inflation. In line with its priority to develop non-oil activities, such as manufacturing and financial services since the late 1960s, Bahrain has remained a regional leader in economic diversification. Bahrain is believed to have one of the most diverse economies in the Gulf Cooperation Council (the “GCC”), a regional intergovernmental political and economic union of which Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates are member countries. The hydrocarbons sector accounted for only 17.6% of Bahrain’s real GDP in 2018 and 16.8% of Bahrain’s real GDP in the first three months of 2019. Although oil continues to play an important part in Bahrain’s economy, Bahrain also has an increasingly important financial services industry (acting as a financial centre for the Middle East and North Africa (the “MENA region”)). Manufacturing, oil refining, aluminium production and tourism are also significant contributors to Bahrain’s GDP.

Bahrain’s real GDP grew by 4.4% in 2014, 2.9% in 2015, 3.3% in 2016, 4.0% in 2017, 2.5% in 2018 and 2.7% in the first three months of 2019. The IMF forecasts Bahrain’s real GDP growth at 1.8% in 2019 and 2.1% in 2020. The EDB forecasts real GDP growth at 2.3% in 2019 and 2.7% in 2020. The EDB forecasts nominal GDP growth at 3.3% in 2019 and 4.7% in 2020. In 2014, Bahrain generated a current account surplus, driven by a free market economy with no restrictions on capital movement and an attractive business environment. However, Bahrain generated current account deficits in 2015, 2016, 2017 and 2018, primarily due to a decrease of oil export receipts, as well as increases in workers’ remittances out of Bahrain. The non-oil sector has continued to grow, contributing 82.5% to Bahrain’s GDP in the first three months of 2019. Inflation has also moderated in recent years, with an inflation rate of 2.5% in 2018 and a year-on-year inflation rate of 0.2% as of June 2019.

The following tables set forth certain summary statistics about the economy of Bahrain, public finance and public debt as at or for the periods indicated.

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>As at 31 March 2019(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP at current prices (U.S.$ millions)(2)(3)</td>
<td>33,387.7</td>
<td>31,125.9</td>
<td>32,179.1</td>
<td>35,432.7</td>
<td>37,876.3</td>
<td>37,876.3</td>
</tr>
<tr>
<td>GDP at 2010 constant prices (U.S.$ millions)(2)(3)</td>
<td>29,921.8</td>
<td>30,778.9</td>
<td>31,779.4</td>
<td>33,058.9</td>
<td>33,895.2</td>
<td>33,895.2</td>
</tr>
<tr>
<td>GDP Growth at 2010 constant prices (as % change from the previous year)</td>
<td>4.4</td>
<td>2.9</td>
<td>3.0</td>
<td>4.0</td>
<td>2.5</td>
<td>2.7(4)</td>
</tr>
<tr>
<td>Inflation Rate (as % change from the previous year)</td>
<td>2.6</td>
<td>1.9</td>
<td>2.7</td>
<td>1.4</td>
<td>2.1</td>
<td>0.2(5)</td>
</tr>
<tr>
<td>Total External Debt (U.S.$ millions) (as % of GDP)</td>
<td>6,811.9</td>
<td>8,208.2</td>
<td>11,213.7</td>
<td>15,268.1</td>
<td>18,752.9</td>
<td>19,756.9(6)</td>
</tr>
<tr>
<td>Outstanding Government GDP (6)(7)(8) (as % of GDP)</td>
<td>44.4%</td>
<td>61.8%</td>
<td>73.3%</td>
<td>80.5%</td>
<td>87.4%(8)</td>
<td>87.1%(8)</td>
</tr>
</tbody>
</table>

Notes:
(1) Figures are for the period January – March 2019, unless otherwise stated.
(2) Using the fixed conversion rate of BD 0.376 = U.S.$1.00.
(3) GDP figures for 2017 differ from those previously published. Figures for 2017, 2018 and interim periods in 2019 are taken from the IGA’s First Quarter 2019 Bulletin on gross domestic product. Figures for 2018 and interim periods in 2019 are estimates. See “Certain Defined Terms and Conventions—Statistical Information”.
(4) With respect to the percentage change for a quarter, the figure represents the percentage change between the relevant quarter in 2019 as compared to the same quarter in 2018.
(5) Year-on-year inflation figure as of 30 June 2019.
(6) This figure is as at 30 June 2019.
(7) Outstanding and total debt figures exclude borrowing from the CBB.
(8) Based on provisional 2018 GDP. For 2018, current GDP is estimated at U.S.$37,876.3 million using the IGA’s First Quarter 2019 Bulletin on gross domestic product.

Source: Information eGovernment Authority and Ministry of Finance and National Economy
Inward FDI flow .................................................. 25,747.1
25,812.0
26,055.3
27,481.4(2)
28,996.6(3)
Current Account Surplus/(Deficit) ....................... 1,523.1
(752.1)
(1,492.8)
(1,599.7)
(2,220.0)
Budget Surplus/(Deficit) ..................................... (1,210)
(4,035)
(4,347)
(3,533)
(2,380)
Government Revenue ...................................... 8,217
5,431
5,047
5,854
7,381
Oil and Gas Revenue ....................................... 7,081
4,241
3,820
4,395
6,080
Non-oil Revenue ............................................ 1,136
1,190
1,227
1,459
1,301
Total Expenditure .......................................... 9,427
9,467
9,395
9,407
9,761
Budget Deficit to GDP Ratio (%): 4
13
14
10
6

Notes:
(1) Preliminary Data.
(2) GDP figures for 2017 differ from those previously published. Figures for 2017 and 2018 are taken from the IGA’s First Quarter 2019 Bulletin on gross domestic product.
(3) Based on provisional 2018 GDP. For 2018, current GDP is estimated at U.S.$37,876.3 million using the IGA’s First Quarter 2019 Bulletin on gross domestic product.

Source: CBB and Ministry of Finance and National Economy

Bahrain’s 2019/2020 Budgets and Key Priorities

In late 2018 the Government announced the Fiscal Balance Programme (“FBP”), which provides a roadmap for addressing Bahrain’s fiscal challenges over the medium-term, with the overall objective to achieve a balanced budget by 2022. To achieve this goal, initiatives were introduced, which are aimed at: (i) reducing Government operational expenditures; (ii) introducing a voluntary retirement scheme for government employees; (iii) balancing the Electricity and Water Authority’s expenditures and revenue; (iv) streamlining the distribution of cash subsidies to citizens in need; (v) improving the efficiency of Government expenditure; and (vi) simplifying Government processes and increasing non-oil revenue. The principal goal of the 2019/2020 budget is to implement the FBP initiatives. These measures are expected to reduce the deficit by U.S.$2.1 billion on an annual basis over the coming years. See “Public Finance”. These initiatives have been bolstered by financial support including, in October 2018, a pledge of U.S.$10 billion to Bahrain by Saudi Arabia, Kuwait and the United Arab Emirates (the “UAE”) to support the FBP and to alleviate near-term financing constraints. This support package is estimated to cover approximately 50% of Bahrain’s total financing requirements until 2022 (estimated to be approximately U.S.$20 billion).

Bahrain’s key priorities are set forth in its Vision 2030 (as defined below), the National Development Strategy 2015-2018 and the Government Plan 2019-2022. These key priorities include:

• protecting Bahrain’s security environment by strengthening the rule of law and enhancing democratic institutions;
• transforming its economy from oil-dependent to globally competitive, diverse and fuelled by private enterprise, high productivity sectors (such as financial services and industry) and establishing stable financial and monetary systems;
• doubling the disposable income of every household from 2008 levels by 2030 and supporting rising living standards by implementing reforms to education, healthcare, housing and labour market regulation;
• investing in Bahrain’s port infrastructure and housing stock to provide modern transport, commodity and cargo terminals, as well as high quality and safe housing; and
• achieving sustainable development through efficient utilisation of resources and rationalising the operations of the Government to better respond to Bahrain’s needs.

The key initiatives undertaken by Bahrain to further its priorities include:

• **Fiscal initiatives to consolidate and enhance the flexibility of Bahrain’s finances**

Bahrain has adopted policies that prioritise fiscal sustainability and expand its efforts to diversify revenue streams, as well as to consolidate and enhance Bahrain’s financial flexibility. The Government has adopted a three-pronged approach to achieve this goal: (a) developing non-oil streams of revenue; (b) increasing fees, such as fees for licences and services provided by the Civil Aviation Authority, visa fees, postal rates and traffic violation penalties; (c) reallocating subsidies to lower-income segments of the population; and (d) controlling the growth of current public spending. In order to control the growth of current public spending, the Government has launched a fiscal sustainability framework and strategy and has established six ministerial teams, which seek to revise and reduce recurrent expenditures. See “Public Finance—Fiscal Policy.”

Source: CBB and Ministry of Finance and National Economy
Continuing the development of oil and gas capacity, including Bahrain Petroleum Company (Bapco) modernisation programme and construction of pipeline with Saudi Arabia

Bahrain plans to invest U.S.$15.0 billion over the next two decades to develop oil and gas resources. In October 2018, construction of a new pipeline between Bahrain and Saudi Arabia, which is aimed at increasing capacity and efficiency, was completed. See “Economy of the Kingdom of Bahrain—Principal Sectors of the Economy—Mining—New A-B pipeline”. It is also working on the Bapco Modernisation Programme (defined below) with the aim of increasing its refining capacity at the Sitra oil refinery by a third and significantly improving its product mix. The Engineering, Procurement and Construction (“EPC”) contracts tendering process commenced in May 2016 and bids to expand the Sitra oil refinery were received in December 2016. In February 2018, Bapco signed a U.S.$4.2 billion EPC contract to a consortium led by French-U.S. petroleum services group TechnipFMC. In December 2018, greenfield construction at the site was commenced and the foundation stone for the Bapco Modernisation Project was laid by His Royal Highness the Prime Minister of Bahrain in March 2019. Financial close for the project occurred on 9 May 2019 with the participation of a total of 21 banks (eight international, six regional and seven Bahraini banks) and a stakeholder engagement meeting was initiated in July 2019. The project is expected to cost approximately U.S.$6.8 billion (excluding financing) and be completed in 2022. See “Economy of the Kingdom of Bahrain—Principal Sectors of the Economy—Mining—Refining.”

Developing non-oil streams of revenue, with a focus on financial services and international trade

Bahrain is now one of the primary financial centres for the MENA region, with its financial sector being the largest non-oil contributor to real GDP (accounting for 16.4% of GDP in 2018 and 16.8% in the first three months of 2019). Bahrain continues to place strong emphasis on attracting commercial, investment and Islamic banks to the country. As a member of the GCC, Bahrain participates in a number of trade agreement negotiations, most notably with the European Union (“EU”), India and China. See “Economy of the Kingdom of Bahrain—Principal Sectors of the Economy—Other Services—Trade.”

Expanding production capacity of Aluminium Bahrain B.S.C. (“Alba”)

Aluminium is Bahrain’s largest non-oil export, and state-owned Alba is the world’s fourth largest producer of aluminium by individual smelter capacity. Alba’s sixth potline (“Line 6”) commenced production on 13 December 2018 and the Line 6 expansion project was completed in July 2019. Line 6 boosts Alba’s annual production by 540,000 tonnes, bringing Alba’s total production capacity to 1.5 million tonnes of aluminium per year. The capital expenditure estimate for the construction of Line 6, as well as replacing and expanding the power capacity of the existing power plant facilities, is approximately U.S.$3 billion, which Alba financed without Government assistance. In October 2016, Alba entered into a U.S.$1.5 billion syndicated term-loan facility, comprising of a conventional facility and an Islamic facility. In April 2017, Alba secured commitments of approximately U.S.$700 million from export credit agency (“ECA”) supported facilities, including two export credit facilities guaranteed by SERV Swiss Export Risk Insurance of U.S.$310.4 million and €314.4 million, respectively, and a €50 million export credit facility guaranteed by Euler Hermes Deutschland AG. In April 2018, Alba successfully drew down €204.5 million from its ECA supported facilities. Alba drew down further amounts of approximately U.S.$300 million from its bank and ECA supported facilities in the last quarter of 2018 and to date in 2019. See “Public Finance—Revenue—Alba”.

Developing a skilled and flexible labour force and developing an entrepreneurial generation

Bahrain has formulated strategic and operational plans to increase employability, job creation and social support. Under Vision 2030 the Government aims to provide a number of different training programmes in the areas of financial services, hotel trade and technical retail. See “Economy of the Kingdom of Bahrain—Employment”. As part of its Tamkeen programme, the Government seeks to assist Bahraini individuals and enterprises by providing programmes on career progression, business incubators, pre-seed capital support and international placements. See “Economy of the Kingdom of Bahrain—Employment—Tamkeen”.

Strengthen the regulatory framework to support private sector investment in the Bahraini real estate market

The Government has sought to strengthen the legal and supervisory framework of the real estate industry by introducing a sophisticated regulatory regime. New legislation has been introduced to regulate the activities of developers and protect investor returns, as well as to establish a joint judicial and expert committee to overcome obstacles that may delay projects. The purpose of this new regulatory framework is to attract investment for housing projects and it contemplates close cooperation between the public and private sectors to deliver affordable housing to low and middle-income Bahraini families. Since 2015, 3,818 new housing units, have been delivered and occupied in Bahrain. Since 2012, Bahrain has also entered into a series of public private partnerships or received funding from the GCC Development Fund for the development of major housing projects. These projects include the construction and development of housing units, including the Al Madina Al Shamaliya, the East Hidd and the Al Dur (Southern Governorate) housing projects. The estimated cost of these projects is approximately U.S.$2.6 billion, of which U.S.$677 million is expected to be
funded through the budget. See “Economy of the Kingdom of Bahrain—Principal Sectors of the Economy—Other Services—Real Estate.”
Overview of the Programme

Kingdom: The Kingdom of Bahrain, acting through the Ministry of Finance and National Economy


Legal Entity Identifier (LEI) of the Trustee: 5493006IRJ2IWXTNIM16

Ownership of the Trustee: The Trustee is wholly-owned by the Central Bank of Bahrain.

Arrangers: Citigroup Global Markets Limited
J.P. Morgan Securities plc
National Bank of Bahrain B.S.C.

Dealers: Citigroup Global Markets Limited
J.P. Morgan Securities plc
National Bank of Bahrain B.S.C.
and any other Dealers appointed in accordance with the Programme Agreement from time to time.

Delegate: Citibank N.A., London Branch (the “Delegate”). In accordance with the Master Trust Deed, the Trustee will, inter alia, unconditionally and irrevocably appoint the Delegate to be its delegate and attorney and to exercise certain present and future rights, powers, authorities and discretions vested in the Trustee by certain provisions of the Master Trust Deed in accordance with the terms 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 Kingdom (in any capacity) following a Dissolution Event.

Principal Paying Agent, Exchange Agent and Transfer Agent: Citibank N.A., London Branch

Registrar: Citigroup Global Markets Europe AG

Irish Listing Agent: Arthur Cox Listing Services Limited

Programme Size: The Programme is unlimited in amount.

Method of Issue: The Certificates may be issued on a syndicated or non-syndicated basis. The specific terms of each Series will be recorded in the applicable Final Terms.

Issuance in Series: Certificates will be issued in Series. Each Series may comprise one or more Tranches issued on different Issue Dates. The Certificates of each Series will have the same terms and conditions or terms and conditions which are the same in all respects, save for the amount and the date of the first payment of Periodic Distribution Amounts thereon and the date from which Periodic Distribution Amounts start to accrue.

Currencies: Subject to any applicable legal or regulatory restrictions, Certificates may be denominated in any currency (each a “Specified Currency”) agreed between the Trustee, the Kingdom and the relevant Dealer.

Maturities: The Certificates will have such maturities as may be agreed between the Trustee, the Kingdom 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, the Kingdom or the Specified Currency.

Issue Price: Certificates may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par, as specified in the
The price and amount of Certificates to be issued under the Programme will be determined by the Trustee, the Kingdom and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

**Denomination of Certificates:**

The Certificates will be issued in such denominations as may be agreed between the Trustee, the Kingdom and the relevant Dealer(s) save that:

(a) the minimum denomination 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 Specified Currency;

(b) the minimum denomination of each Certificate will be at least €100,000 (or, if the Certificates are denominated in a currency other than Euro, the equivalent amount in such currency, as calculated on the Issue Date of such Series); and

(c) unless otherwise permitted by such current laws and regulations, Certificates (including Certificates denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Trustee in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA will have a minimum denomination of £100,000 (or, if the Certificates are denominated in a currency other than sterling, the equivalent amount in such currency, as calculated on the Issue Date of such Series).

Unless otherwise stated in the applicable Final Terms, the minimum denomination of any Certificates to be sold in the United States to QIBs will be U.S.$200,000 or its approximate equivalent in other Specified Currencies.

**Status of the Certificates:**

The Certificates will represent an undivided ownership interest in the Trust Assets of the relevant Series, subject to the terms of the Trust Deed and the Conditions, and will be limited recourse obligations of the Trustee. Each Certificate will constitute unsecured obligations of the Trustee and shall at all times rank pari passu, without any preference or priority with all other Certificates of the relevant Series.

The payment obligations of the Kingdom (in any capacity) to the Trustee under the Transaction Documents in respect of each Series of Certificates will be (subject to Condition 5) direct, unconditional and unsecured obligations of the Kingdom and shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 5, at all times rank at least pari passu with all other present and future unsecured and unsubordinated obligations of the Kingdom, from time to time outstanding, provided, further, that the Kingdom shall have no obligation to effect equal and rateable payment(s) at any time with respect to any such other obligations and, in particular, shall have no obligation to pay such other obligations at the same time or as a condition of paying sums due under the Transaction Documents and vice versa.

**Trust Assets:**

The Trust Assets of the relevant Series will be (a) the cash proceeds of the issue of the relevant Series of Certificates, pending application thereof in accordance with the terms of the Transaction Documents; (b) all of the Trustee’s rights, title, interest, benefits and entitlements, present and future, in, to and under the Assets; (c) all of the Trustee’s rights, title, interest, benefits and entitlements, present and future, in, to and under the Transaction Documents (excluding the covenant given to the Trustee pursuant to clause 14.1 of the Master Trust Deed); (d) all monies standing to the credit of the relevant Transaction Account from time to time; and all proceeds of the foregoing listed (a) to (d) (the “Trust Assets”).

**Periodic Distribution Amounts:**

Certificateholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the applicable Final Terms.

**Fixed Rate Certificates:**

Fixed Rate 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, the Kingdom and the relevant Dealer(s), calculated in accordance with such Day Count Fraction (but only if the profit is to be
calculated in respect of a period of less than a full Return Accumulation Period) as may be agreed between the Trustee, the Kingdom and the relevant Dealer(s), each as more particularly described in Condition 8(a).

Floating Rate Certificates: Floating Rate Certificates will bear profit on their outstanding face amount at such floating rate per annum as may be determined:

(a) on the same basis as the floating rate under a notional profit rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the relevant Series of Certificates) plus or minus the applicable margin; or

(b) on the basis of the relevant Reference Rate as adjusted for any applicable margin.

The margin (if any) relating to such floating rate will be agreed between the Trustee, the Kingdom and the relevant Dealer(s) for each Series of Floating Rate Certificates.

Such profit will be paid on such date or dates as may be agreed between the Trustee, the Kingdom and the relevant Dealer(s) and will be calculated on the basis of such Day Count Fraction as may be agreed between the Trustee, the Kingdom and the relevant Dealer(s).

Floating Rate Certificates may also have a maximum profit rate, a minimum profit rate or both.

See Condition 8(b).

Benchmark Discontinuation: In the event that a Benchmark Event occurs, such that any Profit Rate (or the relevant component part thereof) cannot be determined by reference to the original benchmark or screen rate (as applicable) specified in the applicable Final Terms, then the Trustee and the Kingdom may (subject to certain conditions) be permitted to substitute such benchmark and/or screen rate (as applicable) with a successor, replacement or alternative benchmark and/or screen rate (with consequent amendment to the terms of such Series of Certificates and, potentially, the application of an Adjustment Spread (which could be positive, negative or zero)). See Condition 8(c) (Periodic Distribution Amounts – Benchmark Replacement) for further information.

Negative Pledge: The Certificates will have the benefit of a negative pledge granted by the Kingdom, as described in Condition 5.

Cross-Acceleration: In respect of the Kingdom, the Certificates will have the benefit of a cross-acceleration provision, as described in Condition 13 and paragraph (c) of the definition of Kingdom Event corresponding thereto.

Dissolution on the Scheduled Dissolution Date: Unless the Certificates are previously redeemed or purchased and cancelled, the Trustee will redeem each Certificate at the relevant Dissolution Distribution Amount on the relevant Scheduled Dissolution Date specified in the applicable Final Terms for such Series and the Trust in relation to the relevant Series will be dissolved by the Trustee following the payment of all such amounts in full.

Dissolution Distribution Amount: In relation to each Certificate of a Series, either:

(a) the sum of:

(i) the outstanding face amount of such Certificate; and

(ii) any accrued but unpaid Periodic Distribution Amounts for such Certificate; or

(b) such other amount specified in the applicable Final Terms as being payable upon the relevant Dissolution Date.

Early Dissolution: The Certificates may be redeemed in whole, but not in part, prior to the
Scheduled Dissolution Date upon the:
(a) exercise of an Optional Dissolution Right (if so specified in the applicable Final Terms); or
(b) occurrence of a Dissolution Event,
in each case, at the relevant Dissolution Distribution Amount on the relevant Dissolution Date.

Dissolution Events:
The Dissolution Events are described in Condition 1. Following the occurrence and continuation of a Dissolution Event in respect of a Series of Certificates, the Certificates may be redeemed in whole, but not in part, at the relevant Dissolution Distribution Amount on the Dissolution Event Redemption Date in the manner described in Condition 13.

Optional Dissolution Right:
If so specified in the applicable Final Terms, the Kingdom may, in accordance with Condition 9(b), require the Trustee to redeem the Certificates of the relevant Series in whole, but not in part, at the relevant Dissolution Distribution Amount on any Optional Dissolution Date.

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

Cancellation of Certificates held by the Kingdom:
Pursuant to Condition 9(d), the Kingdom may at any time purchase Certificates in the open market or otherwise. If the Kingdom wishes to cancel such Certificates purchased by it, the Kingdom may do so in accordance with Condition 9(e).

Limited Recourse:
Each Certificate of a particular Series will represent an undivided ownership interest in the Trust Assets for such Series. 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 from the relevant Trust Assets.

Certificateholders have no recourse to any assets of the Trustee (and/or its directors, officers or agents in their capacity as such) (other than the relevant Trust Assets) or the Delegate or any Agent or any of their respective directors, officers, employees or agents in respect of any shortfall in the expected amounts from the relevant Trust Assets to the extent the relevant Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished.

See further Condition 4(b)

Form and Delivery of the Certificates:
The Certificates will be issued in registered form only. The Certificates of each Series will be represented on issue by ownership interests in one or more Global Certificates, which will be deposited with, and registered in the name of a nominee for, DTC and/or a Common Depositary for Euroclear and Clearstream, Luxembourg (as applicable).

Certificates sold in an offshore transaction within the meaning of Regulation S will initially be represented by an unrestricted Global Certificate (a “Regulation S Global Certificate”) and Certificates sold to QIBs in reliance on Rule 144A will initially be represented by one or more restricted Global Certificates (a “Rule 144A Global Certificate”).

Ownership interests in a Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by DTC, Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. Certificates in definitive form evidencing holdings of Certificates will be issued in exchange for interests in the relevant Global Certificate only in certain limited circumstances. “Summary of Provisions relating to the Certificates while in Global Form”.

Clearance and Settlement:
Certificateholders must hold their interest in the relevant Global Certificate in book-entry form through DTC, Euroclear and/or Clearstream, Luxembourg. Transfers within and between each of DTC and/or Euroclear and/or Clearstream, Luxembourg will be in accordance
with the usual rules and operating procedures of the relevant clearing system.

**Withholding Tax:**

All payments in respect of the Certificates shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by, within or on behalf of any Tax Jurisdiction, unless such withholding or deduction is required by law. In such event, the Trustee has agreed to pay such additional amounts as shall be necessary in order that the net amounts received by them after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable by them in the absence of such withholding or deduction, subject to and in accordance with Condition 11.

Further, in accordance with the terms of the Master Trust Deed, the Kingdom has unconditionally and irrevocably undertaken to (irrespective of the payment of any fee), as a continuing obligation, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to Condition 11, pay to or to the order of the Delegate (for the benefit of the Certificateholders) such net amounts as are necessary so that the amount receivable by the Delegate (after any such withholding or deduction) equals any and all additional amounts, required to be paid by it in respect of the Certificates pursuant to Condition 11.

The Transaction Documents provide that payments thereunder by the Kingdom shall be made without set-off or counterclaim of any kind and without any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature, unless such withholding or deduction is required by law. In such event, the Transaction Documents provide for the payment by the Kingdom of all additional amounts as will result in the receipt by the Trustee or the Delegate, as applicable, of such net amounts as would have been receivable by it if no such withholding or deduction had been made.

**Listing:**

Application has been made for the Certificates to be listed on the Official List and admitted to trading on the Regulated Market of Euronext Dublin.

**Meetings of Certificateholders, Modification and Waiver:**

The terms of the Certificates contain a “collective action” clause, which permits defined majorities to bind all Certificateholders. If the Trustee or the Kingdom issues securities that contain collective action clauses in substantially the same form as the collective action clause in the terms of the Certificates, the Certificates would be capable of aggregation for voting purposes with any such securities, thereby allowing “cross-series” modifications to the Conditions of all affected Series of Certificates (even, in some circumstances, where majorities in certain Series did not vote in favour of the modifications being voted on).

See Conditions 15 and 16 and “Risk Factors—Risks Relating to the Kingdom—The conditions of the Certificates contain provisions which may permit their modification without the consent of all the Certificateholders”.

**Tax Considerations:**

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

**Governing Law and Dispute Resolution:**

The Certificates and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law.

Each Transaction Document (other than the Master Head Lease Agreement, each Supplemental Head Lease Agreement, the Master Sub-Lease Agreement and each Supplemental Sub-Lease Agreement) and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law.

The Master Head Lease Agreement, each Supplemental Head Lease Agreement, the Master Sub-Lease Agreement and each Supplemental Sub-
Lease Agreement will be governed by the laws of Bahrain.

In respect of any dispute under any Transaction Document, the Kingdom has agreed to arbitration in London, England under the Rules.

The Kingdom has also agreed to submit to the exclusive jurisdiction of the courts of England in respect of any dispute under the Transaction Documents, at the option of the Trustee or the Delegate.

Transaction Documents:
The Transaction Documents in respect of a Series shall comprise the Master Trust Deed, each relevant Supplemental Trust Deed, the Agency Agreement, the Master Head Lease Agreement, each relevant Supplemental Head Lease Agreement, the Master Sub-Lease Agreement, the relevant Supplemental Sub-Lease Agreement and the Master Murabaha Agreement (together with all documents, notices of request to purchase, offer notices, acceptances, notices and confirmations delivered or entered into as contemplated by the Master Murabaha Agreement in connection with the relevant Series).

Rating:
The Programme is expected to be rated B+ (with stable outlook) by Standard & Poor’s and BB- (with stable outlook) by Fitch. Series of Certificates issued under the Programme may be rated or unrated. Where a Series of Certificates is rated, such rating will be disclosed in the applicable Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

Selling Restrictions:
There are restrictions on the offer, sale and transfer of the Certificates, including in the United States, the European Economic Area (including the United Kingdom), the Kingdom of Bahrain, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the State of Kuwait, Japan, Singapore and Malaysia. See “Subscription and Sale and Transfer and Selling Restrictions”.

U.S. Selling Restrictions:
Regulation S, Category 2 and Rule 144A.
TERMS AND CONDITIONS OF THE CERTIFICATES

The following is the text of the terms and conditions that, subject to completion in accordance with the provisions of Part A of the applicable Final Terms shall be applicable to the Certificates in definitive form (if any) issued in exchange for the Global Certificate representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such definitive Certificates. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the applicable Final Terms. Those definitions will be endorsed on the definitive Certificates. References in the Conditions to “Certificates” are to the Certificates of one Series only, not to all Certificates that may be issued under the Programme.

CBB International Sukuk Programme Company S.P.C. (in its capacity as issuer and in its capacity as trustee, the “Trustee”) has established a programme (the “Programme”) for the issuance of trust certificates (the “Certificates”).

The Certificates are constituted by a master trust deed dated 23 September 2019 between the Trustee, The Kingdom of Bahrain, acting through the Ministry of Finance and National Economy (the “Kingdom”) and Citibank N.A., London Branch (the “Delegate”, which expression shall include all persons for the time being the delegate or delegates under the Master Trust Deed) (the “Master Trust Deed”) as supplemented by a supplemental trust deed entered into on or before the date of issue of the relevant Certificates (the “Issue Date”) in respect of the relevant Tranche (the “Supplemental Trust Deed” and, together with the Master Trust Deed, the “Trust Deed”).

An agency agreement (the “Agency Agreement”) dated 23 September 2019 has been entered into in relation to the Certificates between the Trustee, the Kingdom, the Delegate, Citibank N.A., London Branch as principal paying agent (the “Principal Paying Agent”, which expression shall include any successor principal paying agent), as exchange agent (the “Exchange Agent”, which expression shall include any successor exchange agent) and as transfer agent (the “Transfer Agent”, which expression shall include any additional or successor transfer agent) and the other paying agents named therein (together with the Principal Paying Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents) and Citigroup Global Markets Europe AG as registrar (the “Registrar”), which expression shall include any successor registrar). The Principal Paying Agent, the Exchange Agent, the Transfer Agents, the Paying Agents, the Calculation Agent (if any is specified in the applicable Final Terms) and the Registrar are together referred to as the “Agents”.

These terms and conditions (the “Conditions”) include summaries of, and are subject to, the detailed provisions of: (a) the Trust Deed, which includes the form of Certificates referred to below; (b) the Agency Agreement; and (c) the remaining Transaction Documents (as defined below). The Certificateholders are bound by, and are deemed to have notice of, all the provisions applicable to them in the Transaction Documents. The final terms for this Certificate (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Certificate which complete these Conditions. References to the “applicable Final Terms” are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on the relevant Certificate.

Copies of the Transaction Documents are available for inspection and/or collection by Certificateholders during normal business hours from the registered office of the Trustee and 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 to authorise and direct the Trustee, on behalf of the Certificateholders: (a) to apply the proceeds of the issue of the Tranche of the Certificates in accordance with the terms of the Transaction Documents; and (b) to enter into, and perform its obligations under and in connection with, each Transaction Document, subject to the terms and conditions of the Trust Deed and these Conditions.

1. Interpretation

Unless defined herein or the context otherwise requires, any capitalised words and expressions used but not defined herein shall have the meaning given to them in the Trust Deed and the Agency Agreement. In addition, for the purposes of these Conditions, the following expressions have the following meanings:

“Additional Assets” has the meaning given to it in the Master Head Lease Agreement;

“Assets” has the meaning given to it in the Master Head Lease Agreement or the Master Sub-Lease Agreement, as the context so requires, and the expression “Assets” shall be deemed to include any Additional Assets from time to time, as the context so requires;

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

“Business Day” has the meaning given to it in Condition 8(i);

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

“Cancellation Notice” means a cancellation notice given pursuant to the terms of the Trust Deed;
“Certificateholder” or “holder” has the meaning given to it in Condition 2;
“Day Count Fraction” has the meaning given to it in Condition 8(i);
“Deferred Sale Price” has the meaning given to it in the Master Murabaha Agreement;
“Delegation” has the meaning given to it in Condition 17(a);
“Dispute” has the meaning given to it in Condition 22(b);
“Dissolution Date” means, as the case may be:
(a) the Scheduled Dissolution Date;
(b) any Optional Dissolution Date; or
(c) any Dissolution Event Redemption Date;
“Dissolution Distribution Amount” means, in relation to each Certificate:
(a) the sum of:
   (i) the outstanding face amount of such Certificate; and
   (ii) any accrued but unpaid Periodic Distribution Amounts for such Certificate; or
(b) such other amount specified in the applicable Final Terms as being payable upon any Dissolution Date;
“Dissolution Event” means a Trustee Event or a Kingdom Event;
“Dissolution Event Redemption Date” has the meaning given to it in Condition 13(a);
“Dissolution Notice” has the meaning given to it in Condition 13;
“Extraordinary Resolution” has the meaning given to it in the Trust Deed;
“Fixed Amount” means, in respect of a Series in respect of which Fixed Periodic Distribution Provisions is specified as applicable in the applicable Final Terms, the amount specified as such in the applicable Final Terms;
“Fixed Rate Certificates” means a Series in respect of which Fixed Periodic Distribution Provisions is specified as applicable in the applicable Final Terms;
“Floating Rate Certificates” means a Series in respect of which Floating Periodic Distribution Provisions is specified as applicable in the applicable Final Terms;
“Head Lease Agreement” means the Master Head Lease Agreement, as supplemented, in relation to each Series, by each relevant Supplemental Head Lease Agreement;
“Head Lessee Dissolution Notice” has the meaning given to it in the Master Head Lease Agreement;
“IMF” means the International Monetary Fund or any of its successor entities;
“ISDA Definitions” means the 2006 ISDA Definitions as amended and updated as at the date of issue of the first Tranche of the Certificates of the relevant Series (as specified in the applicable Final Terms), as published by the International Swaps and Derivatives Association, Inc.;
“Kingdom Event” means each of the following events or circumstances:
(a) default is made by the Kingdom in the payment of any amount payable by it pursuant to any Transaction Document and the failure continues for a period of 14 days; or
(b) the Kingdom defaults in performance or observance of or compliance with any of its other obligations or undertakings in respect of the Transaction Documents and either such default is not capable of remedy or such default (if capable of remedy) is not remedied within 30 days after service by the Delegate on the Kingdom of written notice requiring the same to be remedied; or
(c) any Relevant Indebtedness of the Kingdom shall become due and payable prior to the stated maturity thereof following a default or any security therefor becomes enforceable or the Kingdom fails to make repayment of any such Relevant Indebtedness at the maturity thereof or at the expiration of any grace period originally applicable thereto or any guarantee of any Relevant Indebtedness of any other person shall not be honoured when due and called upon and, in any such case, the amount of the Relevant Indebtedness shall be greater than U.S.$30,000,000 (or its equivalent in any other currency or currencies); or
(d) if a moratorium is declared on the payment of all or any Relevant Indebtedness of the Kingdom, or the Kingdom repudiates all or any of its Relevant Indebtedness or is, or admits that it is, unable to pay all or any of its Relevant Indebtedness as it falls due, or the Kingdom commences negotiations or proceedings with a view to the general adjustment of all or any of its Relevant Indebtedness; or

(e) (i) the validity of any of the Transaction Documents is contested by the Kingdom or the Kingdom shall deny any of its obligations under the Transaction Documents or as a result of any change in, or amendment to, the laws or regulations in the Kingdom of Bahrain, which change or amendment takes place on or after the date on which agreement is reached to issue the first Tranche of the Certificates, (ii) it becomes unlawful for the Kingdom to perform or comply with any of its obligations under or in respect of any of the Transaction Documents or (iii) any of the obligations of the Kingdom under or in respect of any of the Transaction Documents becomes unenforceable or invalid; or

(f) the Kingdom of Bahrain ceases to be a member of the IMF or eligible to use the general resources of the IMF pursuant to Article 26 of the IMF Articles of Agreement; or

(g) there is, or there will be, a compulsory acquisition, confiscation or expropriation of all or any part of the Assets by a governmental authority which, in any such case, renders the head lease granted under the Head Lease Agreement and/or the sub-lease granted under the Sub-Lease Agreement null and void; or

(h) the Trustee ceases to be wholly-owned by the Central Bank of Bahrain or the Kingdom.

“LCIA” has the meaning given to it in Condition 22(b);

“Master Head Lease Agreement” means the master head lease agreement dated 23 September 2019 between the Trustee, the Kingdom and the Delegate;

“Master Murabaha Agreement” means the master murabaha agreement dated 23 September 2019 between the Trustee, the Kingdom and the Delegate;

“Master Sub-Lease Agreement” means the master sub-lease agreement dated 23 September 2019 between the Trustee, the Kingdom and the Delegate;

“Murabaha Percentage” means, the percentage specified as such in the applicable Final Terms, which shall be no more than 49% of the aggregate face amount of the Certificates;

“Optional Dissolution Date” means, in relation to any exercise of the Optional Dissolution Right, the date(s) specified as such in the applicable Final Terms and which must (if the Certificate is a Floating Rate Certificate) be a Periodic Distribution Date;

“Optional Dissolution Notice” has the meaning given to it in the Master Head Lease Agreement;

“Optional Dissolution Right” means the right specified in Condition 9(b);

“outstanding” shall have the meaning given to it in the Trust Deed;

“Periodic Distribution Amount” has the meaning given to it in Condition 8(a) or 8(b), as applicable;

“Periodic Distribution Date” means the date(s) specified as such in the applicable Final Terms;

“Periodic Distribution Period” means the period beginning on and including the Profit Commencement Date and ending on but excluding the first Periodic Distribution Date and each successive period beginning on and including a Periodic Distribution Date and ending on but excluding the next succeeding Periodic Distribution Date;

“Potential Dissolution Event” means any condition, event or act which, with the giving of notice, lapse of time, declaration, demand, determination or fulfilment of any other applicable condition (or any combination of the foregoing), would constitute a Dissolution Event;

“Profit Amount” means:

(a) in respect of a Return Accumulation Period, the amount of profit payable per Calculation Amount for that Return Accumulation Period and which, in the case of Fixed Rate Certificates, and unless otherwise specified in the applicable Final Terms, shall mean the Fixed Amount or Broken Amount specified in the applicable Final Terms as being payable on the Periodic Distribution Date ending on the Periodic Distribution Period of which such Return Accumulation Period forms part; and

(b) in respect of any other period, the amount of profit payable per Calculation Amount for that period;

“Profit Commencement Date” means the Issue Date or such other date as may be specified in the applicable Final Terms;
“Profit Period Date” means each Periodic Distribution Date unless otherwise specified in the applicable Final Terms;

“Profit Rate” means the profit rate payable from time to time in respect of the Certificates and that is either specified in the applicable Final Terms or calculated in accordance with the provisions hereof;

“Profit Rate Determination Date” means, with respect to a Profit Rate and Return Accumulation Period, the date specified as such in the applicable Final Terms or, if none is so specified (a) the first day of such Return Accumulation Period, if the Specified Currency is sterling or (b) the day falling two Business Days for the Specified Currency prior to the first day of such Return Accumulation Period, if the Specified Currency is neither sterling nor Euro, or (c) the day falling two TARGET Business Days prior to the first day of such Return Accumulation Period, if the Specified Currency is Euro;

“Prospectus Regulation” means Regulation (EU) 2017/1129;

“Record Date” has the meaning given to it in Condition 10(a);

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

“Reference Rate” means either LIBOR or EURIBOR, as specified in the applicable Final Terms;

“Register” has the meaning given to it in Condition 2;

“Relevant Date” has the meaning given to it in Condition 11;

“Relevant Financial Centre” means the financial centre specified as such in the applicable Final Terms and, if no such financial centre is specified, the financial centre most closely connected with the relevant Reference Rate;

“Relevant Indebtedness” means (i) any present or future indebtedness which is in the form of, or represented or evidenced by, bonds, debentures, notes or other similar instruments; or (ii) any present or future obligations (whether incurred as principal or surety and including, for the avoidance of doubt, any such obligation which is (or is intended to be) in compliance with the principles of Shari’a) in respect of monies borrowed or raised (whether or not evidenced by bonds, debentures, notes or other similar instruments (including Shari’a-compliant certificates)) which, in each case, for the time being are, or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market and are denominated or payable, or which at the option of the relevant holder thereof may be payable, in a currency other than the lawful currency of the Kingdom of Bahrain;

“Relevant Powers” has the meaning given to it in Condition 17(a);

“Relevant Screen Page” means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Final Terms or such other page, section, caption, column or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“Relevant Time” means the time specified as such in the applicable Final Terms;

“Return Accumulation Period” means the period beginning on (and including) the Profit Commencement Date and ending on (but excluding) the first Profit Period Date and each successive period beginning on (and including) a Profit Period Date and ending on (but excluding) the next succeeding Profit Period Date;

“Rules” has the meaning given to it in Condition 22(b);

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

“Series” means a Tranche of Certificates together with any further Tranche or Tranches of Certificates which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of Periodic Distribution Amounts thereon and the Profit Commencement Date;

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

“Sub-Lease Agreement” means the Master Sub-Lease Agreement, as supplemented by the relevant Supplemental Sub-Lease Agreement;

“Supplemental Head Lease Agreement” has the meaning given to it in the Master Head Lease Agreement;
“Supplemental Sub-Lease Agreement” has the meaning given to it in the Master Sub-Lease Agreement;

“Tangible Asset Percentage” means, the percentage specified as such in the applicable Final Terms, which shall be no less than 51% of the aggregate face amount of the Certificates;

“TARGET Business Day” has the meaning given to it in Condition 8(i);

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto;

“Tax Jurisdiction” has the meaning given to it in Condition 11;

“Tranche” means Certificates which are identical in all respects (including as to listing and admission to trading);

“Transaction Account” means, in relation to each Series, the non-interest bearing account maintained in London in the Trustee’s name held with Citibank N.A., London Branch, details of which are specified in the applicable Final Terms;

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

(a) the Trust Deed;
(b) the Agency Agreement;
(c) the Head Lease Agreement;
(d) the Sub-Lease Agreement; and
(e) the Master Murabaha Agreement (together with all documents, notices of request to purchase, offer notices and acceptances delivered or entered into as contemplated by the Master Murabaha Agreement in connection with the relevant Series),

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” has the meaning given to it in Condition 6(a);

“Trustee Event” means any of the following events:

(a) a default is made for more than 14 days in the payment of any Periodic Distribution Amount on the due date for payment thereof or default is made for more than 7 days in the payment of the Dissolution Distribution Amount on the due date for payment thereof; or
(b) the Trustee defaults in performance or observance of or compliance with any of its other obligations or undertakings in respect of the Certificates and/or the Transaction Documents and either such default is not capable of remedy or such default (if capable of remedy) is not remedied within 30 days after written notice of such default shall have been given to the Trustee by or on behalf of the Delegate; or
(c) 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
(d) at any time it is or will become unlawful for the Trustee to perform or comply with any of its obligations under the Transaction Documents or any of the obligations of the Trustee under the Transaction Documents are not or cease to be legal, valid, binding and enforceable.

All references to the “face amount” of a Certificate shall be deemed to include the relevant Dissolution Distribution Amount, any additional amounts (other than relating to Periodic Distribution Amounts) which may be payable under Condition 11 and any other amount in the nature of face amounts payable pursuant to these Conditions.

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 11 and any other amount in the nature of a profit distribution payable pursuant to these Conditions.

All references to “U.S.$” and “U.S. Dollars” are to the lawful currency of the United States of America.

All references to “ISDA” and related terms are only included for the purposes of benchmarking.
2. Form, Denomination and Title

The Certificates are issued in registered form in the Specified Denomination(s) shown in the applicable Final Terms. The Certificates may be Fixed Rate Certificates, Floating Rate Certificates or a combination of the foregoing, depending upon the profit basis specified in the applicable Final Terms.

Certificates are represented by registered certificates and, save as provided in Condition 3(b), each Certificate shall represent the entire holding of Certificates by the same holder.

Title to the Certificates shall pass by registration in the register that the Trustee shall procure to be kept by the Registrar outside the United Kingdom in accordance with the provisions of the Agency Agreement (the "Register"). Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the Register. Except as ordered by a court of competent jurisdiction or as required by applicable law, the registered holder of any Certificate shall be deemed to be and may be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss) and no person shall be liable for so treating the holder. The registered holder of a Certificate will be recognised by the Trustee as entitled to his Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

In these Conditions, “Certificateholder” or “holder” means the person in whose name a Certificate is registered and capitalised terms have the meanings given to them in the applicable Final Terms, the absence of any such meaning indicating that such term is not applicable to the Certificates.

Upon issue, the Certificates will be represented by one or more Global Certificates which will be deposited with, and registered in the name of a nominee for, The Depository Trust Company ("DTC") and/or a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg"). Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by DTC, Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. The Conditions are modified by certain provisions contained in the Global Certificate.

Except in limited circumstances, owners of interests in the Global Certificate will not be entitled to receive definitive Certificates representing their holdings of Certificates. See “Summary of Provisions relating to the Certificates while in Global Form”.

3. Transfers

(a) Transfer of Certificates: Subject to Condition 3(d), one or more Certificates may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the certificate representing such Certificates to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Trustee) duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent may reasonably require.

In the case of a transfer of part only of a holding of Certificates represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Certificates to a person who is already a holder of Certificates, a new certificate representing the enlarged holding shall only be issued against surrender of the certificate representing the existing holding. All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfers of Certificates scheduled to the Agency Agreement (the “Regulations”). The Regulations may be changed by the Trustee, with the prior written approval of the Registrar and the Delegate or by the Registrar with the prior written approval of the Delegate, provided that any such change is not materially prejudicial to the interests of the Certificateholders. A copy of the current Regulations will be made available by the Registrar to any Certificateholder upon request.

(b) Delivery of New Certificates: Each new Certificate to be issued pursuant to Condition 3(a) shall be available for delivery within five business days (or such longer period as may be required to comply with any applicable fiscal or other regulations) of receipt of the form of transfer and surrender of the Certificate for exchange. Delivery of the new Certificate shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery of such form of transfer and surrender of such Certificate shall have been made or, at the option of the holder making such delivery and surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of
delivery and/or such insurance or takaful as it may specify. In this Condition 3(b), “business day” means a day, other than a Saturday or a Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) Transfers Free of Charge: Transfers of Certificates on registration shall be effected without charge by or on behalf of the Trustee, the Registrar or the Transfer Agents, but upon payment of any stamp duty, tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security as the Trustee, the Registrar or the relevant Transfer Agent may require).

(d) Closed Periods: No Certificateholder may require the transfer of a Certificate to be registered (i) during the period of 15 days ending on (and including) the due date for payment of any Dissolution Distribution Amount or Periodic Distribution Amount or any other date on which any payment of the face amount or payment of any profit in respect of that Certificate falls due, (ii) during the period of 15 days prior to any date on which Certificates may be called for redemption pursuant to Condition 9(b), (iii) after any such Certificate has been called for redemption, or (iv) during the period of seven days ending on (and including) any Record Date.

4. Status

(a) Status of Certificates: The Certificates represent an undivided ownership interest in the relevant Trust Assets, subject to the terms of the Trust Deed and these Conditions, and are limited recourse obligations of the Trustee. Each Certificate will constitute unsecured obligations of the Trustee and shall at all times rank pari passu, without any preference or priority, with the other Certificates of the relevant Series.

The payment obligations of the Kingdom (in any capacity) to the Trustee under the Transaction Documents in respect of each Series of Certificates are (subject to Condition 5) direct, unconditional and unsecured obligations of the Kingdom and shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 5, at all times rank at least pari passu with all other present and future unsecured and unsubordinated obligations of the Kingdom, from time to time outstanding, provided, further, that the Kingdom shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other obligations and, in particular, shall have no obligation to pay such other obligations at the same time or as a condition of paying sums due under the Transaction Documents and vice versa.

(b) Limited Recourse and Agreement of Certificateholders: Save as provided in this Condition 4(b), the Certificates do not represent an interest in, or obligation of, any of the Trustee, the Delegate, the Kingdom or any of the Agents.

The proceeds of the relevant Trust Assets are the sole source of payments on the Certificates of each Series. The net proceeds of the realisation of, or enforcement with respect to, the relevant Trust Assets may not be sufficient to make all payments due in respect of the Certificates. Certificateholders, by subscribing for or acquiring the Certificates, acknowledge and agree that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

(i) no payment of any amount whatsoever shall be made by the Trustee or the Delegate or any directors, officers, employees or agents on their behalf except to the extent funds are available therefrom from the relevant Trust Assets and further acknowledge and agree that no recourse shall be had for the payment of any amount due and owing hereunder or under any Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee to the extent the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished;

(ii) if the proceeds of the Trust Assets are insufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (and/or its directors, officers or agents in their capacity as such) (other than the relevant Trust Assets), or the Delegate, the Agents or any of their respective directors, officers, employees or agents, in respect of any shortfall or otherwise;

(iii) no Certificateholders will be able to petition for, institute or join with any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy, winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee, the Delegate, the Agents or any of their respective directors, officers, employees or agents as a consequence of such shortfall or otherwise;
(iv) 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 or the Delegate arising under or in connection with the Trust Deed and the Certificates by virtue of any customary law, statute or otherwise shall be had against any officer, employee or director of the Trustee or the Delegate (as applicable) in their capacity as such. The obligations of the Trustee and the Delegate under the Transaction Documents are corporate or limited liability obligations of the Trustee or the Delegate (as applicable) and no personal liability shall attach to or be incurred by the officers, employees, agents or directors of the Trustee or the Delegate (as applicable) in their capacity as such, save in the case of the relevant party’s negligence, wilful default or actual fraud (as determined by a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party); and

(v) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Certificate.

Pursuant to the terms of the Transaction Documents, the Kingdom is obliged to make payments under the Transaction Documents directly to or to the order of the Trustee (for and on behalf of the Certificateholders). Such payment obligations form part of the Trust Assets and the Trustee and the Delegate will thereby have direct recourse against the Kingdom to recover payments due to the Trustee from the Kingdom pursuant to the Transaction Documents notwithstanding any other provision of this Condition 4(b). Such right of the Trustee and the Delegate shall (subject to Condition 5) constitute an unsecured claim against the Kingdom. None of the Certificateholders, the Trustee or the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Kingdom in connection with the enforcement of any such claim.

5. Negative Pledge

The Kingdom covenants that, so long as any Certificate remains outstanding, the Kingdom will not create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Kingdom’s obligations under the Transaction Documents the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution of the Certificateholders. For the avoidance of any doubt, the right of holders of Shari’a-compliant certificates to require the issuer thereof to sell the relevant underlying asset(s) to the Kingdom (or any person on its behalf) following a default thereunder, however described, shall not of itself comprise a security interest for the purposes of the foregoing.

6. The Trust

(a) Trust Assets: Pursuant to the Trust Deed, the Trustee holds the Trust Assets for each Series upon trust absolutely for and on behalf of the Certificateholders of such Series pro rata according to the face amount of Certificates held by each holder. The term “Trust Assets” in respect of each Series means the following:

(i) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;

(ii) all of the Trustee’s rights, title, interest, benefits and entitlements, present and future, in, to and under the Assets;

(iii) all of the Trustee’s rights, title, interest, benefits and entitlements, present and future, in, to and under the Transaction Documents (excluding the covenant given to the Trustee pursuant to clause 14.1 of the Master Trust Deed);

(iv) all monies standing to the credit of the Transaction Account from time to time; and all proceeds of the foregoing.

(b) Application of Proceeds from Trust Assets: On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the monies standing to the credit of the relevant Transaction Account in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

(i) first, (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 (including any amounts owing to the Delegate in respect of its Appointees (as defined in the Master Trust Deed)) and to
any receiver, manager or administrative receiver or any other analogous officer appointed in respect of the Trust by the Delegate in accordance with the Trust Deed, in each case as notified to the Trustee and the Kingdom on or before such Periodic Distribution Date or Dissolution Date, as the case may be;

(ii) second, in or towards payment pari passu and rateably of all Periodic Distribution Amounts due but unpaid;

(iii) third, only if such payment is due on a Dissolution Date, in or towards payment pari passu and rateably of the relevant Dissolution Distribution Amount; and

(iv) fourth, only if such payment is made on a Dissolution Date and provided that all amounts required to be paid in respect of the Certificates hereunder have been discharged in full, in payment of any residual amount to the Kingdom.

(c) **Transaction Account:** The Trustee will establish a Transaction Account in London 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.

7. **Trustee Covenants**

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

(a) incur any indebtedness in respect of borrowed money whatsoever (including by way of any analogous Islamic financing transaction), 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), except, in all cases, as contemplated in the Transaction Documents;

(b) secure any of its present or future indebtedness for borrowed money 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);

(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 interests in any of the Trust Assets except pursuant to any of 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) (except as contemplated in the Transaction Documents) amend or agree to any amendment of any Transaction Document or its Articles of Association other than in accordance with the terms of the Transaction Documents;

(f) (except as contemplated in the Transaction Documents) act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;

(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) 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 in connection with the Certificates and the Transaction Documents or as expressly contemplated, 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 the Trust Assets as provided in the Transaction Documents; and

(iii) such other matters which are incidental thereto.
8. **Periodic Distribution Amounts**

(a) **Fixed Rate Certificates**: Each Fixed Rate Certificate bears profit on its outstanding face amount from the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date. Each such amount of profit is referred to in these Conditions as a **“Periodic Distribution Amount”**. Periodic Distribution Amounts shall be distributed to Certificateholders by the Principal Paying Agent on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 6(b) and Condition 10.

(b) **Floating Rate Certificates**

(i) **Periodic Distribution Amounts and Periodic Distribution Dates**: Each Floating Rate Certificate bears profit on its outstanding face amount from the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date. Each such amount of profit is referred to in these Conditions as a **“Periodic Distribution Amount”**. Such Periodic Distribution Date(s) is/are either shown in the applicable Final Terms as Specified Periodic Distribution Dates or, if no Specified Periodic Distribution Date(s) is/are shown in the applicable Final Terms, **“Periodic Distribution Date”** shall mean each date which falls the number of months or other period shown in the applicable Final Terms as the Periodic Distribution Period after the preceding Periodic Distribution Date or, in the case of the first Periodic Distribution Date, after the Profit Commencement Date. Periodic Distribution Amounts shall be distributed to Certificateholders by the Principal Paying Agent on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 6(b) and Condition 10.

(ii) **Business Day Convention**: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) **Profit Rate for Floating Rate Certificates**: The Profit Rate in respect of Floating Rate Certificates for each Return Accumulation Period shall be determined in the manner specified in the applicable Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the applicable Final Terms.

(A) **ISDA Determination for Floating Rate Certificates**

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Profit Rate is to be determined, the Profit Rate for each Return Accumulation Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this paragraph (A), **“ISDA Rate”** for a Return Accumulation Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified in the applicable Final Terms;

(y) the Designated Maturity is a period specified in the applicable Final Terms; and

(z) the relevant Reset Date is the first day of that Return Accumulation Period unless otherwise specified in the applicable Final Terms.
For the purposes of this paragraph (A), "Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity, Reset Date" and "Swap Transaction" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Certificates

(x) Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Profit Rate is to be determined, the Profit Rate for each Return Accumulation Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page at the Relevant Time on the Profit Rate Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

(y) If the Relevant Screen Page is not available, or if paragraph (x)(1) above applies and no such offered quotation appears on the Relevant Screen Page or if paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the Relevant Time, subject as provided below, the Calculation Agent shall request the principal office in the Relevant Financial Centre of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Profit Rate Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Profit Rate for such Return Accumulation Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.

(z) Subject to Condition 8(c) below, if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Profit Rate shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at the Relevant Time on the relevant Profit Rate Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Relevant Financial Centre inter-bank market, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time, on the relevant Profit Rate Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the Relevant Financial Centre inter-bank market, provided that, if the Profit Rate cannot be determined in accordance with the foregoing provisions of this paragraph (z), the Profit Rate shall be determined as at the last preceding Profit Rate Determination Date (though substituting, where a different Margin or Maximum Profit Rate or Minimum Profit Rate is to be applied to the relevant Return Accumulation Period from that which applied to the last preceding Return Accumulation Period, the
Margin or Maximum Profit Rate or Minimum Profit Rate relating to the relevant Return Accumulation Period, in place of the Margin or Maximum Profit Rate or Minimum Profit Rate relating to that last preceding Return Accumulation Period).

(iv) *Linear Interpolation*: Where Linear Interpolation is specified as applicable in respect of a Periodic Distribution Period in the applicable Final Terms, the Profit Rate for such Periodic Distribution Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Periodic Distribution Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Periodic Distribution Period, provided however that, if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

“Designated Maturity” means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(c) **Benchmark Replacement**

Notwithstanding the other provisions of this Condition 8, if the Trustee and the Kingdom determine that a Benchmark Event has occurred in relation to the relevant Reference Rate specified in the applicable Final Terms when any Profit Rate (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

(i) the Trustee and the Kingdom shall use their reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine no later than five Business Days prior to the relevant Profit Rate Determination Date relating to the next succeeding Return Accumulation Period (the “IA Determination Cut-Off Date”), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate and, in either case, an Adjustment Spread for the purposes of determining the Profit Rate (or the relevant component part thereof) applicable to the Certificates;

(ii) if (A) the Trustee and the Kingdom are unable to appoint an Independent Adviser; or (B) the Independent Adviser appointed by the Trustee and the Kingdom fails to determine a Successor Rate or, failing which, an Alternative Reference Rate and, in either case, an Adjustment Spread in accordance with this Condition 8(c) prior to the relevant IA Determination Cut-Off Date, then the Kingdom (acting in good faith and in a commercially reasonable manner) may elect to determine the Successor Rate or, failing which, an Alternative Reference Rate (as applicable) and, in either case, an Adjustment Spread itself for the purposes of determining the Profit Rate (or the relevant component part thereof) applicable to the Certificates or, if applicable, any Benchmark Amendments, to ensure the proper operation of such Successor Rate or Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread (with the relevant provisions in this Condition 8(c) applying *mutatis mutandis*) to allow such determinations to be made by the Kingdom without consultation with the Independent Adviser;

(iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Return Accumulation Periods in respect of such Certificates (subject to the subsequent operation of, and to adjustment as provided in, this Condition 8(c));

(iv) the Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Reference Rate (as the case may be);

(v) if any Successor Rate, Alternative Reference Rate or Adjustment Spread is determined in accordance with this Condition 8(c) and the Independent Adviser (following consultation with the Trustee and the Kingdom), or the Kingdom (acting in good faith and in a commercially reasonable manner), as applicable, determines: (A) that amendments to these Conditions, the Master Trust Deed and/or any other Transaction Document (including,
without limitation, amendments to the definitions of Day Count Fraction, Business Day, Business Day Convention, Profit Rate Determination Date or Relevant Screen Page) are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (such amendments, the “Benchmark Amendments”) and (B) the terms of the Benchmark Amendments, then, at the direction and expense of the Kingdom and subject to delivery of a notice in accordance with Condition 8(c)(vi) and the certificate in accordance with this Condition 8(c)(v): (x) the Trustee and the Kingdom shall vary these Conditions, the Master Trust Deed and/or any other Transaction Document to give effect to such Benchmark Amendments with effect from the date specified in such notice; and (y) the Delegate and the Agents shall (at the Kingdom’s expense), without any requirement for the consent or sanction of the Certificateholders, be obliged to concur with the Trustee and the Kingdom in effecting such Benchmark Amendments, provided that none of the Delegate nor any Agent shall be required to effect any such Benchmark Amendments if the same would impose, in its opinion, more onerous obligations upon it or expose it to any liability against which it is not adequately indemnified and/or secured and/or prefunded to its satisfaction or impose any additional duties, responsibilities or liabilities or reduce or amend its rights and/or the protective provisions afforded to it.

Prior to any such Benchmark Amendments taking effect, the Kingdom shall provide a certificate signed by two Authorised Signatories of the Kingdom to the Trustee, the Delegate and the Principal Paying Agent, certifying that such Benchmark Amendments are: (x) in the Kingdom’s reasonable opinion (following consultation with the Trustee and the Independent Adviser), necessary to give effect to any application of this Condition 8(c); and (y) in each case, have been drafted solely to such effect, and the Trustee, the Delegate and the Agents shall be entitled to rely on such certificates without further enquiry or liability to any person. For the avoidance of doubt, none of the Delegate or any Agent shall be liable to the Certificateholders or any other person for so acting or relying on such certificate, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such Certificateholder or person;

(vi) the Trustee (failing which, the Kingdom) shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable) and the specific terms of any Benchmark Amendments, give notice to the Delegate, the Agents and, in accordance with Condition 19, the Certificateholders confirming: (A) that a Benchmark Event has occurred; (B) the Successor Rate or Alternative Reference Rate (as applicable); (C) any applicable Adjustment Spread; and (D) the specific terms of the Benchmark Amendments (if any); and

(vii) if, following the occurrence of a Benchmark Event and in relation to the determination of the Profit Rate (or the relevant component thereof) on the immediately following Profit Rate Determination Date, no Successor Rate or Alternative Reference Rate (as applicable) is determined pursuant to this provision, then the Profit Rate (or the relevant component part thereof) shall be determined as at the last preceding Profit Rate Determination Date (though substituting, where a different Margin or Maximum Profit Rate or Minimum Profit Rate is to be applied to the relevant Return Accumulation Period from that which applied to the last preceding Return Accumulation Period, the Margin or Maximum Profit Rate or Minimum Profit Rate relating to the relevant Return Accumulation Period, in place of the Margin or Maximum Profit Rate or Minimum Profit Rate relating to that last preceding Return Accumulation Period). For the avoidance of doubt, this Condition 8(c)(vii) shall apply to the relevant immediately following Return Accumulation Period only and any subsequent Return Accumulation Periods are subject to the subsequent operation of and to adjustment as provided in, this Condition 8(c); and

(viii) the Independent Adviser appointed pursuant to this Condition 8(c) shall act and make all determinations pursuant to this Condition 8(c) in good faith and the Independent Adviser shall act as an expert. In the absence of bad faith, wilful default or fraud, none of the Independent Adviser, the Trustee and the Kingdom shall have any liability whatsoever to the Principal Paying Agent, the Paying Agents or the Certificateholders in connection with any determination made by it or, in the case of the Independent Adviser, for any advice given to the Kingdom in connection with any determination made by the Kingdom pursuant to this Condition 8(c).

For the purposes of this Condition 8(c):

“Adjustment Spread” means either (a) a spread (which may be positive, negative or zero), or (b) a formula or methodology for calculating a spread, in each case, to be applied to the Successor Rate or
the Alternative Reference Rate (as the case may be) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the relevant Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) (if no such recommendation has been made, or in the case of an Alternative Reference Rate) the Independent Adviser (following consultation with the Trustee and the Kingdom) determine is customarily applied to the relevant Successor Rate or the Alternative Reference Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the relevant Reference Rate; or

(iii) (if the Independent Adviser (following consultation with the Trustee and the Kingdom) determines that no such spread, formula or methodology is customarily applied) the Independent Adviser (following consultation with the Trustee and the Kingdom) determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the relevant Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as the case may be); or

(iv) (if the Independent Adviser (following consultation with the Trustee and the Kingdom) determines that there is no such industry standard) the Independent Adviser (following consultation with the Trustee and the Kingdom) or the Kingdom (as applicable) determines (acting in good faith and in a commercially reasonable manner) in their sole discretion to be appropriate;

“Alternative Reference Rate” means an alternative benchmark or screen rate which the Independent Adviser (following consultation with the Trustee and the Kingdom) determines, in accordance with this Condition 8(c), is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Certificates or, if the Independent Adviser or the Kingdom (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Kingdom (as applicable) determines in their sole discretion is most comparable to the relevant Reference Rate;

“Benchmark Event” means: (i) the relevant Reference Rate ceasing to be published or ceasing to exist for at least five Business Days; or (ii) a public statement by the administrator of the relevant Reference Rate that it has ceased or that it will cease publishing the relevant Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the relevant Reference Rate); or (iii) a public statement by the supervisor of the administrator of the relevant Reference Rate, that the relevant Reference Rate has been or will be permanently or indefinitely discontinued; or (iv) a public statement by the supervisor of the administrator of the relevant Reference Rate as a consequence of which the relevant Reference Rate will be prohibited from being used either generally, or in respect of the Certificates; or (v) it has become unlawful for the Trustee, the Kingdom, the Calculation Agent or any Paying Agent to calculate any payments due to be made to any Certificateholder using the relevant Reference Rate, provided that, in the case of (ii), (iii) and (iv) above, the Benchmark Event shall occur on the date of the cessation of publication of the relevant Reference Rate, the discontinuation of the relevant Reference Rate, or the prohibition of use of the relevant Reference Rate, as the case may be, and not the date of the relevant public statement;

“Financial Stability Board” means the organisation established by the Group of Twenty (G20) in April 2009;

“Independent Adviser” means an independent financial institution of international repute or an independent adviser with appropriate expertise appointed by the Trustee and the Kingdom at the Kingdom’s expense;

“Relevant Nominating Body” means, in respect of a Reference Rate: (i) the central bank for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; or (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of: (A) the central bank for the currency to which the Reference Rate relates; (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; (C) a group of the aforementioned central banks or other supervisory authorities; or (D) the Financial Stability Board or any part thereof; and
“Successor Rate” means the rate that the Independent Adviser (in consultation with the Trustee and the Kingdom) or the Kingdom, as applicable, determines is a successor to or replacement of the relevant Reference Rate which is formally recommended by any Relevant Nominating Body.

(d) **Entitlement to Profit:** Profit shall cease to accumulate in respect of each Certificate on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event profit shall, subject to the terms of the Transaction Documents, continue to accumulate (both before and after judgment) at the Profit Rate in the manner provided in this Condition 8 to the Relevant Date.

(e) **Margin, Maximum Profit Rates/Minimum Profit Rates and Rounding**

(i) If any Margin is specified in the applicable Final Terms (either (x) generally or (y) in relation to one or more Return Accumulation Periods), an adjustment shall be made to all Profit Rates, in the case of (x), or the Profit Rates for the specified Return Accumulation Periods, in the case of (y), calculated in accordance with Condition 8(b) by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to paragraph (ii) below.

(ii) If any Maximum Profit Rate or Minimum Profit Rate is specified in the applicable Final Terms, then any Profit Rate shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes, unit means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

(f) **Calculations:** The amount of profit payable per Calculation Amount in respect of any Certificate for any Return Accumulation Period shall be equal to the product of the Profit Rate, the Calculation Amount specified in the applicable Final Terms and the Day Count Fraction for such Return Accumulation Period, unless a Profit Amount (or a formula for its calculation) is specified in the applicable Final Terms as being applicable to such Return Accumulation Period, in which case the amount of profit payable per Calculation Amount in respect of such Certificate for such Return Accumulation Period shall equal such Profit Amount (or be calculated in accordance with such formula). Where any Periodic Distribution Period comprises two or more Return Accumulation Periods, the amount of profit payable per Calculation Amount in respect of such Periodic Distribution Period shall be the sum of the Profit Amounts payable in respect of each of those Return Accumulation Periods. In respect of any other period for which profit is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which profit is required to be calculated.

(g) **Determination and Publication of Profit Rates, Profit Amounts and Dissolution Distribution Amounts:** The Calculation Agent shall, as soon as practicable on each Profit Rate Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Profit Amounts for the relevant Return Accumulation Period, calculate the relevant Dissolution Distribution Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Profit Rate and the Profit Amounts for each Return Accumulation Period and the relevant Periodic Distribution Date and, if required to be calculated, the relevant Dissolution Distribution Amount, to be notified to the Delegate, the Trustee, the Kingdom, each of the Paying Agents, the Certificateholders and any other Calculation Agent appointed in respect of the Certificates that is to make a further calculation upon receipt of such information. If the Certificates are listed on a stock exchange and the rules of such exchange or other relevant authority so require, the Calculation Agent shall notify such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Periodic Distribution Period, if determined prior to such time, in the case of notification to such exchange of a Profit Rate and Profit Amount, or (ii) in all other cases, the fourth Business Day after such determination. To the extent that the Calculation Agent is unable to notify a stock exchange or other relevant authority, the Calculation Agent shall notify the Kingdom who shall perform such obligation. Where any Periodic Distribution Date or Profit Period Date is subject to adjustment pursuant to Condition 8(b)(ii), the Profit Amounts and the Periodic Distribution Date so published
may subsequently be amended (or appropriate alternative arrangements made with the consent of the 
Delegate by way of adjustment) without notice in the event of an extension or shortening of the 
Periodic Distribution Period. If the Certificates become due and payable under Condition 13, the 
accrued profit and the Profit Rate payable in respect of the Certificates shall nevertheless continue to 
be calculated as previously in accordance with this Condition 8 but no publication of the Profit Rate 
or the Profit Amount so calculated need be made unless the Delegate otherwise requires. The 
determination of any rate or amount, the obtaining of each quotation and the making of each 
determination or calculation by the Calculation Agent(s) shall (in the absence of wilful default, bad 
faith or manifest error) be final and binding upon all parties.

(h) **Determination or Calculation by the Delegate:** If the Calculation Agent does not at any time for 
any reason determine or calculate the Profit Rate for a Return Accumulation Period or any Profit 
Amount or Dissolution Distribution Amount, the Delegate may do so (or may appoint an agent on 
behalf of the Trustee to do so) and such determination or calculation shall be deemed to have been 
made by the Calculation Agent. In doing so, the Delegate or, as the case may be, such agent shall 
apply the foregoing provisions of this Condition 8, with any necessary consequential amendments, to 
the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it 
shall deem fair and reasonable in all the circumstances.

(i) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms 
shall have the meanings set out below:

**“Business Day”** means:

(i) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange 
markets settle payments in such currency in London and each Business Centre (other than 
the TARGET System) specified in the applicable Final Terms;

(ii) if the TARGET System is specified as a Business Centre in the applicable Final Terms, a 
day on which the TARGET System is open; and

(iii) either (A) in the case of a currency other than Euro, a day (other than a Saturday or a 
Sunday) on which commercial banks and foreign exchange markets settle payments in the 
principal financial centre for such currency or (B) in the case of Euro, a day on which the 
TARGET System is operating (a “TARGET Business Day”).

**“Day Count Fraction”** means, in respect of the calculation of an amount of profit on any Certificate 
for any period of time (from and including the first day of such period to but excluding the last) 
(whether or not constituting a Periodic Distribution Period or a Return Accumulation Period, the 
“Calculation Period”):

(i) if “Actual/Actual” or “Actual/Actual – ISDA” is specified in the applicable Final Terms, 
the actual number of days in the Calculation Period divided by 365 (or, if any portion of that 
Calculation Period falls in a leap year, the sum of (A) the actual number of days in that 
portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual 
number of days in that portion of the Calculation Period falling in a non-leap year divided by 
365);

(ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of 
days in the Calculation Period divided by 365;

(iii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of 
days in the Calculation Period divided by 365 or, in the case of a Periodic Distribution Date 
falling in a leap year, 366;

(iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the 
Calculation Period divided by 360;

(v) if “30/360, 360/360” or “Bond Basis” is specified in the applicable Final Terms, the number 
of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

“Y₂” is the year, expressed as a number, in which the day immediately following the last day 
included in the Calculation Period falls;
“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

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

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

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

(vi) if “20E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

(vii) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

(viii) if “Actual/Actual-ICMA” is specified in the applicable Final Terms:

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:
“Determination Period” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and
“Determination Date” means the date(s) specified as such in the applicable Final Terms or, if none is so specified, the Periodic Distribution Date(s).

(j) Calculation Agent: The Trustee shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the applicable Final Terms and for so long as any Certificate is outstanding. Where more than one Calculation Agent is appointed in respect of the Certificates, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such, or if the Calculation Agent fails duly to establish the Profit Rate for a Return Accumulation Period or to calculate any Profit Amount or any Dissolution Distribution Amount, as the case may be, or to comply with any other requirement, the Trustee shall (with the prior approval of the Delegate) appoint a leading bank or financial institution engaged in the inter-bank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

9. Redemption and Dissolution of the Trust

(a) Dissolution on the Scheduled Dissolution Date: Unless previously redeemed, or purchased and cancelled, in full, as provided below, each Certificate shall be finally redeemed at its Dissolution Distribution Amount and the Trust shall be dissolved by the Trustee on the Scheduled Dissolution Date specified in the applicable Final Terms following the payment of all such amounts in full.

(b) Dissolution at the Option of the Kingdom (Optional Dissolution Right): If the Optional Dissolution Right is specified as applicable in the applicable Final Terms, the Trustee shall, upon receipt of a duly completed Optional Dissolution Notice from the Kingdom in accordance with the Head Lease Agreement, on giving not less than the minimum period nor more than the maximum period of irrevocable notice specified in the applicable Final Terms to the Delegate and the Certificateholders, redeem the Certificates in whole, but not in part, on any Optional Dissolution Date, at their Dissolution Distribution Amount. All Certificates in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 9(b). Upon payment in full of the Dissolution Distribution Amount to all Certificateholders, the Trustee shall be bound to dissolve the Trust.

(c) Dissolution following a Dissolution Event: Upon the occurrence and continuation of a Dissolution Event, the Certificates may be redeemed at the Dissolution Distribution Amount and the Trustee may be required to dissolve the Trust, in each case subject to and as more particularly described in Condition 13.

(d) Purchases: The Kingdom may at any time purchase Certificates at any price in the open market or otherwise.

(e) Cancellation: Any Certificates purchased by or on behalf of the Kingdom may, at the option of the Kingdom, be surrendered for cancellation by surrendering the certificate representing such Certificates to the Registrar and by the Kingdom delivering to the Trustee a duly completed Cancellation Notice in accordance with the terms of the Trust Deed. Any Certificates so surrendered and all Certificates that are redeemed in accordance with this Condition 9 and/or Condition 13 shall be cancelled forthwith and may not be held, reissued or resold and the obligations of the Trustee in
respect of any such Certificates shall be discharged. If the Certificates are cancelled in whole, but not in part, in accordance with this Condition 9(e), the Trustee shall be bound to dissolve the Trust.

(f) **No other dissolution:** The Trustee shall not be entitled to redeem the Certificates or dissolve the Trust other than as provided in this Condition 9 and Condition 13. Upon payment in full of all amounts due in respect of the Certificates of any Series and the subsequent dissolution of the Trust as provided in this Condition 9 and/or Condition 13 (as the case may be), the Certificates shall cease to represent 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.

10. **Payments**

(a) **Method of Payment:** Payments of the Dissolution Distribution Amount shall be made against presentation and surrender of the relevant Certificate at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided below.

Payments of Periodic Distribution Amounts in respect of each Certificate shall be paid to the person shown on the Register (or, in the case of a Certificate held by two or more persons, to the person whose name appears first in the Register) at the close of business on the fifteenth day before the due date for payment thereof (the “*Record Date*”).

Payments of Periodic Distribution Amounts and the Dissolution Distribution Amount in respect of each Certificate shall be made in the Specified Currency by transfer to an account in the Specified Currency maintained by the payee with a bank in the principal financial centre for such currency or, in the case of Euro, in a city in which banks have access to the TARGET System, as notified by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date.

All amounts payable to DTC or its nominee as registered holder of a Global Certificate in respect of Certificates denominated in a Specified Currency other than U.S. Dollars shall be paid by transfer by the Principal Paying Agent to an account in the relevant Specified Currency of the Exchange Agent for conversion into and payment in U.S. Dollars unless the participant in DTC has elected to receive any part of such payment in such Specified Currency, in the manner specified in the Agency Agreement and in accordance with the rules and procedures for the time being of DTC.

(b) **Payments subject to Laws:** Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11; and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (as amended) (the “*Code*”) or otherwise imposed pursuant to Sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or (without prejudice to the provisions of Condition 11) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Certificateholders in respect of such payments.

(c) **Appointment of Agents:** The Principal Paying Agent, the Exchange Agent, the Transfer Agent and the Registrar initially appointed by the Trustee and their respective specified offices are listed below. The Principal Paying Agent, the Exchange Agent, the Transfer Agent and the Registrar act solely as agents of the Trustee and do not assume any obligation or relationship of agency or trust for or with any Certificateholder. The Trustee reserves the right at any time with the prior written approval of the Delegate to vary or terminate the appointment of any Agent and to appoint additional or other Agents, provided that the Trustee shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) a Paying Agent having a specified office in at least one major European city and (vi) such other agents as may be required by any stock exchange on which the Certificates may be listed, in each case as approved by the Delegate.

Notice of any such change or any change of any specified office shall promptly be given by the Trustee to the Certificateholders.

For so long as any of the Global Certificates payable in a Specified Currency other than U.S. Dollars are held through DTC or its nominee, the Trustee shall at all times maintain an Exchange Agent having a specified office in London in addition to the Agents required to be maintained pursuant to Condition 10(c).

(d) **Payment only on a Payment Business Day:** If any date for payment in respect of any Certificate is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day, nor to any profit or other sum in respect of such postponed payment. In this Condition 10(d), “*Payment Business Day*” means a day (other than a Saturday or a Sunday) on
which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located, in such jurisdictions as shall be specified as “Financial Centres” in the applicable Final Terms and:

(i) (in the case of a payment in a currency other than Euro) where payment is to be made by transfer to an account maintained with a bank in the Specified Currency, on which foreign exchange transactions may be carried on in the Specified Currency in the principal financial centre of the country of such Specified Currency; or

(ii) (in the case of a payment in Euro) which is a TARGET Business Day.

11. Taxation

All payments in respect of the Certificates shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by, within or on behalf of any Tax Jurisdiction, unless such withholding or deduction is required by law. In such event, the Trustee shall pay such additional amounts as shall be necessary in order that the net amounts received by the Certificateholders after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable by them in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Certificate:

(a) **Other connection:** the holder of which is liable for such taxes, duties, assessments or governmental charges in respect of such Certificate by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Certificate; or

(b) **Surrender more than 30 days after the Relevant Date:** if the relevant Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting or surrendering the Certificate for payment on the last day of such period of 30 days assuming that day to have been a Payment Business Day (in accordance with Condition 10(d)); or

(c) **Combination:** resulting from any combination of (a) or (b) above.

As used in these Conditions:

**“Relevant Date”** means, in respect of any Certificate, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Certificateholders in accordance with Condition 19 that, upon further presentation of the Certificate being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation; and

**“Tax Jurisdiction”** means the Kingdom of Bahrain or any political subdivision or any authority thereof or therein having power to tax.

References in these Conditions to “**Periodic Distribution Amounts**” and the “**Dissolution Distribution Amount**” shall be deemed to include any additional amounts that may be payable under this Condition 11 or any undertaking given in addition to or in substitution for it under the Trust Deed.

*The Transaction Documents provide that payments thereunder by the Kingdom shall be made without set-off or counterclaim of any kind and without any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature, unless such withholding or deduction is required by law. In such event, the Transaction Documents provide for the payment by the Kingdom of all additional amounts as will result in the receipt by the Trustee or the Delegate, as applicable, of such net amounts as would have been receivable by it if no such withholding or deduction had been made.*

Further, in accordance with the terms of the Master Trust Deed, the Kingdom has unconditionally and irrevocably undertaken to (irrespective of the payment of any fee), as a continuing obligation, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to this Condition 11, pay to or to the order of the Delegate (for the benefit of the Certificateholders) such net amounts as are necessary so that the amount receivable by the Delegate (after any such withholding or deduction) equals any and all additional amounts, required to be paid by it in respect of the Certificates pursuant to this Condition 11.
12. Prescription

Claims against the Trustee for payment in respect of the Certificates shall be prescribed and become void unless made within ten years (in the case of the Dissolution Distribution Amount), or five years (in the case of Periodic Distribution Amounts) of the appropriate Relevant Date in respect of them.

13. Dissolution Events

(a) **Dissolution Event:** If a Dissolution Event occurs and is continuing:

(i) the Delegate, upon receiving written notice thereof under the Trust Deed or otherwise upon becoming aware of a Dissolution Event, shall (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) promptly give notice of the occurrence of the Dissolution Event to the Certificateholders with a request to the Certificateholders to indicate to the Trustee and the Delegate in writing or by Extraordinary Resolution if they wish the Certificates to be redeemed (in whole but not in part) and the Trust to be dissolved; and

(ii) the Delegate in its sole discretion may, and shall if so requested in writing by the holders of at least 25% of the aggregate face amount of the Series of Certificates then outstanding or if so directed by an Extraordinary Resolution (subject, in each case, to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice (a “**Dissolution Notice**”) to the Trustee, the Kingdom and the Certificateholders that the Certificates are immediately due and payable at the Dissolution Distribution Amount, whereupon they shall become so due and payable. A Dissolution Notice may be given pursuant to this Condition 13(a)(ii) whether or not notice has been given to Certificateholders as provided in Condition 13(a)(i).

Upon receipt of such Dissolution Notice, the Trustee (or the Delegate in the name of the Trustee) shall deliver a Head Lessee Dissolution Notice to the Kingdom under the Head Lease Agreement. The Trustee (or the Delegate in the name of the Trustee) shall use the proceeds thereof and the aggregate amount of the Deferred Sale Price then outstanding to redeem the Certificates at the Dissolution Distribution Amount on the date specified in the relevant Dissolution Notice (the relevant “**Dissolution Event Redemption Date**”) and the Trust shall be dissolved on the day after the last outstanding Certificate has been so redeemed in full. Upon payment in full of such amounts and dissolution of the Trust as aforesaid, the Certificates shall cease to represent 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.

(b) **Enforcement and Exercise of Rights:** Upon the occurrence and continuation of a Dissolution Event, to the extent that any amount payable in respect of the Certificates of the relevant Series has not been paid in full (notwithstanding the provisions of Condition 13(a)), the Trustee or the Delegate (in each case subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) may (acting for the benefit of the Certificateholders) take one or more of the following steps:

(i) enforce the provisions of the Transaction Documents against the Kingdom; and/or

(ii) take such other actions, steps or proceedings as the Trustee or the Delegate may consider necessary to recover amounts due to the Certificateholders.

14. Realisation of Trust Assets

(a) Neither the Trustee nor the Delegate shall be bound in any circumstances to take any action, step or proceeding to enforce or to realise the relevant Trust Assets or take any action or steps or proceedings against the Kingdom or (in the case of the Delegate) against the Trustee under any Transaction Document unless directed or requested to do so: (i) by an Extraordinary Resolution; or (ii) in writing by the holders of at least 25% of the aggregate face amount of the Series of Certificates then outstanding and in either case then only if it shall be indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

(b) No Certificateholder shall be entitled to proceed directly against the Trustee or the Kingdom unless the Delegate or the Trustee, as the case may be, having become bound so to proceed (i) fails to do so within a reasonable period or (ii) is unable by reason of an order of a court having competent authority to do so, and such failure or inability is continuing. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the relevant Trust Assets (other than as expressly contemplated in the Transaction Documents) and the
sole right of the Delegate and the Certificateholders against the Trustee and the Kingdom shall be to enforce the Trustee’s and the Kingdom’s respective obligations under the Transaction Documents.

(c) Conditions 14(a) and 14(b) are subject to this Condition 14(c). After enforcing or realising the relevant Trust Assets in respect of the Certificates of the relevant Series and distributing the net proceeds of the relevant Trust Assets in respect of the Certificates of the relevant Series in accordance with Condition 6(b), the obligations of the Trustee in respect of the Certificates of the relevant Series shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate or the Agents or any other person (including the Kingdom to the extent that it fulfils all of its obligations under the Transaction Documents)) to recover any further sums in respect of the Certificates of the relevant Series and the right to receive from the Trustee any such sums remaining unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

15. Meetings of Certificateholders, Modification and Waiver

(a) Convening Meetings of Certificateholders; Written Resolutions; Conduct of Meetings of Certificateholders

(i) The Trustee, the Kingdom or the Delegate may convene a meeting of the Certificateholders at any time in respect of the Certificates in accordance with the Trust Deed. The Trustee, the Kingdom or the Delegate, as the case may be, will determine the time and place of the meeting, provided that, in the case of a meeting convened by the Trustee or the Kingdom, the time and place of such meeting shall be subject to the prior written approval of the Delegate. The Trustee, the Kingdom or the Delegate, as the case may be, will notify the Certificateholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting (in each case exclusive of the day on which the notice is given and the day on which the meeting is to be held).

(ii) The Delegate will convene a meeting of Certificateholders if the holders of at least 10% in aggregate face amount of the outstanding Certificates (as described in Condition 15(a)(i)) have delivered a written request to the Delegate setting out the purpose of the meeting. The Delegate will agree the time and place of the meeting with the Trustee and will notify the Certificateholders within ten days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given (in each case exclusive of the day on which the notice is given and the day on which the meeting is to be held).

(iii) The Delegate will set the procedures governing the conduct of any meeting in accordance with the Trust Deed. If the Trust Deed does not include such procedures, or additional procedures are required, the Trustee, the Kingdom and the Delegate will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Trustee or the Kingdom, as the case may be, proposes any modification to the terms and conditions of, or action with respect to, two or more series of securities issued by it.

(iv) The notice convening any meeting will specify, *inter alia*;

(A) the date, time and location of the meeting;

(B) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;

(C) the record date for the meeting, which shall be no more than five Business Days before the date of the meeting;

(D) the documentation required to be produced by a Certificateholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Certificateholder’s behalf at the meeting;

(E) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Certificates are traded and/or held by Certificateholders;

(F) whether Condition 15(b), or Condition 15(c), or Condition 15(d) shall apply and, if relevant, in relation to which other series of securities it applies;
if the proposed modification or action relates to two or more series of securities issued by the Trustee and contemplates such series of securities being aggregated in more than one group of securities, a description of the proposed treatment of each such group of securities;

such information that is required to be provided by the Trustee or the Kingdom, as the case may be, in accordance with Condition 15(f);

the identity of the Aggregation Agent and the Calculation Agent, if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 15(g); and

any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of securities.

(v) In addition, the Trust Deed contains provisions relating to Written Resolutions. All information to be provided pursuant to Condition 15(a)(iv) shall also be provided, mutatis mutandis, in respect of Written Resolutions.

(vi) A “record date” in relation to any proposed modification or action means the date fixed by the Trustee or the Kingdom, as the case may be, for determining the Certificateholders and, in the case of a multiple series aggregation, the holders of securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.

(vii) An “Extraordinary Resolution” means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.

(viii) A “Written Resolution” means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.

(ix) Any reference to “securities” means any trust certificates (including the Certificates), bonds, debentures or other securities (which for these purposes shall be deemed to include any sukuk or other trust certificates representing the credit of the Kingdom) issued directly or indirectly by the Trustee or the Kingdom, as the case may be, in one or more series with an original stated maturity of more than one year.

(x) Securities Capable of Aggregation means those securities which include or incorporate by reference this Condition 15 and Condition 16 or provisions substantially in these terms which provide for the securities which include such provisions to be capable of being aggregated for voting purposes with other series of securities.

(b) Modification of this Series of Certificates only

(i) Any modification of any provision of, or any action in respect of, these Conditions or any Transaction Document in respect of the Certificates may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.

(ii) A “Single Series Extraordinary Resolution” means a resolution passed at a meeting of Certificateholders duly convened and held in accordance with the procedures prescribed by the Trustee or the Kingdom, as the case may be, and the Delegate pursuant to Condition 15(a) by a majority of:

(A) in the case of a Reserved Matter, at least 75% of the aggregate face amount of the outstanding Certificates; or

(B) in the case of a matter other than a Reserved Matter, more than 50% of the aggregate face amount of the outstanding Certificates.

(iii) A “Single Series Written Resolution” means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:

(A) in the case of a Reserved Matter, at least 75% of the aggregate face amount of the outstanding Certificates; or
(B) in the case of a matter other than a Reserved Matter more than 50% of the aggregate face amount of the outstanding Certificates.

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

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

(c) Multiple Series Aggregation – Single limb voting

(i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, provided that the Uniformly Applicable condition is satisfied.

(ii) A “Multiple Series Single Limb Extraordinary Resolution” means a resolution considered at separate meetings of the holders of each affected series of Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Trustee or the Kingdom, as the case may be, and the Delegate pursuant to Condition 15(a), as supplemented if necessary, which is passed by a majority of at least 75% of the aggregate face amount of the outstanding securities of all affected series of Securities Capable of Aggregation (taken in aggregate).

(iii) A “Multiple Series Single Limb Written Resolution” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Securities Capable of Aggregation, in accordance with the documentation applicable to each relevant series of securities) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75% of the aggregate face amount of the outstanding securities of all affected series of Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Certificateholders or one or more holders of each affected series of Securities Capable of Aggregation.

(iv) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Certificateholders and holders of each other affected series of Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be.

(v) The “Uniformly Applicable” condition will be satisfied if:

(A) the holders of all affected series of Securities Capable of Aggregation are invited to exchange, convert, or substitute their securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or

(B) the amendments proposed to the terms and conditions of each affected series of Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).

(vi) Any modification or action proposed under Condition 15(c)(i) above may be made in respect of some series only of the Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 15(c) may be used for different groups of two or more series of Securities Capable of Aggregation simultaneously.
(d) **Multiple Series Aggregation – Two limb voting**

(i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.

(ii) A “**Multiple Series Two Limb Extraordinary Resolution**” means a resolution considered at separate meetings of the holders of each affected series of Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Trustee or the Kingdom, as the case may be, and the Delegate pursuant to Condition 15(a), as supplemented if necessary, which is passed by a majority of:

(A) at least 66.67% of the aggregate face amount of the outstanding securities of affected series of Securities Capable of Aggregation (taken in aggregate); and

(B) more than 50% of the aggregate face amount of the outstanding securities in each affected series of Securities Capable of Aggregation (taken individually).

(iii) A “**Multiple Series Two Limb Written Resolution**” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Securities Capable of Aggregation, in accordance with the documentation applicable to each relevant series of securities) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:

(A) at least 66.67% of the aggregate face amount of the outstanding securities of all the affected series of Securities Capable of Aggregation (taken in aggregate); and

(B) more than 50% of the aggregate face amount of the outstanding securities in each affected series of Securities Capable of Aggregation (taken individually).

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

(iv) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Certificateholders and holders of each other affected series of Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be.

(v) Any modification or action proposed under paragraph 15(d)(iv) above may be made in respect of some series only of the Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 15(d) may be used for different groups of two or more series of Securities Capable of Aggregation simultaneously.

(e) **Reserved Matters**

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

(i) to change the date, or the method of determining the date, for payment of the Dissolution Distribution Amount, any Periodic Distribution Amount or any other amount in respect of the Certificates, to reduce or cancel the Dissolution Distribution Amount, any Periodic Distribution Amount or any other amount payable on any date in respect of the Certificates or to change the method of calculating the Dissolution Distribution Amount, any Periodic Distribution Amount or any other amount payable in respect of the Certificates on any date;

(ii) to change the currency in which any amount due in respect of the Certificates is payable or the place in which any payment is to be made;

(iii) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Certificateholders or the number or percentage of votes required to be cast, or the number or percentage of Certificates required to be held, in connection with the taking of any decision or action by or on behalf of the Certificateholders or any of them;
(iv) to change this definition, or the definition of “Extraordinary Resolution”, “Single Series Extraordinary Resolution”, “Multiple Series Single Limb Extraordinary Resolution”, “Multiple Series Two Limb Extraordinary Resolution”, “Written Resolution”, “Single Series Written Resolution”, “Multiple Series Single Limb Written Resolution” or “Multiple Series Two Limb Written Resolution”;

(v) to change the definition of “securities” or “Securities Capable of Aggregation”;

(vi) to change the definition of “Uniformly Applicable”;

(vii) to change the definition of “outstanding” or to modify the provisions of Condition 15(a);

(viii) to change the legal ranking of the Certificates;

(ix) to amend the obligation of the Trustee or the Kingdom to pay additional amounts under Condition 11;

(x) to change any provision of the Certificates describing circumstances in which Certificates may be declared due and payable prior to their scheduled maturity date, as set out in Condition 13;

(xi) to change the law governing the Certificates, the arbitration provisions, the courts to the jurisdiction of which each of the Trustee and the Kingdom has submitted in the Certificates, any of the arrangements specified in the Certificates to enable proceedings to be taken or the Kingdom’s waiver of immunity, in respect of actions or proceedings brought by any Certificateholder, as set out in Condition 22;

(xii) to impose any condition on or otherwise change the Trustee’s obligation to make payments of any amount in respect of the Certificates, including by way of the addition of a call option;

(xiii) except as permitted by any Transaction Document, to release any agreement guaranteeing or securing payments under the Certificates or to change the terms of any such guarantee or security;

(xiv) to amend any of the Trustee’s or the Kingdom’s covenants in the Trust Deed and (in the case of the Kingdom only) in the Head Lease Agreement and the Sub-Lease Agreement or any of the Kingdom’s covenants to make a payment under any other Transaction Document; or

(xv) to exchange or substitute all the Certificates for, or convert all the Certificates into, other obligations or securities of the Trustee, the Kingdom or any other person, or to modify any provision of these Conditions, the Certificates, the Trust Deed or any other Transaction Document in connection with any exchange or substitution of the Certificates for, or the conversion of the Certificates into, any other obligations or securities of the Trustee, the Kingdom or any other person, which would result in these Conditions as so modified being less favourable to the Certificateholders which are subject to the Conditions as so modified than:

(A) the provisions of the other obligations or securities of the Trustee, the Kingdom or any other person resulting from the relevant exchange or substitution or conversion; or

(B) if more than one series of other obligations or securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of securities having the largest aggregate face amount.

(f) **Information**

Prior to or on the date that the Trustee or the Kingdom proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 15(b), Condition 15(c) or Condition 15(d), the Trustee or the Kingdom, as the case may be, shall publish in accordance with Condition 16 and provide the Delegate with the following information:

(i) a description of the Trustee’s and the Kingdom’s economic and financial circumstances which are, in the Trustee’s and the Kingdoms opinion, relevant to the request for any potential modification or action, a description of the Trustee’s or the Kingdom’s, as the case may be, existing debts and a description of its broad policy reform programme and provisional macroeconomic outlook;

(ii) if the Trustee or the Kingdom shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or
an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement.

Where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;

(iii) a description of the Trustee’s or the Kingdom’s proposed treatment of external securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other securities and its other major creditor groups; and

(iv) if any proposed modification or action contemplates securities being aggregated in more than one group of securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Certificateholders in Condition 15(a)(iv)(G).

(g) Claims Valuation

For the purpose of calculating the face value of the Certificates and any affected series of securities which are to be aggregated with the Certificates in accordance with Condition 15(c) and Condition 15(d), the Trustee or the Kingdom, as the case may be, may appoint a Calculation Agent. The Trustee or the Kingdom, as the case may be, shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the Calculation Agent will calculate the face value of the Certificates and such affected series of securities. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Certificates and each other affected series of securities for these purposes, and the same methodology will be promulgated for each affected series of securities.

(h) Manifest error, etc.

The Certificates, these Conditions and the provisions of the Trust Deed or any other Transaction Document may be amended without the consent of the Certificateholders to correct a manifest error. In addition, the parties to the Trust Deed may agree to modify any provision thereof, but none of the Trustee, the Kingdom or the Delegate shall agree, without the consent of the Certificateholders, to any such modification unless, in the opinion of the Delegate, it is of a formal, minor or technical nature or it is not materially prejudicial to the interests of the Certificateholders.

(i) Certificates controlled by the Kingdom

For the purposes of (i) determining the right to attend and vote at any meeting of Certificateholders, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution, (ii) this Condition 15 and (iii) Condition 13, any Certificates which are for the time being held by or on behalf of the Kingdom or by or on behalf of any person which is owned or controlled directly or indirectly by the Kingdom or by any public sector instrumentality of the Kingdom shall be disregarded and be deemed not to remain outstanding, where:

(i) “public sector instrumentality” means the Central Bank of Bahrain or any department, ministry or agency of the government of the Kingdom or any corporation, trust, financial institution or other entity owned or controlled by the government of the Kingdom or any of the foregoing; and

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

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

In advance of any meeting of Certificateholders, or in connection with any Written Resolution, the Kingdom shall provide to the Delegate a copy of the certificate prepared pursuant to Condition 16(d) which includes information on the total number of Certificates which are for the time being held by or on behalf of the Kingdom or by or on behalf of any person which is owned or controlled directly or indirectly by the Kingdom or by any public sector instrumentality of the Kingdom and, as such, such Certificates shall be disregarded and deemed not to remain outstanding for the purposes of
ascertaining the right to attend and vote at any meeting of Certificateholders or the right to sign, or
authorise the signature of, any Written Resolution in respect of any such meeting.

The Delegate shall make any such certificate available for inspection during normal business hours at
its specified office and, upon reasonable request, will allow copies of such certificate to be taken.

(j) Publication

The Trustee or the Kingdom, as the case may be, shall publish all Extraordinary Resolutions and
Written Resolutions which have been determined by the Aggregation Agent to have been duly passed
in accordance with Condition 16(g).

(k) Exchange and Conversion

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

16. Aggregation Agent; Aggregation Procedures

(a) Appointment

The Trustee or the Kingdom, as the case may be, will appoint an Aggregation Agent to calculate
whether a proposed modification or action has been approved by the required face amount
outstanding of Certificates, and, in the case of a multiple series aggregation, by the required face
amount of outstanding securities of each affected series of securities. In the case of a multiple series
aggregation, the same person will be appointed as the Aggregation Agent for the proposed
modification of any provision of, or any action in respect of, these Conditions, the Trust Deed or any
other Transaction Document in respect of the Certificates and in respect of the terms and conditions
or documentation in respect of each other affected series of securities. The Aggregation Agent shall
be independent of the Trustee and the Kingdom.

(b) Extraordinary Resolutions

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

(c) Written Resolutions

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

(d) Certificate

For the purposes of Condition 16(b) and Condition 16(c), the Trustee and the Kingdom will provide a
certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with
respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 16(b),
Condition, 16(c) or Condition 16(d), as applicable, and, with respect to a Written Resolution, the date
arranged for the signing of the Written Resolution.

The certificate shall:
list the total face amount of Certificates and, in the case of a multiple series aggregation, the total face amount of each other affected series of securities outstanding on the record date; and

(ii) clearly indicate the Certificates and, in the case of a multiple series aggregation, securities of each other affected series of securities which shall be disregarded and deemed not to remain outstanding as a consequence of Condition 15(a) on the record date identifying the holders of the Certificates and, in the case of a multiple series aggregation, securities of each other affected series of securities.

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

(e) Notification

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 16 to be notified to the Delegate, the Trustee and the Kingdom as soon as practicable after such determination. Notice thereof shall also promptly be given to the Certificateholders.

(f) Binding nature of determinations; no liability

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 16 by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Trustee, the Kingdom, the Delegate and the Certificateholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(g) Manner of publication

The Trustee and the Kingdom will publish all notices and other matters required to be published pursuant to the Trust Deed including any matters required to be published pursuant to Condition 13, Condition 15 and this Condition 16:

(i) through the systems of The Depository Trust Company, Clearstream Banking S.A. and Euroclear Bank SA/NV and/or any other international or domestic clearing system(s) through which the Certificates are for the time being cleared;

(ii) in such other places and in such other manner as may be required by applicable law or regulation; and

(iii) in such other places and in such other manner as may be customary.

17. Delegate

(a) Delegation of Powers: The Trustee will in the Trust Deed irrevocably and unconditionally appoint the Delegate to be its attorney and in its name, on its behalf and as its act and deeds, to execute, deliver and perfect all documents, and to exercise all of the present and future powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Trust Deed, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or Potential Dissolution Event, subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, exercise all of the powers, rights, authorities and discretions of the Trustee under the Transaction Documents and make such distributions from the relevant Trust Assets as the Trustee is bound to make in accordance with the Trust Deed (together, the “Delegation” of the “Relevant Powers”), provided that: (i) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Trust Deed or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation; (ii) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust or managing the relevant Trust Assets; and (iii) such Delegation of the Relevant Powers shall not include any duty, power, trust, right, authority or discretion to dissolve any of the trusts constituted by the Trust Deed following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Trust Deed, the Delegate also has certain powers, rights, authorities and discretions which are vested solely in it from the date of the Master Trust Deed.
The appointment of a delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee’s continuing role and obligations as sole trustee.

(b) **Indemnification**: 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 any action, step or proceeding unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, each of the Trustee and the Delegate shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Certificateholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

(c) **No Liability**: The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Kingdom or the Trustee under the Transaction Documents and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any payments which should have been paid by the Kingdom or the Trustee but are not so paid and shall not in any circumstances have any liability arising from the relevant Trust Assets other than as expressly provided in these Conditions or in the Trust Deed.

(d) **Reliance on Certificates, Reports and/or Information**: The Delegate and the Trustee may rely on any certificate, report or information of the auditors or insolvency officials (as applicable) of the Trustee or the Kingdom (as applicable) or any other expert or other person called for by or provided to the Delegate or the Trustee (whether or not addressed to the Delegate or Trustee) in accordance with or for the purposes of the Trust Deed or the other Transaction Documents and such certificate, report or information may be relied upon by the Delegate and the Trustee (without liability to any person) as sufficient evidence of the facts stated therein, notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Delegate or the Trustee in connection therewith contains a monetary or other limit on the liability of the auditors or insolvency officials of the Trustee or the Kingdom (as applicable) or such other expert or other person in respect thereof and notwithstanding that the scope and/or basis of such certificate, report or information may be limited by an engagement or similar letter or by the terms of the certificate, report or information itself and the Delegate or the Trustee shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by their failure to do so.

(e) **Proper performance of duties**: Nothing shall, in any case in which the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee or delegate (having regard to the provisions of these presents conferring on the Trustee or the Delegate (as the case may be)) respectively, relieve or indemnify the Trustee or the Delegate from or indemnify either of them against any liability which by virtue of any rule of law would otherwise attach to it in respect of any negligence, wilful default or actual fraud of which either of them may be guilty in relation to their duties under the Conditions and the Trust Deed.

(f) **Notice of Events**: Neither the Delegate nor the Trustee shall be responsible for monitoring or ascertaining whether or not a Dissolution Event or Potential Dissolution Event has occurred or exists or is continuing and, unless and until they shall have actual knowledge or shall have received express written notice to the contrary, they will be entitled to assume that no such event or circumstance exists or has occurred or is continuing (without any liability to Certificateholders or any other person for so doing).

(g) **Delegate Contracting with the Trustee and the Kingdom**: The Trust Deed contains provisions pursuant to which directors or officers of a corporation acting as the Delegate under the Trust Deed may acquire, hold or dispose of any Certificates or other security (or any interest therein) of the Trustee or any other person, may enter into or be interested in any contract or transaction with any such person and may act on, or as depositary or agent for, any committee or body of holders of any securities of any such person, in each such case with the same rights as they would have had if the Delegate were not acting as Delegate and need not account for any profit made thereby or in connection therewith.

18. **Replacement of Certificates**

If a Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Trustee for the purpose and notice of whose designation is given to Certificateholders, in each case on
payment by the claimant of the costs and expenses as may be incurred in connection therewith and on such
terms as to evidence and indemnity as the Trustee may reasonably require. Mutilated or defaced Certificates
must be surrendered before replacements will be issued.

19. Notices

Notices to the holders of Certificates shall be mailed to them at their respective addresses in the Register.

The Trustee shall also ensure that notices are duly given in a manner which complies with the rules and
regulations of any listing authority, stock exchange and/or quotation system on which the Certificates are for
the time being listed or by which they have been admitted to trading including publication on the website of
the relevant authority, relevant stock exchange and/or relevant quotation system if required by those rules or
regulations. Any notices shall be deemed to have been given on the fourth day (being a day other than a
Saturday or a Sunday) 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).

So long as the Certificates are represented by a Global Certificate and such Global Certificate is held on
behalf of Euroclear or Clearstream, Luxembourg and/or DTC or any other clearing system, notices to the
holders of the Certificates of that Series may be given by delivery of the relevant notice to that clearing system
for communication by it to entitled accountholders in substitution for mailing as required by Condition 19.
Any such notice shall be deemed to have been given to the holders of the Certificates on the day on which the
said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC and/or such other relevant
clearing system.

20. Further Issues

In respect of any Series, the Trustee shall be at liberty from time to time without the consent of the
Certificateholders to create and issue additional Certificates having the same terms and conditions as the
outstanding Certificates of such Series or terms and conditions which are the same in all respects save for the
date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic
Distribution Amounts start to accrue and so that the same shall be consolidated and form a single Series with
the outstanding Certificates of such Series. Any additional Certificates which are to form a single Series with
the outstanding Certificates previously constituted by the Trust Deed shall be constituted by a deed
supplemental to the Trust Deed. References in these Conditions to the Certificates include (unless the context
requires otherwise) any other certificates issued pursuant to this Condition and forming a single Series with
the Certificates.


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

22. Governing Law and Dispute Resolution

(a) The Trust Deed (including these Conditions) and the Certificates and any non-contractual obligations
arising out of or in connection with them are, and shall be governed by, and construed in accordance
with, English law.

(b) Subject to Condition 22(c), any dispute arising out of or in connection with the Certificates (including
a dispute regarding the existence, validity or termination of the Certificates and any dispute relating
to any non-contractual obligations arising out of or in connection with the Certificates) (a “Dispute”)
shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London
Court of International Arbitration (“LCIA”) (the “Rules”) which Rules (as amended from time to
time) are deemed to be incorporated by reference into this Condition 22(b). The number of
arbitrators shall be three. The claimant (or claimants jointly) shall nominate one arbitrator for
appointment by the LCIA court. The defendant (or defendants jointly) shall nominate one arbitrator
for appointment by the LCIA court. Both arbitrators shall jointly nominate a further arbitrator who
shall be the chairman of the tribunal. In the event that the claimant (or claimants jointly) or the
defendant (or defendants jointly) or both fail to nominate an arbitrator within the time limits specified
by the Rules, such arbitrator(s) shall be appointed by the LCIA court. In the event that the party-
nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment of the
second arbitrator, such arbitrator shall be appointed by the LCIA court. The claimant parties and/or
the defendant parties shall be treated as two separate sides for the purposes of Article 8.1 of the
Rules. The seat or legal place of arbitration shall be London, England and the language of the
arbitration shall be English. Any requests for arbitration may be served on the agent for service of
process outlined in Condition 22(e).
(c) Before the arbitration tribunal has been constituted in respect of a claim asserted or brought by or against the Delegate or a Certificateholder (only where permitted to do so in accordance with the terms of the Trust Deed) the Delegate or the Certificateholder, as the case may be, may by notice in writing to the Trustee and the Kingdom require that a Dispute be heard by the courts of England. All parties agree that the English courts will have exclusive jurisdiction to settle such Dispute and submit to the exclusive jurisdiction of the English courts in connection with the Certificates and any non-contractual obligations arising out of or in connection with them and waive any objection to the English courts on grounds of inappropriate or inconvenient forum or otherwise with regard to proceedings in connection with the Certificates.

(d) Each of the Trustee, the Kingdom, the Delegate and the Certificateholders agrees that an arbitral award or judgment or order of an English court or other court, in connection with a Dispute, shall be conclusive and binding on it and may be enforced against it in the courts of any competent jurisdiction.

(e) In the Trust Deed, each of the Trustee and the Kingdom has irrevocably appointed Law Debenture Corporate Services Limited of Fifth Floor, 100 Wood Street, London EC2V 7EX as its agent in England to receive service of process in any proceedings being brought in England based on any of the Certificates pursuant to Condition 22(b) and/or Condition 22(c). Each of the Trustee and the Kingdom agrees that failure by a process agent to notify the Trustee or the Kingdom of the process will not invalidate proceedings concerned or service of the process. If, for any reason, the Trustee does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Delegate of such appointment. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

(f) Under the Trust Deed, the Kingdom has irrevocably and unconditionally waived and agreed not to raise with respect to the transactions contemplated by the Trust Deed and/or the other Transaction Documents any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and to the extent permitted by law, irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property or assets whatsoever of any order or judgment made or given in connection with any proceedings. The Kingdom’s waiver of sovereign immunity shall constitute a limited and specific waiver for the purposes of the Trust Deed and/or the other Transaction Documents, and under no circumstances shall such waiver be interpreted as a general waiver by the Kingdom or a waiver of immunity in respect of: (a) property used by a diplomatic or consular mission of the Kingdom; (b) property of a military character and under the control of a military authority or defence agency of the Kingdom; or (c) public or state-owned property located in the Kingdom of Bahrain.

(g) Each of the Trustee, the Kingdom and the Delegate has irrevocably agreed in the Trust Deed that if any proceedings are brought by or on behalf of a party under the Trust Deed and in respect of the Certificates it will:

(i) not claim any judgment interest under, or in connection with, such proceedings; and

(ii) to the fullest extent permitted by law, waive all and any entitlement it may have to judgment interest awarded in its favour as a result of such proceedings.

For the avoidance of doubt, nothing in this Condition 22(g) shall be construed as a waiver of rights in respect of any Rental, the Termination Payment, any Deferred Sale Price, any Periodic Distribution Amounts, the Dissolution Distribution Amount or any other amounts payable by the Trustee (in any capacity) or the Kingdom (in any capacity) pursuant to the Transaction Documents and/or the Conditions, howsoever such amounts may be described or recharacterised by any court.
SUMMARY OF PROVISIONS RELATING TO THE CERTIFICATES
WHILE IN GLOBAL FORM

1. Initial Issue of Certificates

The Certificates of each Series will be in registered form. The Certificates will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or otherwise in private transactions that are exempt from the registration requirements of the Securities Act.

1.1 Form of Certificates

The Certificates of each Tranche offered and sold in reliance on Regulation S, which will be sold to persons who are not U.S. persons outside the United States, will initially be represented by ownership interests in a Regulation S Global Certificate. Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Certificates, ownership interests in a Regulation S Global Certificate may not be offered or sold to, or for the account of or benefit of, a U.S. person and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Certificate will bear a legend regarding such restrictions on transfer.

The Certificates of each Tranche offered and sold in the United States or to U.S. persons may only be offered and sold in private transactions to QIBs, in each case acting for their own account or for the account of one or more QIBs. The Certificates of each Tranche sold to QIBs in reliance on Rule 144A will initially be represented by one or more Rule 144A Global Certificates. By the acquisition of an ownership interest in such certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such ownership interest, it will transfer such ownership interest in accordance with the procedures and restrictions contained in the Rule 144A Global Certificate.

No ownership interest in a Regulation S Global Certificate may be transferred to a person who takes delivery in the form of an ownership interest in a Rule 144A Global Certificate unless: (i) the transfer is to a person that is both a QIB, (ii) such transfer is made in reliance on Rule 144A, and (iii) the transferor provides the Registrar with a written certification to the effect that the transferor reasonably believes that the transferee is a QIB, that the transfer is being made in a transaction meeting the requirements of Rule 144A and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. No ownership interest in the Rule 144A Global Certificates may be transferred to a person who takes delivery in the form of an ownership interest in a Regulation S Global Certificate unless the transfer is to a non-U.S. person in an offshore transaction in reliance on Regulation S and the transferor provides the Registrar with a written certification to the effect that the transfer is being made to a person who is a non-U.S. person in accordance with Regulation S.

Global Certificates will either: (a) be deposited with a custodian for, and registered in the name of a nominee of, DTC; or (b) be deposited with a Common Depositary for, and registered in the name of a nominee of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms. 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.

1.2 Exchange for Definitive Certificates

Interests in a Global Certificate will be exchangeable (free of charge), in whole but not in part, for definitive Certificates of a particular Series only upon the occurrence of an Exchange Event. For these purposes, “Exchange Event” means that: (i) in the case of Certificates registered in the name of a nominee for DTC, either DTC has notified the Trustee that it is unwilling or unable to continue to act as depository for the Certificates or DTC has ceased to constitute a clearing agency registered under the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), and, in any case, no successor or alternative clearing system is available; or (ii) in the case of Certificates registered in the name of a nominee for a Common Depositary for Euroclear and Clearstream, Luxembourg, 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 or alternative clearing system is available. The Trustee will promptly give notice to Certificateholders in accordance with Condition 19 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, any of the Trustee or DTC, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Global Certificates) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar. Definitive Certificates issued in exchange for an ownership interest in a Rule 144A Global Certificate shall bear a legend regarding such restrictions on transfer.
bear the legends applicable to transfers pursuant to Rule 144A, as set out under “Subscription and Sale and Transfer and Selling Restrictions—Transfer Restrictions”.

1.3 Delivery

Upon the transfer, exchange, or replacement of a definitive Certificate bearing the legend referred to under “Subscription and Sale and Transfer and Selling Restrictions—Transfer Restrictions”, or upon specific request for removal of the legend on a definitive Certificate, the Trustee will deliver only definitive Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Trustee and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Trustee, that neither the legend nor the restrictions on transfer set out therein are required to ensure compliance with the provisions of the Securities Act.

1.4 Transfer Restrictions

Interests in a Global Certificate may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Global Certificate. No owner of an interest in a Global Certificate will be able to transfer such interest, except in accordance with the applicable procedures of DTC and/or Euroclear and/or Clearstream, Luxembourg, in each case to the extent applicable.

The Certificates are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see “Subscription and Sale and Transfer and Selling Restrictions—Transfer Restrictions”.

2. Amendment to Conditions

The Global Certificates contain provisions that apply to the Certificates that they represent, some of which modify the effect of the terms and conditions of the Certificates set out in this Base Prospectus. The following is a summary of certain of those provisions:

2.1 Payments

All payments in respect of Certificates represented by a Global Certificate will be made (against surrender of that Global Certificate if no further payment falls to be made in respect of the Certificates) to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where “Clearing System Business Day” means Monday to Friday inclusive, except 25 December and 1 January.

For the purposes of any payments made in respect of Certificates represented by a Global Certificate, the definition of Payment Business Day in Condition 10(d) shall be substituted in full as follows:

“Payment Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business, in such jurisdictions as shall be specified as “Financial Centres” in the applicable Final Terms and:

(i) (in the case of a payment in a currency other than Euro) where payment is to be made by transfer to an account maintained with a bank in the Specified Currency, on which foreign exchange transactions may be carried on in the Specified Currency in the principal financial centre of the country of such Specified Currency; or

(ii) (in the case of a payment in Euro) which is a TARGET Business Day; and

(iii) in the case of any payment in respect of a Global Certificate denominated in a Specified Currency other than U.S. Dollars and registered in the name of The Depository Trust Company or its nominee and in respect of which an accountholder of The Depository Trust Company (with an interest in such Global Certificate) has made no election to and will receive any part of such payment in U.S. Dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City and London.”

A record of each payment made will be noted on the relevant Register which shall be prima facie evidence that such payment has been made in respect of the Certificates.

2.2 Meetings

All holders of Certificates are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Certificates comprising such Certificateholder’s holding.
2.3 Cancellation

Cancellation of any Certificate represented by a Global Certificate that is surrendered for cancellation (other than upon its redemption in full) will be effected by reduction in the aggregate face amount of the relevant Series of Certificates in the Register.

2.4 Notices

Notices required to be given in respect of the Certificates represented by a Global Certificate may be given by their being delivered (so long as such Global Certificate is held on behalf of DTC and/or Euroclear and Clearstream, Luxembourg or any other clearing system (as applicable)) to DTC, Euroclear, Clearstream, Luxembourg or such other clearing system, as the case may be, or otherwise to the holder of such Global Certificate, rather than by publication as required by the Conditions, provided that such notices must also be given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange, quotation system or other relevant authority on which the Certificates are for the time being listed or admitted to trading or quotation. Any such notice shall be deemed to have been given to the holders of the Certificates on the day on which the said notice was given to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as applicable).

3. Further Issues

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche is issued which is intended to form a single Series with an existing Tranche at a point after the Issue Date of the further Tranche, the Certificates of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Certificates of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series.
FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms

[MiFID II product governance / Professional investors and ECPs only target market] – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “MiFID II”); and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a “distributor”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) - [Notice to be included if classification of the Certificates is not “prescribed capital markets products”, pursuant to Section 309B of the SFA.]]

[Date]

CBB INTERNATIONAL SUKUK PROGRAMME COMPANY S.P.C.

Legal Entity Identifier (LEI): 5493006IRJ2IWXTNIM16

Issue of [Aggregate Face Amount of Tranche] [Title of Certificates] [to be consolidated and form a single series with the existing [Aggregate Face Amount of Tranche] [Title of Certificates] issued on [●] (the “Original Certificates”)]

under the Trust Certificate Issuance Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Certificates set forth in the Base Prospectus dated 23 September 2019 [and the supplement[s] to it dated [●] [and [●]]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation (the “Base Prospectus”). This document constitutes the Final Terms of the Certificates described herein [for the purposes of the Prospectus Regulation] and must be read in conjunction with the Base Prospectus. Full information on the Trustee, the Kingdom and the offer of the Certificates is only available on the basis of the combination of this Final Terms and the Base Prospectus. The Base Prospectus has been published and will be electronically available on the website of Euronext Dublin at http://www.ise.ie. Copies of the Base Prospectus and this Final Terms are available for inspection and/or collection during normal business hours at the registered office of the Trustee at Central Bank of Bahrain, King Faisal Highway, Diplomatic Area, Block 317, Road 1702, Building 96, Manama, Kingdom of Bahrain and from the specified office of the Principal Paying Agent.

1. (a) Trustee: CBB International Sukuk Programme Company S.P.C.

(b) Kingdom: The Kingdom of Bahrain, acting through the Ministry of Finance and National Economy

2. Series Number: [●]

(a) Tranche Number: [●]

(b) Date on which the Certificates will be consolidated and form a single Series: [The Certificates will be consolidated and form a single Series with [identify earlier Tranche(s)] on [insert date/ the Issue Date]] [Not Applicable]

3. Specified Currency: [●]

4. Aggregate Face Amount: [●]

(a) Series: [●]

(b) Tranche: [●]

1 Include only for an issue of further Certificates in accordance with Condition 20.

2 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 Regulation.
5. Issue Price: 

[●]% of the Aggregate Face Amount [plus [Specified Currency] [●] in respect of [●] days of accrued Periodic Distribution Amounts from (and including) [the issue date of the Original Certificates] to (but excluding) the Issue Date³]

6. (a) Specified Denominations: 

[●]

(b) Calculation Amount: 

[●]

7. (a) Issue Date: 

[●]

(b) Profit Commencement Date: 

[[[●]/Issue Date]

8. Scheduled Dissolution Date: 

[●]

9. Profit Basis: 

[Fixed Rate Certificates/Floating Rate Certificates] (further particulars specified at paragraph [15][16] below)

10. Dissolution Basis: 

Dissolution at par

11. Change of Profit Basis: 

[[Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 15 and 16 below and identify there]/Not Applicable]

12. Call Rights: 

[Not Applicable]

[Optional Dissolution Right]

13. Status: 

Unsubordinated

14. Date of Trustee’s board approval and date of Kingdom’s approval(s) for issuance of Certificates: 

[●] and [●], respectively

Provisions relating to profit payable

15. Fixed Rate Periodic Distribution Provisions: 

[Applicable]/[Not Applicable]

(a) Profit Rate(s): 

[●]% per annum payable [annually/semi-annually/quarterly/monthly/[●]] in arrear on each Periodic Distribution Date

(b) Periodic Distribution Date(s): 

[[●] in each year up to and including the Scheduled Dissolution Date, commencing on [●]/[●]]

(c) Fixed Amount(s): 

[●] per Calculation Amount

(d) Broken Amount(s): 

[[●] per Calculation Amount, payable on the Periodic Distribution Date falling [in/on] [●]/[●]/Not Applicable]

(e) Day Count Fraction: 

[Actual/Actual]

[Actual/Actual – ISDA]

[Actual/365 (Fixed)]

[Actual/365 (Sterling)]

[Actual/360]

[30/360]

[360/360]

[Bond Basis]

[30E/360]

[Eurobond Basis]

[30E/360 (ISDA)]

[Actual/Actual – ICMA]

(f) Determination Date(s): 

[[●] in each year/Not Applicable]

16. Floating Periodic Distribution Provisions: 

[Applicable]/[Not Applicable]

(a) Specified Periodic Distribution Dates: 

[●] in each year, commencing on [●], subject to adjustment in accordance with the Business Day

³ Include only for an issue of further Certificates in accordance with Condition 20.
Convention set out in (d) below, not subject to adjustment, as the Business Day Convention in (d) below is specified to be Not Applicable.

(b) Periodic Distribution Period: [Not Applicable]/[●]
(c) Profit Period Date: [Not Applicable]/[●]
(d) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
(e) Business Centre(s): [●] [Not Applicable]
(f) Manner in which the Profit Rate and the Periodic Distribution Amount are to be determined: [Screen Rate Determination/ISDA Determination]
(g) Party responsible for calculating the Profit Rate and the Periodic Distribution Amount (if not the Principal Paying Agent): [●] (the "Calculation Agent")
(h) Screen Rate Determination: [Applicable]/[Not Applicable]
(i) Reference Rate: [●] month [LIBOR/EURIBOR]
(ii) Profit Rate Determination Date(s): [●]
(iii) Relevant Screen Page: [●]
(iv) Relevant Time: [●]
(v) Relevant Financial Centre: [●]
(j) ISDA Determination: [Applicable]/[Not Applicable]
(i) Floating Rate Option: [●]
(ii) Designated Maturity: [●]
(iii) Reset Date: [●]
(iv) ISDA Definitions: [●]
(k) Margin(s): [+/-][●]% per annum
(l) Linear Interpolation: [Not Applicable/Applicable – the Profit Rate for the [long/short] [first/last] Periodic Distribution Period shall be calculated using Linear Interpolation (specify for each short or long periodic distribution period)]
(m) Maximum Profit Rate: [●]% per annum
(n) Minimum Profit Rate: [●]% per annum
(o) Day Count Fraction: [Actual/Actual] [Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual – ICMA]
Provisions relating to dissolution

17. Optional Dissolution Right: [Applicable]/[Not Applicable]
   (a) Dissolution Distribution Amount: [As per Condition 1]/[●]
   (b) Optional Dissolution Date(s): [●]
   (c) Notice period:
       Minimum period: [●] days
       Maximum period: [●] days

   (N.B. When setting notice periods, the Trustee is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of five clearing system business days’ notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Trustee and the Agent.)

18. Dissolution Distribution Amount following redemption on the Scheduled Dissolution Date or following the occurrence of a Dissolution Event: [As per Condition 1]/[●]

General provisions applicable to the Certificates

19. Form of Certificates:
   [Regulation S Global Certificate(s) (U.S.$[●] aggregate face amount) registered in the name of a nominee for [The Depository Trust Company/a common depositary for Euroclear Bank SA/NV and Clearstream Banking S.A.]]
   [Rule 144A Global Certificate(s) (U.S.$[●] aggregate face amount) registered in the name of a nominee for [The Depository Trust Company/a common depository for Euroclear Bank SA/NV and Clearstream Banking S.A.]]

20. Financial Centre(s) relating to payment (Condition 10(d)): [Not Applicable]/[●]

Provisions in respect of the Trust Assets

21. Series:
   (a) Tangible Asset Percentage: [●]%
   (b) Murabaha Percentage: [Not Applicable]/[●]%

22. Trust Assets:
    Condition 6(a) applies

23. (a) Details of Transaction Account:
    CBB International Sukuk Programme Company S.P.C.
    Transaction Account No: [●] with [●] for Series №: [●]
   (b) Supplemental Trust Deed:
   Supplemental Trust Deed dated [●] between the Trustee, the Kingdom and the Delegate
   (ii) Supplemental Head Lease Agreement:
        Supplemental Head Lease Agreement dated [●] between the Trustee, the Kingdom and the Delegate
   (iii) Supplemental Sub-Lease Agreement:
        Supplemental Sub-Lease Agreement dated [●] between the Trustee, the Kingdom and the Delegate
   (iv) Declaration of Commingling of Assets:4 [Declaration of Commingling of Assets dated [●] executed by the Trustee]/[Not Applicable]
   (v) [Notice of Request to Purchase and Offer Notice]:
        [Notice of Request to Purchase dated [●] from the Kingdom to the Trustee and Offer Notice dated [●] from the Trustee to the Kingdom]/[Not Applicable]

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4 Include only for an issue of further Certificates in accordance with Condition 20.
THIRD PARTY INFORMATION

[[●] has been extracted from [●]. Each of the Trustee and the Kingdom 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 [specify source] as facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of

CBB International Sukuk Programme Company
S.P.C.

By: .............................................................
Duly authorised

Signed on behalf of

The Kingdom of Bahrain,
acting through the Ministry of Finance and National Economy

By: .............................................................
Duly authorised
PART B – OTHER INFORMATION

1. Listing and Admission to Trading
   (a) Listing and Admission to trading: [Application [has been][is expected to be] made by the
      Trustee (or on its behalf) for the Certificates to be (i) admitted to trading on Euronext
      Dublin’s regulated market and to be listed on the official list of Euronext
      Dublin with effect from [●].]/[None.]
   (b) Estimate of total expenses related to admission to trading: [●]

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: [●]]
   [Standard & Poor’s: [●]]
   Each of [[Standard & Poor’s] and [Fitch]] is established in the European Union and is registered under Regulation
   (EC) № 1060/2009 (as amended) (the “CRA Regulation”)

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 the Kingdom is aware,
   no person involved in the issue of the Certificates has an interest material to the offer.] [The
   [Managers/Dealer] 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 or the Kingdom
   and their affiliates in the ordinary course of business].

4. Indication of profit or return (Fixed Rate Certificates only):
   The indication of profit or return is calculated at the Issue Date on the basis of the Issue Price. It is not an indication
   of future profit or return.

5. Use of Proceeds
   (a) Use of proceeds: [See “Use of Proceeds” in the Base Prospectus]/[●]
   (b) Estimated amount of net proceeds: [●]

6. Operational Information
   (a) ISIN: [●]/[Until the Certificates are consolidated, become fungible with and form a single series with the Original
       Certificates, the Certificates will have the temporary ISIN [●]. After that, the Certificates will have the same ISIN
       as the Original Certificates, which is [●].]
   (b) Common Code: [●]/[Until the Certificates are consolidated, become fungible with and form a single series with the Original
       Certificates, the Certificates will have the temporary Common Code [●]. After that, the Certificates will have
       the same Common Code as the Original Certificates, which is [●].]
   (c) CUSIP [●]
   (d) CINS [●]
   (e) CFI: [[See/[[include code], as updated, as set out on] the website of the Association of National Numbering]
(f) FISN: [[See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN][Not Applicable][Not Available]]

(g) Any clearing system(s) other than The Depository Trust Company, Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): [Not Applicable/give name(s), address(es) and number(s)]

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

(i) Stabilisation Manager(s): [●]
USE OF PROCEEDS

The proceeds from the issue of each Tranche of Certificates will be applied by the Trustee pursuant to the terms of the relevant Transaction Documents in the following proportion (a) the Tangible Asset Percentage of the aggregate face amount of the Certificates of such Tranche as the Advance Rental for the lease of (in the case of the first Tranche) the Assets and (in the case of each subsequent Tranche) the Additional Assets from the Kingdom pursuant to the relevant Head Lease Agreement; and (b) if applicable, the Murabaha Percentage of the aggregate face amount of the Certificates of such Tranche towards the purchase of Commodities to be sold to the Kingdom pursuant to the Master Murabaha Agreement.

The amounts subsequently received by the Kingdom in consideration for the transactions entered into with the Trustee as set out above, including, if applicable, with respect to the proceeds received from the on-sale of the Commodities by the Kingdom, will be applied by the Kingdom for its general budgetary purposes. If there is a particular identified use of proceeds, it will be stated in the applicable Final Terms.
DESCRIPTION OF THE TRUSTEE

History
The Trustee was incorporated as a single person company in Bahrain on 3 May 2016 under Article 76 of the Commercial Companies Law (Decree Law № 21 of 2001, as amended) (the “Companies Law”) with its registered office at Central Bank of Bahrain, King Faisal Highway, Diplomatic Area, Block 317, Road 1702, Building 96, Manama, Bahrain. The Trustee is registered with № 98929 in the Commercial Register established by the Ministry of Industry Commerce and Tourism of Bahrain. Pursuant to Article 3 of the Trustee’s articles of association (the “Articles of Association”), the objects of the Trustee are to establish the Programme and to participate in the transactions contemplated by the Transaction Documents.

Pursuant to Article 76 of the Companies Law, as the Trustee is wholly-owned by the Kingdom through the CBB, the provisions of the Companies Law do not apply, unless otherwise stated in the Articles of Association.

On 2 September 2019, the name of the Trustee was changed from CBB International Sukuk Company 4 S.P.C. to CBB International Sukuk Programme Company S.P.C.

The authorised and issued share capital of the Trustee is BD 1,000 divided into five ordinary shares of par value BD 200 each and is fully paid up. The Trustee’s ordinary shares are owned by its proprietor, the CBB. The Trustee has no subsidiaries.

Business Activity
Since its establishment, the Trustee has not engaged in any material activities other than those regarding or incidental to the issue of trust certificates and the matters contemplated in this Base Prospectus and the Transaction Documents and the authorisation of its entry into the other transactions and documents referred to in this Base Prospectus to which it is or will be a party. Prior to the establishment of the Programme, on 16 May 2016, the Trustee issued a single series of trust certificates in an aggregate face amount of U.S.$435 million. These trust certificates matured and were fully repaid in their entirety on 16 May 2019.

The Trustee has a limited operating history and will not have any substantial liabilities other than in connection with the Certificates and the matters contemplated in this Base Prospectus and the Transaction Documents. The Trustee has no subsidiaries and no employees.

Board and Management
The directors of the Trustee are as follows:

<table>
<thead>
<tr>
<th>Director</th>
<th>Principal Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sh. Salman Bin Isa Al-Khalifa</td>
<td>Employed with the Central Bank of Bahrain</td>
</tr>
<tr>
<td>Mohamed Abdulrahman Mohamed Alfadhel</td>
<td>Employed with the Central Bank of Bahrain</td>
</tr>
<tr>
<td>Yusuf Ahmed Hasan Abdulla Al Tamimi</td>
<td>Employed with the Central Bank of Bahrain</td>
</tr>
</tbody>
</table>

The business address of each of the directors is Central Bank of Bahrain, PO Box 27, Manama, Bahrain.

Conflicts
There are no potential conflicts of interest between any duties to the Trustee of the directors listed above and their private interests or other duties.

Financial Statements
Since the date of its incorporation, no financial statements of the Trustee have been prepared or published. The fiscal year of the Trustee ends on 31 December of each year. The Trustee is not required by Bahraini law, and does not intend, to prepare, file, publish or audit annual accounts. The Trustee will not prepare any interim accounts.

Capitalisation
As at the date of this Base Prospectus, the capitalisation of the Trustee is BD 1,000. There has been no material change in the capitalisation of the Trustee since the date of incorporation.
OVERVIEW OF THE KINGDOM OF BAHRAIN

Location and Population

Bahrain is an archipelago made up of 36 islands with a total land surface area of 760 square kilometres situated in the Arabian Gulf. The islands are about 24 kilometres from the east coast of Saudi Arabia and 28 kilometres from Qatar. The largest island, Bahrain Island, comprises nearly 91.3% of the total land area of Bahrain and is linked to mainland Saudi Arabia by a 25-kilometre causeway. The capital of Bahrain, Manama, is on Bahrain Island. Bahrain’s other significant islands include the southern archipelago called Hawar, near the coast of Qatar, Muharraq Island ("Muharraq") (which is Bahrain’s second largest city and where Bahrain’s international airport and the country’s main port, Khalifa Bin Salman Port at Hidd, are located) and Sitra (a mainly industrial island). Muharraq and Sitra are connected to Bahrain Island by causeways.

Most of Bahrain is low-lying barren desert, with the highest point being approximately 134 metres above sea level, although the northern part of the country has been extensively urbanised and cultivated. Average rainfall in Bahrain is 47 millimetres per annum. Most of Bahrain is surrounded by the relatively shallow part of the Arabian Gulf known as the Gulf of Bahrain. Bahrain obtains its drinking water from underground freshwater deposits and, increasingly, from desalination plants.

A census is held in Bahrain every ten years. Bahrain’s last census, in April 2010, recorded a population of 1,234,571, of whom 46% are Bahraini nationals, the remaining being principally expatriate workers. According to the 2010 census, approximately 70.2% of the population are Muslim, with small minorities of Christians, Hindus and Jews also present. Arabic is the official language, although English is widely used and understood for business purposes.

The population is highly urbanised, with up to 89% of the population living in towns and cities. According to the 2010 census, nearly 31.8% of the population is under the age of 15. The national education system is well established (adult literacy is 93.7% according to the 2010 census). Bahrain’s life expectancy for men and women is 76 and 80 years, respectively. This is among the highest in the Arabian Gulf region.

According to statistics compiled by the IGA, in 2018, Bahrain had a population of 1.5 million, of whom 45.9% were Bahraini nationals and 54.1% were non-Bahrainis, principally expatriate workers. Over the last decade, the population of Bahrain has increased by 44.4% from 1.0 million in 2007. Based on IGA estimates, Bahrain’s population is expected to increase to 1.7 million by 2020 and 2.2 million by 2030.

History

The earliest record of Bahrain dates back to the third millennium BC, when it was known as Dilmun. Dilmun was a successful station for tradesmen in the Arabian Gulf and its thriving community was closely linked to that in Mesopotamia. Around 600 BC, Bahrain became part of the expanding Babylonian empire, at a time when the island
was known by the Greek name of Tylos. The island became known for its wealth of pearls and it enjoyed considerable prosperity. In the seventh century AD, Islam was introduced to Bahrain.

The islands changed hands many times in the following centuries. In the mid-eighteenth century, the Al Khalifa family arrived from Al Zubara. They, together with their allies, assumed control of the islands and the family has remained in power ever since. See “Overview of The Kingdom of Bahrain—Constitution and Government”. During the nineteenth century, Bahrain became the British Empire’s political headquarters in the Gulf. Oil was discovered in Bahrain in 1932 (which coincided with the collapse of Bahrain’s pearl industry). Bahrain was the first country to discover oil in the region.

On 15 August 1971, Bahrain declared its independence from the United Kingdom. Upon independence, the late His Highness Sheikh Sir Isa bin Salman Al Khalifa assumed the position of Emir, the head of state, while his brother, His Excellency Sheikh Khalifa bin Salman Al Khalifa, became prime minister. In 1972, a constituent assembly was formed, and, in May 1973, a constitution was adopted. In December 1973, a 44-person national assembly (the “National Assembly”) was established, comprising 30 elected members. The then-National Assembly was dissolved in August 1975 following disagreement between the National Assembly and the Emir. In the early 1990s, political tensions increased despite limited reforms by the Government including the establishment of a consultative council (the “Consultative Council”).

In 1981, Bahrain, together with Saudi Arabia, the UAE, Qatar, the State of Kuwait (“Kuwait”) and the Sultanate of Oman (“Oman”, established the GCC. See “—International Relations—GCC”.

When His Highness Sheikh Sir Isa bin Salman Al Khalifa died in March 1999, his son, His Majesty Sheikh Hamad bin Isa Al Khalifa, came to power. The new Emir (as he was previously referred to) embarked on a programme of political reform, released political prisoners, permitted the return of exiles and eliminated emergency laws and courts. He also introduced a new national charter, the National Action Charter (the “NAC”), which sought to establish a new national assembly that was to be part appointed and part elected. It also paved the way for Bahrain to become a constitutional monarchy and for His Majesty Sheikh Hamad bin Isa Al Khalifa to be proclaimed king of Bahrain. The NAC was approved in a national referendum in February 2001, in which 98.4% of the voters voted in favour of it. At the same time the state security law, which had been introduced in 1975, was repealed.

**Constitution and Government**

Under a new constitution adopted in February 2002 (the “Constitution”) pursuant to the NAC, Bahrain is a hereditary constitutional monarchy with a democratic system of government. The system of government rests on a separation of the legislative, executive and judicial authorities. The legislative authority is vested in His Majesty the King and the National Assembly, in accordance with the Constitution. Executive authority is vested in His Majesty the King, together with the council of ministers (the “Council of Ministers”), which is the collective decision-making body of the Government, comprising all Government ministers. Ministerial and judicial rulings are issued in the King’s name, in accordance with the Constitution. The Constitution also declares the state religion to be Islam, with Islamic Shari’a as a principal source for legislation.

Under the Constitution, His Majesty the King is entitled to appoint the prime minister and other ministers. His Majesty the King is the supreme commander of the Bahrain Defence Force. His Majesty the King has power to conclude treaties on behalf of Bahrain, and any amendments to the Constitution require the approval of His Majesty the King.

**The National Assembly and Elections**

The Constitution provides for a National Assembly comprised of two chambers: the consultative council (the “Shura Council”) and the chamber of deputies (the “Chamber of Deputies”). Each chamber has 40 members. The members of the Chamber of Deputies are elected in national elections, whereas the members of the Shura Council are appointed by His Majesty the King. Members of the Chamber of Deputies and Shura Council each serve four-year terms.

Legislation is initiated in the Chamber of Deputies, and draft laws are considered by the Shura Council, which has the power to comment on, and suggest alterations to, proposed legislation. New laws may only be passed when approved by both chambers and ratified by His Majesty the King.

The Chamber of Deputies represents a wide range of political opinion in Bahrain and plays a significant role in the development of the democratic process. The first election to the Chamber of Deputies was held in 2002, albeit with only moderate participation by some political groups. On 11 June 2016, His Majesty King Hamad bin Isa Al Khalifa issued an amendment to the country’s political society law, banning the use of religion in political societies. On 17 July 2016, Bahrain’s High Civil Court dissolved Al Wefaq National Islamic Society citing attempts to undermine the Constitution, support for terrorism, slander of the judiciary and incitement of lawless action. In May 2018, Parliament approved a bill, which was ratified by the King in June 2018, barring members of certain dissolved opposition groups (including Al Wefaq National Islamic Society and Waad) from running in elections. See “Risk Factors—Risks Relating to the Kingdom—Bahrain is subject to a number of on-going domestic political risks”.

74
The most recent parliamentary elections held in November and December 2018 saw 67% of eligible voters cast their votes. While a few opposition political societies boycotted the elections, independent candidates won 35 of 40 seats. Parliamentary elections are scheduled for October or November 2022.

The Government

The Council of Ministers is appointed by His Majesty the King. The Council of Ministers is headed by the prime minister, who, at the date of this Base Prospectus, is His Royal Highness Prince Khalifa bin Salman Al Khalifa (the “Prime Minister”). On 17 September 2015, His Majesty the King announced a downsizing of the Council of Ministers with the specific objective of achieving fiscal consolidation. The downsizing of the Council of Ministers involved merging ministries and governmental institutions in order to decrease expenditure and enhance performance.

The Prime Minister is responsible for much of the day-to-day running of the country. In accordance with the Constitution, His Majesty the King’s eldest son, His Royal Highness Prince Salman bin Hamad Al Khalifa, is the crown prince (the “Crown Prince”), the First Deputy Prime Minister and commander-in-chief of the Bahrain Defence Force.

The Ministry of Finance and National Economy

On 7 October 2018, Decree № (47) of 2018 was issued to reorganise the Ministry of Finance and to establish a Debt Management Office. See “Indebtedness—Public Debt Management”. On 24 January 2019, Decree № (1) of 2019, was issued, which, inter alia, restructured the Ministry of Finance and its affiliated directorates and changed its name to the Ministry of Finance and National Economy.

MOFNE is responsible for formulating and implementing the financial policies of Bahrain within the overall vision of the Government. This entails, amongst other things, the preparation of the state general budget in coordination with other ministries and public entities. The state general budget aims to reflect the financial and economic objectives of Bahrain, with a focus on improving living standards and increasing levels of economic growth.

MOFNE is currently focused on implementing the Government’s fiscal consolidation policies which aim to decrease public spending whilst promoting the progress and diversification of public investment. It also manages the public debt and maintains its levels within internationally approved limits. See “Public Finance—Fiscal Policy”.

In order to enhance economic and financial bilateral relations with other countries, MOFNE has entered into, and is in the process of negotiating, a number of bilateral and multilateral agreements to provide a legal framework for these relationships. These agreements include, among others, agreements on the promotion and protection of investments, agreements on the avoidance of double taxation, free trade agreements and memoranda of understanding on financial and economic cooperation. See “—International Relations”.

In December 2018, H.E. Shaikh Salman bin Khalifa Al-Khalifa was appointed Minister of Finance and National Economy, having previously served as Director General of the Office of the First Deputy Prime Minister since its establishment in 2013.

The Judiciary

The judiciary is enshrined under the Constitution as an independent and separate branch of the Government. The Constitution is upheld by the Constitutional Court, independent of both the executive and legislative branches. The Minister of Justice oversees the administration of the court system, but does not exercise a judicial function.

Bahrain has a dual-court system, consisting of civil courts and Shari’a courts. The Shari’a courts deal only with personal law matters relating to Muslims, such as marriage, divorce and inheritance. These courts do not have jurisdiction over commercial matters. The civil court system consists of courts of first instance, which deal with all civil, commercial and criminal matters. The court of appeal hears all appeals and is the highest appellate authority in the country on issues of facts. The Court of Cassation is the final appellate authority and decides on issues of law. The Constitutional Court decides on the constitutionality of laws and regulations enacted by the legislature.

Certain Political Developments

On 14 February 2011, protests and demonstrations were held in Bahrain, protesting against the Government (the “February-March 2011 Protests”). On 1 June 2011, in the aftermath of the February-March 2011 Protests, His Majesty the King announced the launch of the National Consensus Dialogue (the “Dialogue”). The purpose of the Dialogue was to provide a forum for Bahraini society, including Bahraini citizens and expatriates, to present its views and proposals for future reform in Bahrain. The Dialogue commenced on 2 July 2011 and ended on 25 July 2011. Participants included political societies, civil and non-governmental organisations, expatriate societies and representatives of many religious groups. See “Risk Factors—Risks Relating to the Kingdom—Bahrain is subject to a number of on-going domestic political risks”.

The Dialogue’s recommendations were collated into a report. Reforms recommended by the Dialogue included: increased parliamentary scrutiny over the Government and enabling the Prime Minister to select his government, subject to the approval of the elected Parliament; granting Parliament greater legislative and monitoring powers;
ensuring non-sectarianism in all civil and political organisations; and oversight of funding of political societies; economic reforms (including faster implementation of Vision 2030); the creation of independent authorities to assess the quality of government services and implementation of management policies and financial transparency (governance) in ministries and institutions, in line with international standards; the establishment of mechanisms to manage the expenditure of government institutions; implementation of youth programmes, a national strategy for non-governmental organisations (including corporate social responsibility programmes) and better implementation of legislation on security and peace; judicial training on human rights issues; laws protecting the freedom of expression and assembly; and initiatives to improve foreign workers’ rights, including establishing a minimum wage.

The Council of Ministers formed a ministerial sub-committee to oversee the implementation programme. On 3 October 2011, the ministerial sub-committee presented its report to His Royal Highness, Prime Minister Prince Khalifa bin Salman Al Khalifa. The proposed constitutional changes were then sent to Parliament and were approved by Parliament on 30 April 2012.

His Majesty the King granted the royal assent to the constitutional changes on 3 May 2012, upon Parliament’s approval of the amendments. The constitutional amendments provided for:

- **increased powers of the National Assembly**: in particular by granting it enhanced democratic scrutiny over the Government;
- **parliamentary approval of new Governments**: the Constitution has been amended so that a new Government will need to secure the approval of the democratically-elected Parliament;
- **Chamber of Deputies to preside over the National Assembly**: responsibility for presiding over the National Assembly has been transferred from the Chairman of the Shura Council to the Chairman of the Chamber of Deputies;
- **greater legislative and monitoring powers for the Chamber of Deputies**: ministers will be required to be answerable to appointed representatives; and
- **measures to create more efficient law-making procedures**: these measures will help address and overcome delays in ratification, and gaps in implementation, of legislation.

The Bahrain Independent Commission of Inquiry (“BICI”) was established on 29 June 2011 pursuant to Royal Order № 28 of 2011. The BICI was developed in consultation with the Office of the United Nations (“UN”) High Commissioner for Human Rights and was commended by the UN Secretary General and Amnesty International, together with the governments of the United Kingdom and the United States. The BICI was asked to determine whether the events of February-March 2011 Protests (and thereafter) involved violations of international human rights law and norms and to make the recommendations that it deems appropriate. Professor Mahmoud Cherif Bassiouni, an expert in international criminal and human rights law, heads the BICI. The BICI was granted access to government officials, records and facilities, as well as the right to conduct confidential interviews with any complainant or witness. The BICI’s report, published on 23 November 2011, contained a detailed narrative regarding the events that had taken place and presented a series of recommendations involving comprehensive, structural reform and a process of national reconciliation. The Government pledged to implement the BICI recommendations in their entirety.

In implementing the first BICI recommendation, a high-level National Commission was set up, chaired by the speaker of the Shura Council and including independent representatives from across Bahraini society, to monitor and oversee the Government’s progress in implementing the BICI recommendations.

On 20 March 2012, this National Commission presented its report on the implementation of the BICI recommendations. The report found that the Government had made substantial progress towards fully implementing the BICI recommendations, with the most important issues already addressed and clear procedures in place to complete those recommendations that remain outstanding. Since March 2012, the Government has continued to follow these procedures. In 2016, the Government announced that it had fully implemented the recommendations that were its responsibility.

The second round of the Dialogue commenced on 10 February 2013. It represented the continuation of the Dialogue from July 2011 aimed at building on the achievements of the previous Dialogue in order to achieve further national consensus. Prior to the suspension of the second round of the Dialogue in 2014, the participants met on a weekly basis. Due to the withdrawal of the coalition of six opposition societies, the remaining participants have agreed to suspend the Dialogue while keeping the door open to resume the Dialogue should the coalition of six opposition societies decide to return.

See “Risk Factors—Risks Relating to the Kingdom—Bahrain is subject to a number of on-going domestic political risks”.
International Relations

GCC

Bahrain’s principal objective in its foreign policy has traditionally been to maintain cordial relations with its neighbouring countries.

The GCC was established in the Emirate of Abu Dhabi (“Abu Dhabi”) on 25 May 1981. The original union comprised of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE. The unified economic agreement among the countries of the GCC was signed on 11 November 1981 in Abu Dhabi.

Bahrain benefits from a U.S.$7.5 billion GCC Development Fund established in 2011 with contributions made by non-donee GCC member states. The GCC Development Fund includes investments in key infrastructure projects across the manufacturing, energy, healthcare and education sectors. The GCC Development Fund was originally established with the aim of raising U.S.$10 billion for Bahrain with preliminary commitments from four GCC member states. To date, U.S.$7.5 billion has been allocated to Bahrain by three GCC member states (Kuwait, Saudi Arabia and the UAE, following the withdrawal by Qatar of its portion). Of the U.S.$7.5 billion, as of 31 July 2019, U.S.$7.4 billion was allocated to projects, U.S.$4.6 billion of contracts were awarded and U.S.$2.8 billion was actually paid from the GCC Development Fund. The GCC Development Fund is intended to stimulate economic growth and is expected to be used in furtherance of development goals set out in Vision 2030, and, in particular, on important infrastructure projects.

In October 2018, Saudi Arabia, Kuwait and the UAE pledged U.S.$10 billion to Bahrain to support the FBP and to alleviate near-term financing constraints. Bahrain received an initial instalment of U.S.$2.29 billion in 2018 and expects to receive an additional U.S.$2.28 billion in 2019, with further payments of U.S.$1.76 billion in 2020, U.S.$1.85 billion in 2021, U.S.$1.42 billion in 2022 and U.S.$650 million in 2023. The principal terms of this funding package include: (i) a 0% interest rate (thereby reducing the future interest payment bill of the Government); (ii) a term of 30 years per drawdown (which is expected to improve the Government’s debt payment profile); and (iii) a seven-year grace period (accordingly, the Kingdom will not be required to make any repayments during the FBP).

Customs and Monetary Union

The creation of a customs union began in 2003 and was completed and fully operational on 1 January 2015. On 1 January 2008 the six GCC countries declared the creation of a common market in the GCC region. In January 2015, the common market was further integrated, allowing full equality among GCC citizens to work in the government and private sectors, social insurance and retirement coverage, real estate ownership, capital movement, access to education, health and other social services in all member states. However, some barriers remained in the free movement of goods and services. The coordination of taxation systems, accounting standards, and civil legislation is currently in progress. The interoperability of professional qualifications, insurance certificates and identity documents is also underway.

Bahrain, Saudi Arabia, Qatar and Kuwait approved a monetary union pact in December 2009. As a consequence of the monetary union pact, a GCC Monetary Council (the “GCC MC”) was established in Riyadh, holding its inaugural meeting in March 2010. At this meeting, H.E. Mohammed Al-Jasser (former Chairman of the Saudi Arabian Monetary Agency) was elected as chairman for a term of one year with H.E. Rasheed Al Maraj (Governor of the CBB) as vice chairman. In 2014, H.E. Sheikh Abdullah S. Al-Thani, Governor of Qatar Central Bank, was elected chairman, and H.E. Dr. Mohammad Y. Al-Hashel, Governor of the Central Bank of Kuwait, was elected vice chairman. The GCC MC’s primary strategic aim is to provide the foundation, and act as a precursor institution, for the establishment of a GCC Central Bank (the “GCC CB”). The GCC MC set itself the primary task of consulting with GCC member countries in order to draft the legal and organisational framework that will underpin the GCC CB. The board of directors of the GCC MC met six times a year during the period 2011-2018.

Security

A key objective of the GCC is to develop a comprehensive security strategy for the GCC countries. In 1984, the GCC decided to create a joint military force of 10,000 soldiers divided into two brigades, called the Peninsula Shield Force, based in Saudi Arabia near the Kuwaiti and Iraqi borders. The Peninsula Shield Force is composed of infantry, armour, artillery and combat support elements from each of the GCC countries. During the February-March 2011 Protests, Saudi Arabia and the UAE sent ground troops and Kuwait sent a navy unit to protect the borders of Bahrain from external threat.

In September 2014, GCC members Saudi Arabia, Bahrain, the UAE and Qatar, as well as pending member Jordan, commenced cooperative air operations against Islamic State in Syria. GCC countries have also pledged other support, including provision of operating training facilities for Syrian rebels in Saudi Arabia and allowing the use of their airbases by other countries fighting Islamic State.

Bahrain, along with other Arab states, is currently participating in the Saudi Arabian led intervention in Yemen, which began in 2015 in response to requests for assistance from the Yemeni government and is ongoing.
Qatar

In 2001, the International Court of Justice settled a long-standing territorial dispute between Bahrain and Qatar and, as a result, relations between the two countries had improved until the recent developments described below. Bahrain and Qatar have agreed to build a 40-kilometre toll-operated causeway called the Qatar-Bahrain Friendship Bridge (linking both countries), which is anticipated to be the longest fixed link in the world. No date has been set for construction work to commence, due to delays resulting from cost and design problems; the status of the causeway is unclear given the current state of relations between Bahrain and Qatar.

On 5 June 2017, three GCC countries – Saudi Arabia, the UAE and Bahrain – as well as Egypt and Yemen – severed diplomatic ties with Qatar, cut trade and transport links and imposed sanctions on evidence grounded on Qatar’s support to terrorist and extremist organisations, including Qatar’s meddling in other countries’ internal affairs. Measures taken by the affected countries included the closure of land, sea and air links to Qatar, and requesting certain Qatari officials, residents and visitors to leave the territories of the affected countries. In order to resolve the situation, the affected countries have expressed a willingness to discuss a restoration of ties and the lifting of the other boycott measures on the condition that Qatar commits to agreements it signed, cease support of terrorist and extremist organisations and stop interfering in other countries’ affairs. In November 2017, Bahrain introduced visa requirements for Qatari nationals and residents. In December 2017, Saudi Arabia, the UAE and Bahrain attended the annual GCC summit amid the on-going dispute with Qatar. Diplomatic efforts to end the crisis are being undertaken by Kuwait and several other countries.

See “Risk Factors—Risks Relating to the Kingdom—Bahrain is located in a region that has been subject to on-going geo-political and security concerns”.

Other Countries

Bahrain has bilateral trade and economic agreements with over 40 countries, including: China, France, India and the United Kingdom. Bahrain has Free Trade Agreements with Singapore and EFTA (comprised of Iceland, Liechtenstein, Norway and Switzerland) and Duty Free Access with the 17 Arab states party to the Greater Arab Free Trade Agreement (GAFTA). Bahrain has also signed: (a) Promotion and Protection of Investment Agreements with 34 countries; (b) Avoidance of Double Taxation Treaties with 41 countries; (c) Reciprocal Exemption of International Air Transport Agreements with 6 countries; and (d) Economic, Trade and Technical Co-operation Agreements with 32 countries.


United States

Bahrain enjoys good relations with the United States, which has the headquarters of its Gulf naval force on the island. In 2002, the U.S. designated Bahrain a “major non-NATO ally”.

Bahrain was also the first Gulf country to have a Free Trade Agreement with the United States. Negotiations were commenced in 2004, and the agreement was implemented in 2006. In 2017, bilateral merchandise trade between Bahrain and the United States reached U.S.$1.9 billion.

European Union

Bahrain enjoys good relations with the EU. The EU established bilateral relations with GCC countries through the 1988 Cooperation Agreement. The 1988 Cooperation Agreement provides for annual joint councils/ministerial meetings (between EU and GCC foreign ministers), and for joint cooperation committees at senior official level. The 1988 Cooperation Agreement allowed for the development of closer cooperation on issues such as energy, transport, research and innovation, and the economy. The most recent EU-GCC ministerial meeting was held in Brussels on 18 July 2016. The GCC delegation was led by H.E. Adel Al-Jubeir, Minister of Foreign Affairs of the Kingdom of Saudi Arabia (as GCC rotating president), and the EU delegation was led by H.E. Federica Mogherini, High Representative of the European Union for Foreign Affairs and Security Policy and Vice President of the European Commission. The GCC Secretariat was represented by H.E. Dr. Abdul Latif bin Rahed Al-Zayani, GCC Secretary General.

The GCC was in discussions with the EU concerning a trade agreement between the GCC and the EU. Negotiations were suspended in 2009 to enable the GCC to complete a study on the cost benefit of such agreements, and this study is still being considered. Further informal contacts have taken place between the parties and both remain committed to concluding the agreement.

The EU’s ICI fund for cooperation with high-income countries is the framework for financial cooperation between the EU and the Gulf region (and other high-income countries). Amongst other projects, the ICI has financed the EU-GCC Clean Energy Network for cooperation among various players in the EU and the GCC on clean energy.
In 2018, bilateral trade between GCC countries and the EU exceeded €143 billion, making the EU the largest trading partner of the GCC.

United Kingdom

Bahrain has entered into a number of trade and tax related agreements and memoranda of understanding with the United Kingdom, including the Agreement for Avoidance of Double Taxation, the Agreement for Promotion and Protection of Investment, the Friendship Treaty, the Memorandum of Understanding for the Economic, Trade and Technical Cooperation, the Memorandum of Understanding on Capacity Building Expertise and the Memorandum of Understanding on Mutual Assistance and Organised Crime.

In April 2018, the United Kingdom opened its new permanent military facility, the HMS Juffair, at Mina Salman Port in Bahrain. This military facility supports Royal Navy deployments in the Gulf through the creation of a permanent base, has improved existing onshore facilities at Mina Salman Port and provides the Royal Navy with a forward operating base and a place to plan, store equipment for naval operations and will provide accommodation for Royal Navy personnel.

Russia

Bahrain has an agreement with the Russian Federation for Economic, Trade and Technical Co-operation and signed a Promotion and Reciprocal Protection of Investment Agreement in 2014.

India

Bahrain concluded the Tax Information Exchange Agreement with India. There are also other agreements in place with India, including the Agreement for Economic, Trade and Technical Co-operation.

China

Bahrain is involved in strategic dialogue with China and has entered into a number of trade and tax related agreements with China, including the Agreement for Economic, Trade and Technical Co-operation, the Agreement for Avoidance of Double Taxation and the Agreement for Promotion and Protection of Investment. In May 2017, following a visit from the Chinese business delegation, the EDB signed memoranda of understanding with the China Hi-Tech Transfer Centre, Shenzhen Belt and Road Economy and Technology Cooperation Association, and Shenzhen Cross-Border E-Commerce Association, which are aimed at developing the economic ties between China and Bahrain and are expected result in increased trade with, and investment from, China. In 2018, eight memoranda of understanding were signed between China and Bahrain to strengthen cooperation and promote trading.

International Organisations

Bahrain is a founding member of the World Trade Organisation and is a member of many other international organisations including the UN, the IMF, the World Bank Group (International Bank for Reconstruction and Development and the International Finance Corporation), the International Centre for Settlement of Investment Disputes, the International Labour Organisation (“ILO”), the Multilateral Investment Guarantee Agency, the Organisation of Islamic Cooperation, the Global Forum on Transparency and Exchange of Information for Tax Purposes, and a member of a number of regional organisations such as the Arab League, the Arab Monetary Fund, the Organisation of Arab Petroleum Exporting Countries, the Islamic Development Bank and the GCC. Bahrain is also a member of the UN Human Rights Council. In addition, a number of international programmes, including the UN Industrial Development Programme have their regional office in Bahrain and the Middle East and North Africa Financial Action Task Force (“MENAFATF”) have their headquarters in Bahrain.

A two-day Bahrain International Conference on the Arab Court for Human Rights was held in May 2014. The conference was attended by more than 240 local, regional and international experts in human rights and judicial systems. The conference was part of ongoing efforts to discuss and finalise the articles of association necessary to establish the Pan-Arab Court, ahead of submission to the Arab League for ratification.

Bahrain has put in place measures to facilitate foreign nationals to conduct business in Bahrain. Bahrain implemented a new visa policy which allows visas to be obtained online or upon arrival in the country. Online visa eligibility has been extended to 115 nationalities.

Vision 2030

In October 2008, the Government approved a long-term vision document called Vision 2030 (“Vision 2030”). Vision 2030’s objective is to further diversify Bahrain’s economy into a globally competitive economy led by private enterprise and predominantly based on high productivity sectors, including finance, services, logistics, tourism and industry. The economic vision sets out the aspirations for Bahrain’s economy, government and society in accordance with the guiding principles of sustainability, competitiveness and fairness. The key priority areas of Vision 2030 are taken into account during each budget process and the Government continues to implement its objectives. As part of Vision 2030, the Government sets out four-year programmes that are approved by the legislative authority. The Government, with the support of the EDB, monitors the progress of initiatives agreed under the four-year programme.
In March 2013, His Royal Highness the Crown Prince was appointed as the First Deputy Prime Minister and is supporting His Royal Highness the Prime Minister’s efforts to ensure the efficiency and effectiveness of the Government’s performance, which will underpin its activities undertaken to achieve its economic vision.

Bahrain has implemented educational reforms to help ensure that the population develops the skills necessary to implement the Vision 2030 objectives. These include the establishment of the Bahrain Teachers’ College and the creation of the Education and Training Quality Authority (“BQA”) in 2008. The BQA reviews and publicly reports on the quality of education and training institutions, with a view to raising standards of education and training in Bahrain. The BQA also publishes reports on the quality of educational and vocational institutions covering private and public schools, universities and vocational courses. The BQA has also reviewed individual degree courses provided by universities.

During 2011 and 2012, the EDB worked on the development of secondary technical and vocational paths with the establishment of a specialised technical college, as well as collaborating with the University of Bahrain and the Bahrain Training Institute on plans to enhance institutional development. Since then, the EDB has been working closely with a number of government institutions including the Ministry of Labour and Social Development, Ministry of Education and the First Deputy Prime Minister’s office on the development and implementation of a long term educational reform plan.

The Government encourages entrepreneurship as an important driver of economic diversification and socially-inclusive growth and has taken a number of steps in this regard. The Government has set up an inter-agency SME Development Board composed of the Ministries of Industry, Commerce and Tourism, the EDB, Tamkeen, the Bahrain Development Bank and the Bahrain Chamber of Commerce and Industry. The board is tasked with nurturing an entrepreneurial ecosystem and boosting the ability of small- and medium-sized enterprises (“SMEs”) to grow and increase their contribution to the economy.

In 2016, Bahrain implemented the Sijilat Commercial Registration Portal, which is designed to simplify the process of business registration, streamline licensing requirements and ensure transparency of procedures and co-ordination between all relevant organisations. The Government has also worked on removing the majority of the residual restrictions on foreign ownership of Bahraini companies.

The Government has introduced a number of measures aimed at encouraging entrepreneurship. The Government has eliminated minimum capital requirements for new companies and introduced virtual corporate registrations that do not require a physical address. The rights of minority shareholders have also been strengthened. In 2016, Bahrain implemented the Sijilat Commercial Registration Portal, which is designed to simplify the process of business registration, streamline licensing requirements and ensure transparency of procedures and co-ordination between all relevant organisations. The Government has also worked on removing the majority of the residual restrictions on foreign ownership of Bahraini companies. In addition, the Bahraini authorities have supported the development of a growing network of incubators and accelerators, typically with international partners, to encourage growth in Bahrain’s fintech and start-up industry, with the goal of repositioning Bahrain as a fintech hub offering conventional and Shari’a-compliant fintech products. In addition, the Government has approved a policy of allocating 20% of Government procurement to SMEs.

Partnerships have been established with foreign entities in Europe and South-East Asia. A U.S.$100 million fund of funds to support technology start-ups is currently being established. Other programmes are also available to existing companies to achieve sustainable growth and expand their footprint beyond Bahrain. In January 2018, the EDB and the Abu Dhabi Global Market signed a fintech cooperation agreement (the first of its kind in the MENA region) to promote collaboration on the exchange of information on trends, services and products, leading to a closer relationship in the development of Islamic finance and fintech initiatives across the MENA region.

In May 2017, the CBB launched a regulatory sandbox that permits fintech firms to test and experiment their banking ideas and solutions. As of 30 June 2019, 35 companies had been granted licenses to operate within the sandbox and two have graduated. The Regulatory Sandbox Framework was revised in August 2018. In October 2017, the CBB announced the establishment of a dedicated fintech unit, which is tasked with providing specialised services to individual and corporate customers in the financial sector and is responsible for the approval of regulatory sandbox participants, supervision of licensed companies’ activities and operations (including cloud computing, payment and settlement systems), and monitoring technical and regulatory developments in the fintech field.

In May 2017, the CBB launched a regulatory sandbox that permits fintech firms to test and experiment their banking ideas and solutions. As of 30 June 2019, 35 companies had been granted licenses to operate within the sandbox and two have graduated. The Regulatory Sandbox Framework was revised in August 2018. In October 2017, the CBB announced the establishment of a dedicated fintech unit, which is tasked with providing specialised services to individual and corporate customers in the financial sector and is responsible for the approval of regulatory sandbox participants, supervision of licensed companies’ activities and operations (including cloud computing, payment and settlement systems), and monitoring technical and regulatory developments in the fintech field.

In addition, the CBB issued guidelines in August 2017 in respect of conventional and Shari’a-compliant financing-based crowdfunding businesses. The guidelines, which were revised in November 2018, include the following: (i) a minimum capital requirement for crowdfunding platform operators of BD 25,000; (ii) only person-to-business and business to business lending is permitted; (iii) SMEs may be based in Bahrain or abroad, however, with respect to foreign SMEs, platform operators must clearly mention the cross-border and jurisdictional risk financiers have to take; (iv) lenders/financiers must perform their own creditworthiness assessment on borrowers/fundraisers; and (v) crowdfunding platform operators must comply with the CBB rules against anti-money laundering, combating the financing of terrorism and consumer protection.
In line with its goal to become the region’s leading fintech hub, the CBB has issued a number of further regulations. In February 2019, the CBB issued its crypto-asset regulations to govern and licence regulated crypto-asset services in Bahrain. The CBB crypto-asset regulations address licensing, governance, minimum capital, control environment, risk management, AML/CFT, standards of business conduct, avoidance of conflicts of interest, reporting, and cyber security for crypto-asset services. They also cover supervision and enforcement standards, including those provided by a platform operator as a principal, agent, portfolio manager, adviser and as a custodian within or from Bahrain. In addition, the regulatory framework also contains rules relevant to order matching, pre and post trade transparency, measures to avoid market manipulation and market abuse, and conflicts of interest. In December 2018, the CBB issued its open banking regulations, which facilitate the provision of a variety of innovative services for bank customers. The open banking regulations mandated the adoption of open banking by all retail banks in the Kingdom by 30 June 2019. In February 2019, under the CBB’s supervision and in collaboration with the IGA, BENEFIT (Bahrain Electronic Network for Financial Transactions) launched the first eKYC Project in the Arab Region. The project is intended to provide an advanced online platform and a database for financial institutions to authenticate the identities of their clients, as well as to validate their information before granting financial services.

In order to improve access to international markets and empower the micro, small- and medium enterprises sector in Bahrain, the Bahraini authorities are working to establish an Export Development Centre (the “EDC”). The project is designed to encourage Bahrain-based companies to expand their operations beyond the local market. The EDC is expected to advise businesses on export opportunities for their products and provide training in export procedures.

Vision 2030 also contains plans for infrastructure development and investment in real estate and housing. See “The Economy of The Kingdom of Bahrain—Principal Sectors of the Economy—Other Services—Transport and Construction” and “The Economy of The Kingdom of Bahrain—Principal Sectors of the Economy—Other Services—Real Estate”.

The Bahrain Economic Development Board (EDB)

The EDB is the economic development agency in Bahrain. Khalid Ibrahim Humaidan was appointed as EDB Chief Operating Officer from 1 September 2019. A royal edict was also issued in 2019 restructuring the EDB board of directors. In 2015, the EDB undertook a strategic review which was reviewed and approved by the EDB Board of Directors, chaired by His Royal Highness the Crown Prince. The EDB’s mandate was tightened to focus on attracting and encouraging inward investment and helping foster an environment to help meet that goal. The EDB currently targets five priority sectors for investment promotion: financial services, manufacturing, logistics, information and communications technology (“ICT”) and tourism (including real estate, education and healthcare). These are all areas aligned with Bahrain’s strengths, including human capital, high quality regulation and connectivity. These sectors offer investable assets and products and are seen as having high potential in several sub-segments for above-trend growth. In order to facilitate the implementation of its strategy, the EDB has expanded its international footprint through a presence in 10 markets. International companies have recently been investing and expanding in Bahrain, and in recent years, a number of banks have opened branches in Bahrain, including, Bank of Khartoum, Cairo Amman Bank, JS Bank and Turkiye Finans.

In 2018, Mondelez opened its second biscuit facility in Bahrain. The 250,000 m² plant, which cost approximately U.S.$90 million, is expected to generate up to 300 additional jobs. The new facility has enabled Mondelez to reduce the transit time from its factory to Saudi Arabia by 70%, highlighting the flexibility and effectiveness of Bahrain as a manufacturing hub. In one of the largest projects of its type to date, Amazon Web Services established its first Middle East data centre in Bahrain on 30 July 2019, which is expected to create 100 new jobs over the period 2019-2021 and estimated to cost approximately U.S.$384 million. The hospitality and Fintech sectors are each expected to grow with the arrival of new international hotel operators and continuing investments by regional start-ups and more established companies. Ongoing investment in the hospitality sector includes 14 strategic projects with an aggregate expected value of U.S.$13 billion, which are expected to generate 300 new jobs.

As part of the EDB’s efforts to enhance the regulatory environment for investors and businesses, several key regulations were passed in 2018, in particular the Electronic Communications and Transactions Law and the Law on the Provision of Cloud Computing Services to Foreign Parties. These regulations are expected to ease facilitation for investors as well as assist Bahrain in its goal of achieving a digital economy.

National Development Strategy 2015-2018

Between 2015 and 2018, the Government implemented the National Development Strategy (the “NDS”), which was drafted in collaboration with Government ministries and agencies. The strategy reviewed Bahrain’s socio-economic performance and evaluated the overall strategic context in which future policy must be drafted. The strategy focused on Bahrain’s resources and reviews areas for development, articulating seven national strategic priorities that are designed to achieve sustainable and inclusive development through efficient utilisation of Bahrain’s resources. In line with the Vision 2030, the strategy continued efforts to ensure economically and ecologically sustainable growth and further streamlines Government operations to better respond to the needs of citizens and the economy. The NDS was prepared concurrently with the Government Plan 2015-2018, which embodied its central message and was used to implement the NDS.
**Government Plan 2015-2018**

In January 2015, the Government introduced the Government Plan 2015-2018, which focused on capitalizing on Bahrain’s resources and capabilities (the “2015-2018 GP”). The 2015-2018 GP was based on the economic plan devised by the EDB, the findings of the National Audit Court report and other key international indicators and statistics, as well as other development considerations. The 2015-2018 GP’s objective was to maintain a strong and diverse economy with stable financial and monetary systems which are resilient against global economic challenges, through increased public-private sector partnerships and a series of strategic programmes designed to invest in key resources and sectors that act as drivers for sustainable economic growth.

The six core priorities of the 2015-2018 GP were: sovereignty and the rule of law, economy and finance, human development and social services, infrastructure, environment and urban development and government performance. The progress of the 2015-2018 GP was routinely assessed against key performance indicators, integrated into development of the Government’s budget and against key elements of the UN’s Post-2015 Development Agenda.

**Government Plan 2019-2022**


The 2019-2022 GP’s objectives are to: (i) invest in citizens by enhancing, improving and sustaining government services in education, health, and other sectors; (ii) further develop a safe and stable society; (iii) enhance sustainable development to achieve fiscal balance and maintain economic growth; (iv) support the private sector to drive national development and create opportunities for citizens and investors; (v) optimise the use of resources and ensure sustainability for future generations; (vi) sustain social and economic development by adopting legislation and initiatives supporting family stability and achieving gender equity; (vii) continue to finance development projects and infrastructure that enhance growth and serve citizens; (viii) redefine the role of the public sector from operator to regulator and partner; and (ix) support creativity and excellence and highlight the role of women, youth and sport in all Government programmes and initiatives.

**Environment**

The National Environmental Strategy (the “NES”) was launched in 2006 to focus on environmental priorities and concerns in the Kingdom. Following its launch, a number of actions were implemented to achieve its objectives, including upgrading air quality monitoring stations, developing a national strategy on biodiversity and naming North Hayrat, which represents 21% of the Kingdom’s national regional water boundaries, a protected area.

When the fiscal budget for Bahrain’s two-year term was declared in early 2019, the Supreme Council for Environment (the “SCE”) allocated the requested budget to update the NES (the “NES Update”). The NES Update project proposal was approved and the NES Update is expected to be completed by the end of 2020. As part of the NES Update, the SCE is expected to review Bahrain’s environmental priorities, its current projects and potential future actions.

A draft environmental law has also been prepared, is under parliamentary consideration and is expected to be approved by the end of 2019. The new environmental law aims to address gaps within existing laws and to provide for tougher sanctions for polluters and pollution.

In the 2019-2022 GP, the Government has set a national target for 2025 to conserve energy by 6% and to increase use of renewable energy to 5%, as well as to increase the use of renewable energy to 10% by 2035. The 2019-2022 GP also reflects the climate change related commitments of Bahrain stemming from the United Nations Paris Agreement entered into in 2016. Budgets for the execution of related projects have been made available either via Government financing or in partnership with the private sector. 22 energy efficiency measures across five key sectors (residential and commercial, government, industrial, electricity and transport initiatives) are currently undergoing implementation, in addition to three other projects associated with renewable energy. The Government has also sought financing from international fund to comply with its climate commitments. In October 2018, the Government announced that the Green Climate Fund had granted Bahrain U.S.$9 million towards the preliminary execution of a wetland water treatment project. This project is expected to improve the capacity of the Bahraini water sector to adapt to climate change through the use of innovative green technologies.
ECONOMY OF THE KINGDOM OF BAHRAIN

Introduction

Bahrain enjoys a strong, diverse and competitive economy. Bahrain has moved to diversify its economy away from a dependence on oil. Although oil continues to play an important part in Bahrain’s economy - in particular from the offshore Abu Saafa Field, which Bahrain shares with Saudi Arabia and the onshore Bahrain Field - Bahrain also has an increasingly important financial services industry (acting as a financial centre for the MENA region). Manufacturing, oil refining, aluminium production and tourism are also significant contributors to GDP. In 2018, Bahrain was ranked 50th of 140 countries worldwide (compared to 44th of 137 countries in 2017) for its overall global competitiveness ranking in the World Economic Forum’s Global Competitiveness Report 2018.

The EDB is the leading organisation for the promotion of economic development in Bahrain. It is currently actively targeting five sectors for development: manufacturing; logistics; information and communications technology; financial services and tourism. The office of the First Deputy Prime Minister is responsible for development of the education and healthcare services sectors.

In line with its priority to develop non-oil activities, such as manufacturing and financial services since at least the late 1960s, Bahrain has remained a regional leader in economic diversification. Bahrain is believed to have one of the most diverse economies in the GCC, hydrocarbons sector only accounted for 17.6% of real GDP in 2018 and 16.8% of Bahrain’s real GDP in the first three months of 2019. This proportion has fallen from 43.6% in 2000 despite the positive absolute growth in hydrocarbons extraction. Four sectors of the economy – hydrocarbons, financial services, manufacturing and government services – each generated more than 10% of GDP in the first three months of 2019.

Apart from the relatively flat hydrocarbons sector, the other three sectors have been important contributors to growth, each growing at a compound average annual rate of more than 5% since 2000. While the largest sectors have been instrumental in reshaping the Bahraini economy, diversification in the Kingdom is increasingly driven by a group of medium-sized sectors, in particular, social and personal services (principally composed of private education and health care), as well as construction, which have each posted double-digit compound annual average growth rates since 2000. Transportation and communications has had an annual average pace of 8% over the same period, followed by hotels and restaurants at 7.9%. Each of these sectors, with the partial exception of construction, are characterised by relatively limited direct or indirect dependence on oil, and their growth is linked to demographic, regulatory, and connectivity drivers that are at the heart of Bahrain’s competitiveness.

Manufacturing: Bahrain has a highly developed manufacturing sector, with significant contributions from aluminium and steel, oil refining and food processing. Subsectors, such as food processing, fast-moving consumer goods and other high-value downstream activities have experienced relatively high growth within the sector. Bahrain considers manufacturing to be a strategic sector, has invested in industrial parks, such as the Bahrain International Investment Park, and is in the process of developing an aluminium downstream park. The manufacturing sector accounted for 14.0% of GDP for the first three months of 2019.

Logistics: Bahrain’s strategic goal is to provide logistics services for the larger GCC market and the northern Arabian Gulf. Currently, Bahrain is host to several global logistics companies, which operate across the GCC, including DHL, Agility and Aramex. Bahrain’s current logistics strategy aims to further reduce cargo travel time from Bahrain across the GCC region by improving customs procedures, as well as expanding the Bahrain Logistics Zone in the Hidd area. Bahrain is also undertaking major infrastructure projects, including dredging the Bahrain Approach Channel (“BAC”) (phase one of which was completed in 2010), developing a new passenger terminal building at Bahrain International Airport, which is expected to be completed in 2020 and is part of a larger airport modernisation project and expanding rail connections to other GCC countries.

ICT: Bahrain has a high quality modern telecommunications system, currently operated by the Bahrain Telecommunications Company B.S.C. (“Batelco”), Zain Bahrain B.S.C. (C) (“Zain”) and Saudi Telecommunications Company (“STC”) through its “Viva” operations. See “——Other Services——Telecommunications”. The sector is regulated by the Telecommunications Regulatory Authority (“TRA”), which has created a mature regulatory environment that has been consistently ranked among the best in the MENA region, and is ranked 28th of 139 countries in the Network Readiness Index published by the World Economic Forum. The TRA regularly publishes Bahrain’s National Telecommunications Plans, which includes details of Bahrain’s intention to complete a national fibre optic national broadband network capable of delivering ultrafast broadband to 95% of all households and 100% of all businesses in Bahrain by 2019. The TRA has also committed to create an independent infrastructure provider, with the purpose of enhancing efficiency and provision of service to all companies in Bahrain that provide telecommunications services and online content.

Financial Services: Bahrain has a well-developed banking, insurance and fund industry, driven by a comprehensive regulatory framework set by the Bahrain’s sole financial regulator, the CBB. Bahrain has the largest concentration of Islamic finance institutions in the GCC region, including Islamic banks, Takaful and Retakaful firms and professional bodies and associations setting global standards for the industry. Capitalising on Bahrain’s 14,000-strong highly-skilled
and bilingual local workforce in financial services, the EDB has prioritised its development efforts to focus on deepening Bahrain’s ancillary financial services and building on its financial technology sector, including payment services. The financial services sector accounted for 16.8% of real GDP for the first three months of 2019.

Tourism: Visitor numbers continue to grow, with Bahrain being a particularly popular destination for GCC visitors. The number of hotel rooms in the Kingdom has doubled over the past five years, with occupancy rates averaging 41% for five star- and 48% for four star- hotels in 2017. The Bahrain Tourism Strategy 2015-2018 has focused on a number of initiatives, including the development of public waterfront developments, improving access to culture and antiquity sites, as well as large scale development projects from the private and public sector, which include re-developing Hawar Island and building several mixed-use projects.

Healthcare: Bahrain is expanding its healthcare industry, with the aim of becoming a leading healthcare destination in the region by investing in the cardiac and oncology treatment centres. This investment strategy aligns with Bahrain’s fiscal policy to increase its non-oil revenue. See “Public Finance—Project Expenditure.”

Education: Annual investment in education in Bahrain increased from U.S.$446.8 million in 2006 to U.S.$900.3 million in 2015 (a 101.5% increase in investment) and the number of public schools increased from 204 schools in 2006 to 281 schools in 2015 (a 37.7% increase in public schools). Private schools have increased from 60 schools in 2006 to 75 schools in 2015 (a 25% increase). Six schools have been funded through the GCC Development Fund, amounting to U.S.$85 million.

Bahrain’s economic development is supported by strong infrastructure which has been developed by the Government since the 1970s through continued public capital investment.

The following table sets out government spending on projects. The below figures do not include spending from amounts received under the GCC Development Fund.

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Project Spending (BD millions)</td>
<td>448</td>
<td>444</td>
<td>411</td>
<td>355</td>
<td>327</td>
</tr>
<tr>
<td>Government Project Spending (U.S.$ millions)</td>
<td>1,188</td>
<td>1,176</td>
<td>1,089</td>
<td>939</td>
<td>867</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance and National Economy

In addition to direct Government capital expenditure, a number of additional projects are funded through development funds and grants. A number of major projects have been identified and approved by the Government, including major housing projects amounting to U.S.$2.4 billion, electricity and water projects amounting to U.S.$1.6 billion, roads and sewerage projects amounting to U.S.$1.5 billion, airport improvement projects amounting to U.S.$1.0 billion and a number of other projects, amounting to U.S.$1.1 billion, focussing on education, health, social development, youth, sports and industry which are expected to be funded by grants received from the GCC Development Fund. Several major infrastructure projects have been launched under the GCC Development Fund, including: (i) the creation of the King Abdullah Medical City; (ii) projects for the development of major roads; (iii) the establishment of the Khalifa Town and Salman Town housing cities; (iv) the construction of a number of public schools; and (v) projects for the expansion of the electricity grid. See “Public Finance—Government budget”.

Expenditures relating to projects funded by these grants are not recorded in the budget as capital expenditure. Amounts relating to the GCC Development Fund are received from the Saudi Fund, the Kuwait Fund and the Abu Dhabi Fund. Details of the amounts to be provided by these entities are set out in “Public Finance—Government Budget”.

Gross Domestic Product

Oil is the largest contributor to GDP (17.6% for the year ending as at 31 December 2018 and 16.8% for the three months ended 31 March 2019), and the financial services sector is the single largest non-oil contributor to GDP (16.4% for the year ending as at 31 December 2018 and 16.8% for the three months ended 31 March 2019), reflecting the importance of trade and finance to the domestic economy.

A table setting out Bahrain’s GDP by economic activity based on constant 2010 prices and by percentage contribution is provided in “—Principal Sectors of the Economy” below.
The following table sets out the GDP of Bahrain for the periods indicated, both as a total and on a per capita basis, and both in current prices and constant 2010 prices for the periods indicated:

<table>
<thead>
<tr>
<th>Year</th>
<th>As at December 2010 Prices (U.S.$ millions)</th>
<th>As at December 2010 Prices (U.S.$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>33,877.7</td>
<td>33,877.7</td>
</tr>
<tr>
<td>2015</td>
<td>31,125.9</td>
<td>32,179.1</td>
</tr>
<tr>
<td>2016</td>
<td>35,432.7</td>
<td>37,876.3</td>
</tr>
<tr>
<td>2017</td>
<td>35,432.7</td>
<td>37,876.3</td>
</tr>
<tr>
<td>2018</td>
<td>35,432.7</td>
<td>37,876.3</td>
</tr>
<tr>
<td>2019*</td>
<td>33,877.7</td>
<td>33,877.7</td>
</tr>
</tbody>
</table>

Percentage change over previous period:

<table>
<thead>
<tr>
<th>Year</th>
<th>As at December 2010 Prices (%)</th>
<th>As at December 2010 Prices (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2.6</td>
<td>(6.8)</td>
</tr>
<tr>
<td>2015</td>
<td>3.3</td>
<td>10.1</td>
</tr>
<tr>
<td>2016</td>
<td>6.9</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Per capita:

<table>
<thead>
<tr>
<th>Year</th>
<th>As at December 2010 Prices (U.S.$/capita)</th>
<th>As at December 2010 Prices (U.S.$/capita)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>25,398.3</td>
<td>22,714.3</td>
</tr>
<tr>
<td>2015</td>
<td>22,602.0</td>
<td>23,604.2</td>
</tr>
<tr>
<td>2016</td>
<td>23,604.2</td>
<td>24,198.9</td>
</tr>
</tbody>
</table>

Notes:

1. Figures are for the period January – March 2019.
2. Using the fixed conversion rate of BD 0.376 = U.S.$1.00.
5. No GDP per capita figures published for quarterly GDP.
6. With respect to the percentage change for a quarter, the figure represents the percentage change between the relevant quarter in 2019 as compared to the same quarter in 2018.

Source: Information eGovernment Authority

Direct government consumption constituted approximately 16.7% of current GDP in 2017, a decrease from 17.0% of GDP in 2016, 17.6% of GDP in 2015 and 16.1% in 2014. Government consumption also affects private consumption since the Government is the country’s major employer and promoter of capital projects. In addition, Government procurement contracts are a major source of work for many private companies in Bahrain. Government consumption increased (in nominal terms) since 2000 to reach U.S.$5,389.1 million in 2014, U.S.$5,491.4 million in 2015 before declining to U.S.$5,485.1 million in 2016 and U.S.$5,888.4 million in 2017. Investment is affected by the oil sector with gross fixed capital formation and stock building being influenced by periods of fluctuating oil prices. See “Introduction”.

The following table sets out GDP in current prices (using the expenditure approach) and in percentage terms for the periods indicated.

<table>
<thead>
<tr>
<th>Year</th>
<th>2014 (U.S.$ millions)</th>
<th>2015 (U.S.$ millions)</th>
<th>2016 (U.S.$ millions)</th>
<th>2017 (U.S.$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>33,387.7</td>
<td>33,387.7</td>
<td>33,387.7</td>
<td>33,387.7</td>
</tr>
</tbody>
</table>

Notes:

1. Using the fixed conversion rate of BD 0.376 = U.S.$1.00.
2. Including net errors and omissions.
3. GDP in current prices (using the expenditure approach) is updated on an annual basis. Accordingly, figures presented may differ from other GDP figures. As at the date of this Base Prospectus, 2018 GDP in current prices (using the expenditure approach) is not available.

Source: Information eGovernment Authority

85
The table below sets out Bahrain’s GDP by economic activity based on constant 2010 prices and by percentage contribution for the periods indicated.

### Principal Sectors of the Economy

The following is a description of the principal sectors of the economy based on percentage contribution to GDP for the relevant periods.

#### Mining

Bahrain has the smallest oil reserves of the GCC countries and daily average crude oil production of 48,930 bpd in 2014, 50,602 bpd in 2015, 44,200 bpd in 2016, 44,234 bpd in 2017, 42,127 bpd in 2018 and 43,014 bpd in the first half of 2019 from its only onshore oilfield, Awali. In 2009, NOGA signed a development and production sharing agreement ("DPSA") with Occidental Petroleum and Mubadala Development Company Oil and Gas (Bahrain Field) LLC ("Mubadala") to increase production from its existing onshore field. The DPSA was terminated on 30 June 2016 with the consent of all the partners due to the uncertain economic conditions resulting from recent declines in oil prices. The Bahrain Field operations have reverted to Government control. Bahrain plans to continue with the long-term field

*Source: Information eGovernment Authority*
development plan envisaged in DPSA through investment over the next two decades to develop oil and gas resources and meet domestic energy needs.

Tatweer Petroleum. In November 2009, Occidental, Mubadala, nogaholding (the investment holding company of the Government, which invests in various oil and gas companies in which the Government has a strategic interest) (together the “Joint Venture Partners”) and NOGA announced the creation of a new state-owned joint operating company, Tatweer Petroleum-Bahrain Field Development Company WLL (“Tatweer Petroleum”), nogaholding acquired 100% of the equity in Tatweer Petroleum on 1 July 2016, and, in doing so, nogaholding incurred exit expenses (consisting principally of running costs and capital expenditure) capped at U.S.$150 million in respect of its former Joint Venture Partners. Tatweer Petroleum is responsible for operating of the Awali Field including the Khuff Gas Reservoir. Tatweer Petroleum’s production and development activities are under way, with its team largely comprised of individuals from the state-owned Bapco, together with employees from both Occidental and Mubadala. The company also continues to hire additional local employees. Tatweer Petroleum drilled a total of 62 wells in 2015, 38 in 2016, 66 in 2017, 69 in 2018 and 47 in the first half of 2019.

Tatweer Petroleum’s strategic aim is to increase the production of oil from the onshore field. Tatweer Petroleum increased crude oil production (including condensate) from 2011’s daily average of 42,510 bpd to 43,014 bpd in the first half of 2019, which represented an increase from 2018’s daily average of 42,127 bpd. During 2016, drilling was predominantly carried out on the Ahmedi wells in the crest area of the field, which had not previously been developed due to gas handling limitations. While drilling in this area initially resulted in high production levels, the wells began to deplete quickly leading to exhaustion of the area and a drop in production levels. Tatweer has since focused on other reservoirs, such as Mauddud and Kharaib in order to sustain production levels. The Mauddud tight spacing project commenced in 2019 and is expected to increase production. Tatweer’s infill drilling strategy envisages the drilling of 72 wells per year for the next four years and is expected to provide an additional gas injection of 200 million standard cubic feet per day (“mcf”) by 2030 for viodage management and improved gravity drainage.

Tatweer Petroleum has continued to focus on developing its production capabilities at the Awali oilfield and improving production efficiency through new facilities and automated systems, with improvements such as:

- the installation of a centralised gas dehydration facility capable of processing 500 mcf per day of non-associated gas;
- the installation of incremental associated gas rental compression units;
- the automation of gas lift well chokes;
- the installation of low pressure modularised gas compression and liquid handling systems;
- upgrades to the fibre optic network infrastructure;
- continuing the enhanced oil recovery (“EOR”) programme, with new technologies being introduced at the Awali oilfield such as water flooding and steam injection; and
- the execution of multiple additional cost and energy saving projects.

Khalij Al-Bahrain Basin. On 4 April 2018, NOGA announced the discovery of large unconventional oil resources off the Kingdom’s western coast and significant gas reserves in the onshore Pre-Unayzah reservoirs. This discovery comprised: (i) tight oil reserves of approximately 80 billion barrels within the Khalij Al-Bahrain Basin; and (ii) the Pre-Unayzah gas reserves; significant gas reserves below the Khuff sections of Bahrain’s main gas reservoir (Awali field). See “—Gas—Pre-Unayzah Gas Reserves”. The development area for the oil resources covers approximately 2,000 square kilometres (722 miles) in shallow waters off the Kingdom’s west coast, which faces Saudi Arabia.

In May 2019, NOGA signed an exploration and production-sharing agreement with ENI for Block-1 exploration, following the completion of a joint study agreement signed in 2016. ENI is currently in the process of preparing drilling works on its first well as part of the minimum work programme set out in the exploration and production sharing agreement.

Extensive work has been carried out to evaluate in-place volumes. Tatweer participated in the drilling, fracking and testing of an offshore well and has succeeded in flowing significant volumes of high quality oil during the testing and flow-back phases. Tatweer is in the process of drilling a number of appraisal wells to help delineate the asset and collect important production information. The technical and commercial feasibility, timing, cost and financing of any potential exploitation of the Khalij Al-Bahrain Basin is in the process of being determined and production is expected to begin in 2024.
Abu Saafa Oilfield. Bahrain also exports crude oil from the Abu Saafa Oilfield, which is located offshore between Bahrain and Saudi Arabia. Under a treaty signed with Saudi Arabia in 1958, Bahrain is entitled to receive 50% of the output from this field, although historically Bahrain has received significantly more than its 50% entitlement. See “Risk Factors—Risks Relating to the Kingdom—Bahrain’s economy remains significantly dependent on oil revenues and is vulnerable to external shocks, including the current low oil price environment”. Bahrain’s share in the Abu Saafa production amounted to 153,637 bpd in 2014, 150,942 bpd in 2015, 153,512 bpd in 2016, 152,913 bpd in 2017, 152,057 bpd in 2018 and 147,392 bpd as of June 2019. In 2018, Bahrain processed approximately 259,837 bpd of crude oil from the Bahrain Field and Saudi Arabia at its refinery in Sitra.

The table below provides details of Bahrain’s oil refining industry for the periods indicated.

<table>
<thead>
<tr>
<th></th>
<th>2014 (bpd)</th>
<th>2015 (bpd)</th>
<th>2016 (bpd)</th>
<th>2017 (bpd)</th>
<th>2018 (bpd)</th>
<th>Q1 2019 (bpd)</th>
<th>Q2 2019 (bpd)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refined oil production</td>
<td>274,612</td>
<td>276,676</td>
<td>266,713</td>
<td>271,318</td>
<td>270,902</td>
<td>282,811</td>
<td>274,001</td>
</tr>
<tr>
<td>Local sales of refined products</td>
<td>27,553</td>
<td>28,712</td>
<td>29,169</td>
<td>30,114</td>
<td>31,266</td>
<td>29,526</td>
<td>30,043</td>
</tr>
<tr>
<td>Exports(1)</td>
<td>240,714</td>
<td>240,102</td>
<td>225,419</td>
<td>239,701</td>
<td>233,491</td>
<td>256,351</td>
<td>238,717</td>
</tr>
</tbody>
</table>

Note:
(1) Includes exports by Bapco.

Source: National Oil and Gas Authority

Production levels were lower in 2018 as a result of a number of planned turnarounds and inspections, as well as planned shutdowns in respect of the low sulphur diesel production facility and the low sulphur fuel oil units to attend to specific maintenance jobs. There were also four unplanned unit shutdowns in 2018, which had minimal impact on refinery operations.

There were also fluctuations in refined product output between 2015, 2016 and 2017 as a result of the closure of Hub 2 in 2014, the closure of Hub 1 and maintenance of a major refinery in 2016 and the scheduled shutdown of the fluidised catalytic cracker unit complex in the second half of 2017.

Refining

Bahrain has an oil refinery at Sitra operated by Bapco. The Sitra oil refinery has a nameplate capacity of 267,000 bpd. The refinery was established in 1936 as the first refinery in the gulf region and a capacity of 10,000 bpd. Frequent investments and improvements to the facility, as well as to systems and operations have been made to comply with the highest industry safety standards, meet market demands, achieve high reliability, implement cost efficiencies and improve workforce productivity. The refinery produces a full range of products, with the most valuable being middle distillates which constitute about 58% of the refinery production.

Bapco recently completed a U.S.$1.2 billion Strategic Investment Program (“SIP”), where several new units were added to ensure continued profitability, including the upgrading of low value fuel oil to more valuable low sulphur Euro 5 (10 ppm sulphur) diesel and the production of Group III base oils. In addition to these new processing facilities, environmental projects were also executed as part of the SIP.

In 2010, the Government announced the Bapco Modernisation Program, which will be the company’s single largest investment in its long history, and consists of a group of related projects managed in a co-ordinated way to maximise benefits. One of the key objectives of the Bapco Modernisation Program is to improve the product slate by upgrading the refinery residue, thereby improving gross margins and remaining competitive under a wider range of feedstock and product prices and market conditions. The larger and more complex refinery with increased exports of higher value products is expected to generate positive cash flow for the Kingdom of Bahrain. Bapco will also benefit from a more energy efficient facility, better equipped to meet more stringent environmental compliance regulatory standards and goals. In February 2018, Bapco signed a U.S.$4.2 billion EPC contract to a consortium led by French-U.S. petroleum services group TechnipFMC. In December 2018, greenfield construction at the site commenced and the foundation stone for the Bapco Modernisation Project was laid by His Royal Highness the Prime Minister of Bahrain in March 2019. Financial close for the project occurred on 9 May 2019 with the participation of a total of 21 banks (eight international, six regional and seven Bahraini banks) and a stakeholder engagement meeting was initiated in July 2019.

New A-B pipeline

As part of Bapco’s Modernisation Programme, a new 118 kilometre long 30-inch A-B pipeline, with a maximum nameplate capacity of 360,000 bpd was constructed and commissioned in October 2018. This replaced the existing 235,000 bpd pipeline built in 1945 and runs partly onshore and offshore. The pipeline will link the Sitra Refinery to Saudi Aramco’s plant at Abqaiq, in eastern Saudi Arabia. Abqaiq is Saudi Aramco’s largest oil storage and distribution hub facility and the largest crude oil stabilisation plant in the world. The facilities receive crude oil from gas-oil separation plants and onshore oil fields, process it into sweet crude oil and then transport it. In addition, a fibre optic cable was laid alongside the pipeline for data communication and leak detection system purposes.
The map below shows the location of the new A-B pipeline.

The front-end engineering design of the pipeline was completed in 2014 by Worley Parsons of Australia. Contracts for the 43-kilometre long onshore Saudi Arabia stretch of the pipeline and the 41-kilometre offshore stretch were awarded to Al Robaya Holding Company of Saudi Arabia and UAE’s National Petroleum Construction Company, respectively. The construction contract for the 28-kilometre onshore Bahrain stretch was awarded to Ramsis Engineering Company of Bahrain. The new pipeline was commissioned in October 2018, at which point decommissioning of the existing pipeline commenced.

The portion of the new pipeline in Bahrain is owned by the Saudi Bahrain Pipeline Company, a wholly-owned subsidiary of Bapco, and Saudi Aramco owns the portion of the pipeline in Saudi Arabia. The pipeline is subject to a leasing agreement between Bapco and the Saudi Bahrain Pipeline Company, pursuant to which Bapco leases the portion of the pipeline in Bahrain from Saudi Bahrain Pipeline Company. Saudi Aramco does not require Bapco to enter into a leasing arrangement with respect to the portion of the pipeline in Saudi Arabia.

Bapco operates and maintains the Bahraini portion of the pipeline, while Saudi Aramco operates and maintains the Saudi and offshore portion of the pipeline. Saudi Aramco will receive reimbursement from Bapco for any costs incurred in such operation and maintenance activities. All operation and maintenance activities are governed by a separate operation and maintenance agreement.

The cost of the pipeline amounted to U.S.$317 million (under the approved budget of U.S.$330 million) and was entirely funded by nogaholding, and in March 2016, nogaholding obtained a multi-bank murabaha financing facility of U.S.$570 million from a group of 10 international, regional and local banks, with part of the proceeds from the facility being utilised to fund the construction of the oil pipeline between Saudi Arabia and Bahrain.

Since commissioning of the new pipeline in October 2018, operating levels have been in line with expected levels and the pipeline is expected to operate at full capacity following completion of the Bapco Modernisation Programme, currently expected in 2022.

Gas

In July 2017, the operation of the gas distribution business in Bahrain was moved from Bapco into Tatweer Petroleum, with the intention of ultimately having the business managed by new gas distributor, expected to be a wholly-owned subsidiary of nogaholding. Tatweer Petroleum currently manages and distributes gas from the Khuff Gas Reservoir to end-user customers including Bapco’s oil refinery.

The table below provides details of Bahrain’s gas production for the periods indicated.

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural gas production</td>
<td>521.6</td>
<td>519.5</td>
<td>499.9</td>
<td>514.4</td>
<td>522.6</td>
</tr>
<tr>
<td>Associated gas production</td>
<td>206.8</td>
<td>232.1</td>
<td>243.9</td>
<td>243.6</td>
<td>250.0</td>
</tr>
<tr>
<td>Total gas production</td>
<td>728.4</td>
<td>751.5</td>
<td>743.8</td>
<td>758.0</td>
<td>772.6</td>
</tr>
</tbody>
</table>

Source: Tatweer

Although Bahrain’s gas reserves are relatively small, total gas production (i.e., natural gas from the Khuff Gas Reservoir and the associated gas production) has gradually increased over the years, from 393.0 billion cubic feet in 1998 to 772.6 billion cubic feet in 2018. Fluctuations in production are affected by demand. Tatweer Petroleum has
focused on maintaining natural gas production from the Khuff Gas Reservoir in order to meet demand for gas for power generation and local industries. Associated gas production, which is a by-product of the oil production process, is supplied as feedstock to Banagas and Tawseah. Tatweer Petroleum is responsible for the operation and maintenance of the gas distribution network, which provides approximately 1,300 mscfd of gas from Bahrain fields to various customers across Bahrain as both fuel and feedstock for power and industry such as electricity generation, aluminium smelting, petrochemicals, water desalination, refining and others.

Gas is sold directly to the following principal domestic consumers: Bahrain’s power stations (which accounted for 45%, 45%, 44%, 45% and 43% of total gas utilisation in 2014, 2015, 2016, 2017 and 2018, respectively), followed by Alba (which accounted for 26%, 26%, 27%, 27% and 27% of total gas utilisation in 2014, 2015, 2016, 2017 and 2018, respectively), Gulf Petrochemical Industries Company (“GPIC”) (which accounted for 9%, 8%, 9%, 9% and 8% of total gas utilisation in 2014, 2015, 2016, 2017 and 2018 respectively), and the Sitra oil refinery (which accounted for, 10%, 11%, 11%, 10% and 10% of total gas utilisation in 2014, 2015, 2016, 2017 and 2018, respectively).

The table below provides details of the percentage of Bahrain’s Khuff gas sold directly to Bapco’s principal domestic consumers for the periods indicated. (The table below does not account for re-injected gas.)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity Directorate</td>
<td>45</td>
<td>45</td>
<td>44</td>
<td>45</td>
<td>43</td>
</tr>
<tr>
<td>ALBA</td>
<td>26</td>
<td>26</td>
<td>27</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Bapco</td>
<td>10</td>
<td>11</td>
<td>11</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>GPIC</td>
<td>8</td>
<td>9</td>
<td>9</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Others</td>
<td>10</td>
<td>10</td>
<td>9</td>
<td>9</td>
<td>12</td>
</tr>
</tbody>
</table>

The other principal use of the natural gas produced from the Khuff Gas Reservoir is oil field injection, which accounted for 41%, 33%, 26%, 31% and 29% of oil field injection in 2014, 2015, 2016, 2017 and 2018 respectively.

Bapco completed the drilling of three of the eight Khuff gas wells before transferring management of the Awali field to Tatweer Petroleum, as part of a U.S.$200 million Government programme to boost natural gas production in Bahrain by an additional 500 mcf per day in order to meet Bahrain’s growing demand for natural gas for power generation and local industries. Tatweer Petroleum drilled five additional wells as part of this project and constructed gas processing facilities. The Khuff gas drilling programme started in early 2009 and completed in March 2011. All the wells are equipped with seven-inch diameter production tubing, which enhances production capacity compared to previous wells equipped with five-inch diameter production tubing. In addition to the eight new wells, the programme also included the maintenance of certain previously-drilled wells for the Khuff reservoir.

Pre-Unayzah Gas Reserves.

The Pre-Unayzah exploration project is in the appraisal phase, with certified resources of Pre-Unayzah gas reservoirs announced in 2018. The in-place volumes in the Pre-Unayzah reservoirs are estimated to be between 10-20 trillion cubic feet. The re-entry of Bahrain Deep-1 well is ongoing and the drilling of a number of Pre-Unayzah wells are expected to provide an updated insight on the size and viability of the reserves. The first well in the drilling programme is expected to spud by the end of 2019. A notional development plan is being finalised for two reservoirs, together with an exploration programme to evaluate the potential of deeper reservoirs.

Associated Gas. Associated Gas, which is produced with crude oil, is distributed to all seven compressor stations operated by the Bahrain National Gas Company (“Banagas”). Banagas extracts propane, butane and naphtha for export from Associated Gas. Propane and butane are transported via pipelines to Banagas-owned storage facilities in Sitra, and naphtha is also transported via pipeline to the refinery for international export. Residue gas from Banagas and Tawseah subsequently enters the national gas system at a pressure lower than Khuff gas and is sold to local customers who can accommodate the lower pressure. The Government aims to increase its production volume of associated gas in connection with its strategic aim to increase its oil production.

Bahrain Gas Plant Project. As a result of the increased exploration and development of the Bahrain Field by Tatweer Petroleum, the volume of associated gas produced from the Bahrain Field increased to 650 mmscfd, which was beyond the existing capacity of both Banagas and Tawseah. The additional associated gas was re-injected into the Bahrain Field. To accommodate this additional gas, Tawseah engaged in the construction of a new gas processing facility and associated storage, designated as the Bahrain Gas Plant Project.

The new gas processing facility has a nominal processing nameplate capacity of 350 mcf per day to receive the additional associated gas to recover propane, butane and naphtha, which will be exported from the Sitra port using liquefied petroleum gas shipping vessels and naphtha shipping vessels. The project included the construction of additional storage tanks including a refrigeration train at the Sitra storage area, the construction of new pipelines between the gas processing facility and the Sitra storage area, as well as the installation of a new pipeline that will
transport the refinery off-gas from the existing refinery off-gas pipeline to be compressed along with the associated gas at Tatweer Petroleum compressor station and will be sent finally to a new gas processing facility via a new pipeline or gas gathering header, and the construction of a 66 kilovolt electric substation adjacent to the existing Central Gas Plant.

There are two engineering, procurement, and construction contracts, one for the construction of the new gas processing facility and related facilities and one of the expansion of the storage facilities at Sitra. On 27 January 2016, Japan’s JGC Corporation signed a U.S.$355 million contract for the construction of the new gas processing facility and related facilities. On 5 October 2016, JGC Gulf International (part of JGC Corporation) was awarded a U.S.$988.7 million contract by Tawseah for the expansion of the field pipelines and storage facilities at Sitra. The construction of the new gas processing facility and related facilities and the expansion of the storage facilities at Sitra were completed in 2018 on time and within budget.

The project is being financed by a mixture of Shari’a compliant and commercial debt financing provided by international and regional banks, as well as a shareholder loan extended to Tawseah from nogaholding.

Bahrain LNG Terminal Project. As part of its diversification of energy supply programme to reduce its dependence on oil, the Government has also focused on alternative sources of energy. For example, the Government aims to supplement available natural gas by importing liquefied natural gas (“LNG”) through its Bahrain LNG import terminal (“Bahrain LNG Terminal Project”). The Bahrain LNG Terminal Project, once completed, will form a key part of the energy infrastructure of Bahrain. It is expected to give Bahrain security of supply that it needs to meet its growth in demand for natural gas to fuel large industrial projects, to generate power and water and to increase oil recovery. The Bahrain LNG import terminal will allow Bahrain to handle any potential shortages of gas and is expected to allow Bahrain to supplement domestic gas supplies with gas from LNG.

The Bahrain LNG terminal, which is currently in the final stage of construction, is located offshore and is comprised of a Floating Storage Unit (“FSU”), a regasification platform, onshore receiving facilities and associated utilities and infrastructure. In 2016, NOGA and nogaholding appointed a consortium of Teekay (Canada), Samsung C&T (South Korea) and GIC (Kuwait) for the development of the terminal on a “build, own, operate and transfer” basis. The LNG terminal will be owned and operated by Bahrain LNG W.L.L, a joint venture owned 30% by nogaholding and 70% by the consortium. While the terminal itself is owned by Bahrain LNG W.L.L, the FSU is a new LNG carrier built to the requirements of Bahrain LNG and time chartered by Bahrain LNG W.L.L from the FSU owner for a period of 20 years.

The construction of the Bahrain LNG terminal is being undertaken by GS Engineering & Construction Corp., and the FSU was constructed and delivered in September 2018 by Daewoo Ship Building & Marine Engineering Co. GS Engineering & Construction Corp. commenced construction work in the first quarter of 2017, including construction of the breakwater, dredging activities and the ground piling works for the LNG jetty and associated platform. As of July 2019, the terminal was close to achieving the mechanical completion, following which, hydrocarbon will be introduced to the system for terminal commissioning. The terminal is expected to start operations by the end of 2019.

The Bahrain LNG Terminal has been project financed on a limited recourse basis and Bahrain LNG has U.S.$741 million in international financing in place from a syndicate of 11 international and regional banks, supported by the Korea Trade Insurance Corporation.

Financial Services

Bahrain is one of the major financial centres in the MENA region. It benefited significantly when financial institutions left Lebanon during Lebanon’s 1975-1990 civil war, and its success is due, in part, to its geographical location between east and west time zones and its proximity to Kuwait and Saudi Arabia. Financial services remain the largest non-oil component of the real economy, accounting for approximately 16.4%, 16.3% and 16.5%, 16.7%, 16.4% of real GDP in, 2014, 2015, 2016, 2017, and 2018 respectively. For the first three months of 2019, the financial services sector accounted for 16.7% of real GDP.

Pursuant to Vision 2030, Bahrain continues its economic diversification efforts by placing an emphasis on attracting commercial and investment banks, Islamic banks and other financial firms to the area.

The Bahraini legal system is seen as a sound system for settling disputes. In a move aimed at attracting more foreign investors and reinforcing Bahrain’s status as a “commercial hub” for the region, an independent arbitration centre for commercial disputes was unveiled in January 2010. The Bahrain Chamber of Dispute Resolution (the “Chamber”), which is a joint initiative between Bahrain’s Ministry of Justice and the New York-based American Arbitration Association, acts as arbitrator between parties that voluntarily present their grievances and agree to accept its ruling as a final and binding resolution.
The Chamber has been developed as a means by which parties to a dispute can avoid the delays and uncertainty arising from using national courts. It has the authority to arbitrate cases where the claim is for more than BD 500,000 and involves an international party or a party licensed by the CBB. The Chamber’s rulings are not subject to challenge in Bahrain once they are handed down, but the parties involved can still seek alternative legal redress through foreign courts where local law permits such a legal challenge and the parties involved opt to do so.

The Chamber, which costs between U.S.$6.6 million and U.S.$8.0 million per year to run, is intended to serve regional needs in the GCC, Iraq, Yemen and Iran, as well as other parts of the world. Disputes arising after 4 January 2010 can be heard by the Chamber.

The banking system in Bahrain is overseen by the CBB, which is the sole banking regulator in Bahrain and is comprised of conventional banks and Islamic banks. See “Monetary and Financial System—Role of the Central Bank of Bahrain”.

In November 2016, the Trust Law Bahrain (Legislative Decree № (23) of 2016) replaced the Bahrain Financial Trusts Law 2006. The Trust Law sets out the range of specialised services that can be offered by financial institutions in Bahrain and permits companies and individuals to hold both conventional and Islamic assets situated anywhere in the world for employees’ or their spouses’ benefit. It also formally recognises trusts established and governed by foreign laws. Recently, the CBB approved the first real estate investment trust to be established in Bahrain. The CBB operates a secure Trust Registry Office relating to trusts established under the Trust Law Bahrain.

Bahrain also has an established insurance sector and a stock exchange, both of which are regulated by the CBB. The Bahrain Bourse (formerly known as the Bahrain Stock Exchange) commenced operations in June 1987; and in late 2010 by virtue of the Royal Decree № (60) of 2010 was established as a shareholding company and renamed the Bahrain Bourse.

Manufacturing

The manufacturing sector accounted for 14.0% of GDP for the first three months of 2019. The discovery of oil in the early 1930s was the spur for industrialisation in Bahrain. The principal manufacturing facilities in Bahrain are an aluminium smelter operated by Alba, an oil refinery operated by Bapco at Sitra and the petrochemicals complex operated by GPIC. Other areas of manufacturing include ship repair, iron palletising facilities, light engineering facilities and textile production.

Aluminium

The Alba aluminium smelter, with a capacity of 936,000 tonnes per year, is one of the largest aluminium smelters in the world and produces in excess of 900,000 tonnes of aluminium per year. The Alba aluminium smelter is the world’s fourth largest producer of aluminium by individual smelter capacity. 69.38% of Alba’s share capital is held by Bahrain through Mumtalakat (established by royal decree dated 26 July 2006) and 20.62% of its share capital is held by Saudi Basics Industries Corporation (“SABIC”). In November 2010, Mumtalakat conducted a global offering of a portion of its ordinary shares in Alba. Alba’s ordinary shares are listed on the Bahrain Bourse and global depositary receipts representing such shares have been listed on the London Stock Exchange under the symbol “ALBH” since 30 November 2010. See “Public Finance—Revenue—Alba”.

Bahrain’s largest non-oil export is aluminium, which is smelted at the Alba aluminium smelter. According to IGA foreign trade data, aluminium accounted for 7.9% of total exports and 20.8% of total non-oil exports in 2014, 12.0% of total exports and 22.5% of total non-oil exports in 2015, 10.4% of total exports and 19.5% of total non-oil exports in 2016, 13.3% of total exports and 29.3% of total non-oil exports in 2017, 11.3% of total exports and 27.8% of total non-oil exports in 2018 and 10.0% of total exports and 22.0% of total non-oil exports in the three months ended 31 March 2019.

Global market conditions in the aluminium sector weakened in the second quarter of 2019, affected by increased trade tensions between the United States and China, as well as other geopolitical events. In the Middle East and North Africa, consumption slowed due to weaker construction activities, although consumption in Saudi Arabia grew by approximately 5%. Global production of aluminium grew by approximately 1% year-on-year in the second quarter of 2019. Russia, India and Bahrain were the largest contributors to the world’s smelter production (excluding China).

As of the end of the second quarter of 2019, London Metal Exchange (“LME”) cash averaged U.S.$1,793 per metric tonne, reflecting a year-on-year decrease of 21%. Alumina prices, while lower than fourth quarter of 2018 levels, remain at high levels of 20% of LME prices.

There are a number of other aluminium-based industries in Bahrain, including plants which produce approximately 165,000 tonnes per year of rolled products, 180,000 tonnes per year of aluminium cables and 25,000 tonnes per year of extruded aluminium products. In addition, a coke-calcining plant operated by Alba with a capacity of 550,000 tonnes per year began production in January 2002. The majority of its production is used by Alba and the balance is exported.

Alba entered into an agreement with NOGA to set the price of gas for the period 2015-2021. This agreement was reached to help curb rising heating costs incurred in the aluminium manufacturing process. Effective 1 April 2015, gas...
prices increased from U.S.$2.25 per mmbtu (gross heating value) to U.S.$2.50 per mmbtu and will thereafter increase at a rate of U.S.$0.25 per mmbtu (gross heating value) per year until the price reaches U.S.$4.00 per mmbtu on 1 April 2021.

The table below sets out gas prices based on the above agreement at the dates indicated.

<table>
<thead>
<tr>
<th>Price (in U.S.$)</th>
<th>1 April 2015</th>
<th>1 April 2016</th>
<th>1 April 2017</th>
<th>1 April 2018</th>
<th>1 April 2019</th>
<th>1 April 2020</th>
<th>1 April 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.50</td>
<td>2.75</td>
<td>3.00</td>
<td>3.25</td>
<td>3.50</td>
<td>3.75</td>
<td>4.00</td>
</tr>
</tbody>
</table>

Line 6 commenced production on 13 December 2018 and the Line 6 expansion project was completed in 2019, Line 6 boosts Alba’s annual production by 540,000 tonnes, bringing Alba’s total production capacity to 1.5 million tonnes of aluminium per year. The capital expenditure estimate for the construction of Line 6, as well as replacing and expanding the power capacity of the existing power plant facilities, is approximately U.S.$3 billion, which Alba financed without Government assistance. In October 2016, Alba entered into a U.S.$1.5 billion syndicated term-loan facility, comprising of a conventional facility and an Islamic facility. In April 2017, Alba secured commitments of approximately U.S.$700 million from ECA supported facilities. In April 2018, Alba successfully drew down €204.5 million from its ECA-supported facilities. Alba drew down further amounts of approximately U.S.$300 million from its bank and ECA supported facilities in the last quarter of 2018 and during 2019.

Petrochemicals

Gulf Petrochemicals Industries Company (“GPIC”) is an equally-owned joint venture company between the Government of Bahrain (one-third ownership through nogaholding), Sabic Agro-nutrients Company (one-third ownership) and Petrochemical Industries Company of Kuwait (one-third ownership), which was established in 1979 and started production in 1985. GPIC owns a petrochemical and fertiliser complex at Sitra producing 1,200 metric tonnes of ammonia per day, 1,700 metric tonnes of urea per day and 1,200 metric tonnes of methanol per day.

Other Services

Transport and Construction

Air Transportation

The Ministry of Transportation and Telecommunications and the Bahrain Airport Company developed the Airport Modernisation Programme (the “AMP”), which is a comprehensive project begun in 2014 to enhance the Bahrain International Airport and includes the construction of advanced aerobridges, high-tech security scanning machines and the expansion of the duty free area.

Construction on the new Bahrain International Airport passenger terminal began in February 2016 (the “BIA Passenger Terminal”) and is expected to be completed by 2020. Once the BIA Passenger Terminal is completed, it is expected to become a major contributor to Bahrain’s Economic Vision 2030. The BIA Passenger Terminal will be four times the size of the current airport (approximately 206,000 m2) and is expected to be able to accommodate approximately 14 million passengers per year (compared to the current capacity of nine million passengers per year). The project will also include multi-storey car parks and access roads along with a central utilities complex, new aircraft stands and taxi lanes. Advanced technology will be introduced throughout aimed at facilitating passenger flow and maintaining efficiency and speed while ensuring sustainable operations. In 2015, a number of contracts were awarded and tenders announced and in January 2016, the project’s main contractor agreement was awarded to a joint venture between the UAE’s Arabtec and Turkey’s TAV Construction. The joint venture is contracted to complete the main construction works at the new airport, consisting principally of building the new passenger terminal.

The total cost of construction is estimated to be approximately U.S.$1.1 billion, with work expected to continue through 2019. As part of the airport modernisation, air cargo is also expected to reach 1 million metric tonnes per annum over the next decade, from 288,235 metric tonnes in 2018. Bahrain Airport Company is currently in the process of developing a comprehensive air cargo strategy to facilitate the growth of existing tenants and attract new ones, in particular, suppliers of perishable goods and cold foods. This strategy includes the development of a 25,000 m2 new cargo area, which will be comprised of warehouses, aircraft parking and associated infrastructure. In 2019, FedEx Express signed a lease to operate a 9,000 m2 area at the new facility.

Road Transportation

A new public transport network was announced in 2015, which aims to modernise and upgrade the public transport services. The network is intended to further improve the standard of living of all citizens and residents by providing safe, accessible and high quality public transportation in line with global standards and Bahrain’s Economic Vision 2030. The Bahrain Public Transport Company was appointed as a new operator for the project under a 10-year concession agreement to operate Bahrain’s new public transport network.

A new bus network is now in full operation and includes 141 new buses operating on 32 routes to destinations not previously covered, including to Bahrain University, Mina Salman and Amwaj Islands, as well as several express links...
serving Manama, Muharraq and Bahrain International Airport. The bus network is intended to have a dual role in the future as the feeder for light rail and mainline rail services, as well as providing nationwide public transit coverage.

**Ports and Sea Transportation**

The Khalifa Bin Salman Port ("KBSP"), inaugurated on 11 November 2009 and privately managed by APM Terminals, is the first multi-functional facility that is focused on import, export and re-exports and value added services in the Kingdom. The KBSP occupies an area of 110 hectares of reclaimed land and is located in the north-east of Bahrain, 13 kilometres from Bahrain airport. It is also linked to the road leading to the King Fahad Causeway. The KBSP has a current total capacity of one million twenty-foot equivalent units ("TEUs") which, if required, can be increased to handle 2.5 million TEUs.

The King Fahad Causeway, completed in 1986, is a 25-kilometre causeway that links Bahrain to the largest market in the GCC, Saudi Arabia. The causeway has brought significant economic benefits for both countries. The feasibility study for a second causeway linking Bahrain and Saudi Arabia called the “King Hamad Causeway” is complete and the second causeway is expected to have a road and rail link between Saudi Arabia and Bahrain and connect to the proposed GCC rail network, which will accommodate freight and passengers. The “King Hamad Causeway” is scheduled for completion within three years with an expected budget of between U.S.$3 billion and U.S.$4 billion. The GCC rail network is also planned to connect to a proposed light rail urban transit network in Bahrain, which is aimed at reducing congestion. Bids for the preliminary design and functional specification of the rail urban transit network were received in March 2016 and the construction phase was put out to tender in April 2017. The light rail network project is expected to include 30km of track and 20 stations in the first phase, with a total network of 184km expected to be completed by 2030.

In 2010, the Ministry of Works completed the first phase of dredging the BAC, which leads to the KBSP and other port facilities in Bahrain. Phase two of the project is currently underway. Prior to the first phase of dredging, vessels approaching Bahrain’s port facilities had to navigate via the natural approach channel, which had a draught-limiting depth of approximately 12.8 metre Chart Datum ("CD"), therefore restricting the access of larger vessels to port facilities and today stands at 13.6 metre CD. The second phase of dredging the BAC aims to increase draught-limiting depth to a minimum of 15 metre CD which will facilitate port access for ships up to 15,000 TEUs.

The Public Commission for the Protection of Marine Resource, Environment and Wildlife (the “Marine Commission”) has invested in the design and construction of four fishing harbours in Askar, Hidd, Malkiya and Tubli and a jetty in Hawar. The Askar harbour will accommodate 150 small boats, together with a cafeteria, community hall, shops, prayer room, maintenance workshops, fisheries office and store and offices for the coastguard.

After the collapse of the existing jetty on Hawar Islands, the Marine Commission decided to build a new jetty. The new jetty will accommodate 20 boats, a coastguard jetty for two boats, a jetty for the hotel ferries, harbour master’s office and accommodation for the coastguard adjacent to the hotel on Hawar Island.

Bahrain has invested U.S.$21.3 million in the Tubli Wastewater Treatment Plant Upgrade Project which aims to upgrade the secondary treatment unit at Tubli STP to improve the quality of water and the 100,000m3/day overflow to Tubli Plant. The project deploys proprietary reactor units to improve the quality of waters discarded in Tubli Bay.

The Ministry of Works signed the build-operate contract for the Muharraq sewage treatment plant in 2011. The plant is expected to have an initial design capacity of approximately 100,000 cubic metres per day. The project has two phases. The first phase involved the construction of the sewage treatment plant and a gravity sewer trunk main and was completed in 2015. This link is expected to enable effluent to be fed from an existing wastewater pumping station to the new plant. When the plant is fully operational, phase two will begin and is expected to last no longer than a year, during which time a series of connection sewers will be built to link existing wastewater pumping stations directly into the sewer trunk main. In addition, a limited local connection network will also feed directly into the plant.

The Bahrain Authority for Culture and Antiquities has invested in a 1,001-seat theatre designed for plays, music and dance at the Bahrain National Theatre, which opened in November 2012. Built on approximately 12,000 square metre area overlooking the sea, the facilities include a 150 seat studio theatre, changing rooms, a coffee shop and administrative offices, as well as an external car parking and an art garden.
Healthcare

Bahrain is expanding its healthcare industry, with the aim of becoming a leading healthcare destination in the region through projects for the development of state of the art oncology and cardiac treatment centres. Planned projects include the launch of new specialised medical centres managed by world renowned experts using the latest treatments, medical techniques and technology available to enhance medical care in Bahrain and in the region as a whole. Improving the health sector is amongst the Government’s top priorities and aligns with Bahrain’s fiscal policy of economic diversification. See “Public Finance—Fiscal Policy” for more details on Bahrain’s economic diversification plans.

The oncology treatment centre opened on 5 February 2019. It includes 120 beds and provides both in and outpatient facilities, palliative care bone marrow transplant and the latest radiotherapy treatments (including linear accelerator and standard, stereotactic and proton beam). The total cost of the project is estimated at U.S.$54.0 million.

The cardiac treatment centre will consist of 148 beds situated in a new site in Awali, adjacent to the existing Awali Hospital. It will include imaging, CSSD and a chest pain clinic. The total cost of the project is estimated at U.S.$150 million and will be funded by the Abu Dhabi Fund. The centre is still under construction and completion is expected by the end of 2019.

Telecommunications

Telecommunications revenues, together with transport revenues, represented approximately 7.6% of real GDP in the first three months of 2019. Bahrain has a high quality modern telecommunications system, currently operated by Batelco, Zain and STC through its “Viva” operations. Batelco, a listed entity on the Bahrain Bourse, is 76.97% owned by the Government through Muntalakat and the Social Insurance Organisation (“SIO”) (formerly the General Organisation for Social Insurance and the Pension Fund Commission, which merged in February 2008).

Muntalakat and SIO directly own shares in Batelco of 36.67% and 20.30%, respectively. In addition, Muntalakat and SIO own 20.0% of shares in Batelco through Amber Holding Company (“Amber”). Amber itself is a wholly-owned subsidiary of Hawar Holding Company, which is, in turn, owned by Muntalakat (33.33%) and SIO (66.67%). Batelco shares are traded on the Bahrain Bourse. Zain began operations in December 2003 following the implementation of the law passed on 5 November 2002 permitting competition in the telecommunications sector.

Viva became the third mobile operator in Bahrain and commenced commercial operations in February 2010. STC Group is one of the leading telecommunications groups in the MENA region with more than 160 million subscribers to its service worldwide through nine countries.

The Telecommunications Regulatory Authority was established by Legislative Decree № (48) of 2002 promulgating the Telecommunications Law. The TRA is an independent body and its duties and powers include protecting the interests of subscribers and users of telecommunications services and promoting effective and fair competition among established and new licensed operators. The TRA’s vision is to develop Bahrain as the region’s most modern communications hub and to facilitate the development of the market. Its mission is to protect the interests of subscribers and users of telecommunications services and maintain effective and fair competition between established and new entrants to the telecommunications market of Bahrain.

Bahrain has a strong mobile sector. Mobile prices tend to be low compared to other GCC countries and LTE (4G) coverage is extensive. At the end of December 2015, there were approximately 2.5 million mobile subscriptions in Bahrain, representing a penetration rate of 185%. At the end of December 2016, there were 3.0 million mobile subscriptions in Bahrain, representing a penetration rate of 213%. At the end of 2017, there were 2.4 million mobile subscriptions; a 21% decrease from the end of 2016, representing a mobile penetration rate of 163%. At the end of December 2018, there were 2.1 million mobile subscriptions, an 11.5% decrease from the end of 2017, representing a mobile penetration rate of 139%. In three months ended 31 March 2019, there were 2.1 million mobile subscriptions, representing a mobile penetration rate of 138%. In March 2019, the Transport and Telecommunications Minister announced that preparations for the rollout of 5G networks in Bahrain were complete, with launch expected in June 2019, subject to the availability of consumer handsets. In March 2019, Batelco signed an agreement with Ericsson to commercially deploy 5G network technology over three years. In June 2019, Batelco announced that it had become the first telecommunications provider in Bahrain to launch a commercial 5G network, with initial services available in three months ended 31 March 2019. Bahrain has a high quality modern telecommunications system, currently operated by Batelco, Zain and STC through its “Viva” operations. Batelco, a listed entity on the Bahrain Bourse, is 76.97% owned by the Government through Muntalakat and the Social Insurance Organisation (“SIO”) (formerly the General Organisation for Social Insurance and the Pension Fund Commission, which merged in February 2008).

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As at 31 December 2018, there were approximately 2.2 million broadband subscriptions, a 8.9% decrease compared to 31 December 2017. Broadband penetration reached 144% at the end of December 2018 compared to 164% at the end of December 2017. Mobile broadband represented 92% of mobile broadband subscriptions as at 31 December 2018. Growth of broadband subscriptions is driven by the growth of mobile broadband subscriptions.

The Government believes that a single national broadband network infrastructure to deliver ultra-fast broadband products and services is preferable and more efficient for a country of the size, population distribution and topology of Bahrain. This single network is expected to be owned by an entity that shall be legally and functionally separated from Batelco and which will supply wholesale products and services to all licensed operators in the Kingdom on a non-
discriminatory basis. It will be awarded the right to deploy the national broadband network and to supply wholesale products and services. In February 2018, Batelco announced the launch of an initiative to provide free internet services at public locations, such as parks, gardens and coastlines, in partnership with the Ministry of Works, reinforcing Batelco’s commitment to the 2030 Vision.

The telecommunications sector revenue declined by 0.9% to BD 426 million in 2017 compared with BD 430 million in 2016.


According to the Global Information Technology Report 2016 issued by the World Economic Forum in Geneva, in collaboration with INSEAD University’s Business School, in early July 2016, Bahrain ranked 24th globally in the information and communication technologies usage sub-index, which measures the readiness of the three pillars (individuals, business and the government) to use information and communication technologies. The Global Information Technology Report 2016, published by the World Economic Forum, ranked Bahrain 4th globally in terms of mobile broadband subscriptions and 5th in terms of mobile phone subscriptions.

Real Estate

Bahrain is currently seeing the implementation of the largest infrastructure investment pipeline in its history and its priority development projects currently total approximately U.S.$32.5 billion. The Government has introduced a housing units delivery programme and access to housing finance to assist with the design and construction of housing units and to improve access to financing in relation to the acquisition of housing. The real estate projects pipeline reflects the strong structural demand drivers of demographic growth and economic diversification.

Real estate activity in Bahrain has benefited from significant regulatory reform in recent years, most notably the approval of Law № 27 of 2017 promulgating the Regulation of the Real Estate Sector (“Law № 27”). Among other things, Law № 27 addresses the issue of licensing and regulating off-plan sales developments projects and the developers of such projects. Law № 27 established the Real Estate Regulatory Authority (“RERA”), which is responsible for the licensing of real estate service providers and has the power to mediate, fine and prosecute those acting without the relevant license. RERA is tasked with regulating the Bahraini real estate market and facilitating access to the market for investors by ensuring that the real estate industry in Bahrain is aligned to international best practice standards. RERA works closely with the Government and industry stakeholders to oversee the development of a National Real Estate Policy supported by a national five-year sector strategy and plan to bolster the real estate sector, improve consumer protection and streamline real estate services. In November 2017, the CBB issued directives in respect of Bahrain-domiciled Real Estate Investment Trusts in connection with its commitment to improve the framework for REITs in Bahrain.

In December 2014, Bahrain enacted the Stalled Projects Law, which granted the Government the authority to restructure stalled development projects. The Stalled Projects Law established a joint judicial and expert committee, the Stalled Property Development Projects Settlement Committee (the “Project Committee”), with a remit to investigate and resolve issues facing delayed projects and develop plans to take projects forward. The Project Committee has the authority to request comprehensive proposals from a developer for completing a stalled project and providing stakeholders with investment returns. In certain circumstances, the Project Committee may appoint new management and invite new investors to participate in the development in order to complete a project. The Project Committee’s decisions have legal and binding effect subject to a right of appeal at the Court of Cassation. The committee has overseen the relaunch of nearly all the projects that stalled in the wake of the 2008 global financial crisis.

Housing Units Delivery Programme

Historically, the Ministry of Housing (the “MoH”) has designed and constructed housing units through awarding EPC contracts. This EPC model is expected to be replaced with the Mazaya Programme described below. Most of the projects currently under implementation by the MoH using the EPC model are housing projects approved under the GCC Development Fund. A total amount of U.S.$2,428 million has been allocated under the GCC Development Fund since 2011: U.S.$442 million from the Saudi Fund; U.S.$996 million from the Kuwait Fund; and U.S.$990 million from the UAE Fund.

The MoH has also procured social housing units through turn-key projects, principally with Diyar Al Muharraq, the owner of an artificial island in the archipelago in Bahrain which develops social housing on 12 square kilometres of land it owns and which includes access to high-quality amenities, including restaurants, retail outlets and parks.

The MoH signed its first public private partnership agreement with the real estate and infrastructure development company, NASEEJ, on 2 January 2012 for the development of 2,450 social housing units and 367 affordable homes across two different locations: North Bahrain New Town and Al Lawzi. In August 2017, work was completed in respect of 165 affordable homes, 1,618 social housing units in Madinat Salman and 700 social housing units in Al Lawzi.
Access to housing finance

The Mazaya programme social housing finance scheme is a support programme to assist citizens in getting access to private financing to be able to buy housing either from developers or other citizens. The Mazaya programme provides citizens with a monthly mortgage payment subsidy to bridge the difference between the monthly mortgage repayment to be made to the commercial bank and the mortgage payment by the citizen based on 25% of his income. To ensure commitment towards the purchase of the house and to lower the risk for banks, the citizen has to pay 10% of the unit price as a down payment. Approved commercial banks provide mortgages, while the housing units are provided commercially by the market and certified by MoH. The Mazaya programme is designed to enhance the participation of private developers and banks in boosting the provision of housing at a time of rapidly growing demand. The administrative coordination of the program is undertaken by Eskan Bank, a fully Government-owned housing bank. As at 31 December 2018, 3,248 Bahraini citizens had benefitted from this programme.

Since 2015, 3,818 new housing units have been delivered and occupied in Bahrain and 9,387 housing units have been allocated to named beneficiaries. A further 3,787 housing units are currently under construction, 1,321 housing units have been tendered for construction and a further 7,487 housing units are planned. The 26,250 housing units to be delivered under the Government’s 2015-2018 housing programme, consist of: 6,699 units in Al Madina Al Shamaliya (north Bahrain new town), 2,827 units in the East Hidd housing development, 796 units in the East Sitra housing development, 3,624 units in the Al Ramli development, 1,560 units in the Southern City housing development, 3,143 units in Diyar all Muharraq and 7,601 units in minor developments elsewhere The MoH is currently overseeing a major expansion of the nation’s real estate stock and anticipates developing an additional 17,195 housing units under the Government’s 2019 housing programme.

In Madinat Salman, MOFNE funded the building of 458 units through conventional contracts by August 2017 and on 31 July 2017, the building of 963 units funded by the Kuwait Fund was completed. The tender for 303 units under the Kuwait Fund has just been awarded and is awaiting funder approval; similarly, 1,402 apartment units under the Abu Dhabi Fund have been tendered and are awaiting funder approval. The Abu Dhabi Fund have funded a further 944 apartments, which although designed are yet to be tendered.

In addition to these extensive social housing projects, the private sector has invested approximately U.S.$15 billion in Bahrain, in particular:

- Diyar Al Muharraq is a master development project with a value of U.S.$3.2 billion, of which U.S.$1.6 billion has been spent to date. The project is planned as a mix of residential and commercial properties consisting of up to 30,000 individual housing units and a variety of retail and commercial enterprises.
- Bahrain Bay, a mixed use, urban, waterfront development consisting of 32 plots, which includes residential, commercial, hotels and community facilities (including the Wyndham Garden Manama, which opened in Bahrain Bay’s United Tower and is the largest Wyndham Garden hotel in the world). The project is estimated to cost U.S.$2.5 billion, of which U.S.$0.5 billion has been spent, and it is in the final stages of development;
- Dilmunia Island, another mixed use development, consisting of residential, commercial, hotels and community facilities with a total reclaimed area of 125 hectares. The project is estimated to cost U.S.$1.8 billion, of which U.S.$0.28 billion has been spent;
- The Avenues Bahrain Mall, which opened in October 2017 and is estimated to have cost U.S.$0.3 billion; and
- Marsa Al Seef, a self-contained waterfront city consisting of residential and leisure components, as well as commercial opportunities. The project is estimated to cost U.S.$2.5 billion.

Trade

The trade sector accounted for 4.6% of real GDP in 2017 and 4.5% in each of 2018 and the three months ended 31 March 2019. Bahrain has signed several significant international trade agreements. Bahrain also concluded a Free Trade Agreement with the United States in 2004, a first for a GCC country. As a block, the GCC is working on trade agreements with the EU and other countries such as India and China. The GCC signed a free trade agreement with Singapore that came into force in September 2013. Bahrain is also working to boost trade with Japan, one of its top trade partners. See “Balance of Payments and Foreign Trade”.

Bahrain is one of the members of the GCC common market. See “Overview of The Kingdom of Bahrain—International Relations—GCC”. The GCC has a uniform 5% import tax rate (with some exemptions and a special tax for tobacco of 100% and alcohol of 100%). Bahraini exports to the GCC are exempt from tax and are therefore more competitive than from other non-GCC countries (with no free trade agreements). Bahrain trades heavily with the GCC, in particular with Saudi Arabia.

Based on IGA statistics, in 2018, non-oil exports to GCC countries amounted to 49.6% of total non-oil exports, where Saudi Arabia contributed 25.6% of the total non-oil exports, as compared to 26.6% in 2017. As for non-oil imports, 17.7% of total non-oil imports in 2018 were from other GCC countries and Saudi Arabia accounted for 7.4% of total non-oil imports, as compared to 6.8% and 7.0%, respectively, in 2017.
The table below sets out Bahrain’s non-oil imports from the GCC countries.

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<tbody>
<tr>
<td>GCC Total</td>
<td>2,434.8</td>
<td>2,247.2</td>
<td>2,161.9</td>
<td>2,451.8</td>
<td>2,637.5</td>
<td>1,057.8</td>
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<tr>
<td>Saudi Arabia</td>
<td>931.1</td>
<td>773.5</td>
<td>809.4</td>
<td>894.4</td>
<td>1,093.2</td>
<td>429.4</td>
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<tr>
<td>Kuwait</td>
<td>130.6</td>
<td>158.3</td>
<td>130.7</td>
<td>90.2</td>
<td>111.9</td>
<td>50.5</td>
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<tr>
<td>Oman</td>
<td>201.1</td>
<td>89.6</td>
<td>73.5</td>
<td>107.0</td>
<td>123.0</td>
<td>91.5</td>
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<tr>
<td>UAE</td>
<td>1,076.3</td>
<td>1,131.3</td>
<td>1,051.3</td>
<td>1,314.5</td>
<td>1,308.9</td>
<td>486.4</td>
</tr>
<tr>
<td>Qatar</td>
<td>95.7</td>
<td>94.5</td>
<td>97.0</td>
<td>45.7</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total non-oil imports</td>
<td>12,684.0</td>
<td>12,444.5</td>
<td>11,601.1</td>
<td>13,145.4</td>
<td>14,871.3</td>
<td>6,446.8</td>
</tr>
</tbody>
</table>

GCC of total non-oil imports .............................................. 19.2% 18.1% 18.6% 18.7% 17.7% 16.4%

Source: Information and eGovernment Authority

The table below sets out Bahrain’s non-oil exports to the GCC countries.

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<tbody>
<tr>
<td>GCC Total</td>
<td>5,568.4</td>
<td>5,974.5</td>
<td>4,121.8</td>
<td>3,685.9</td>
<td>3,694.3</td>
<td>2,105.3</td>
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<tr>
<td>Saudi Arabia</td>
<td>3,085.6</td>
<td>4,219.4</td>
<td>2,251.5</td>
<td>1,851.2</td>
<td>1,910.7</td>
<td>1,023.4</td>
</tr>
<tr>
<td>Kuwait</td>
<td>220.5</td>
<td>400.3</td>
<td>380.2</td>
<td>206.8</td>
<td>877.9</td>
<td>156.4</td>
</tr>
<tr>
<td>Oman</td>
<td>299.5</td>
<td>133.9</td>
<td>292.2</td>
<td>489.1</td>
<td>251.1</td>
<td>245.9</td>
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<tr>
<td>UAE</td>
<td>1,407.4</td>
<td>953.4</td>
<td>656.1</td>
<td>829.7</td>
<td>654.6</td>
<td>679.7</td>
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<tr>
<td>Qatar</td>
<td>555.3</td>
<td>267.6</td>
<td>541.8</td>
<td>309.1</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total non-oil exports</td>
<td>8,997.1</td>
<td>8,766.3</td>
<td>6,685.5</td>
<td>6,964.7</td>
<td>7,449.4</td>
<td>4,141.6</td>
</tr>
</tbody>
</table>

GCC share of total non-oil exports .................................. 61.9% 68.2% 61.7% 52.9% 49.6% 50.8%

Source: Information and eGovernment Authority

The GCC tax agreement has also been particularly appealing for those foreign investors whose main market is the GCC but who prefer Bahrain’s business and social environment. These companies contribute to Bahrain’s labour market, as well as contributing to Bahrain’s exports.

Bahrain has been chosen to host the GCC headquarters of one of India’s leading business and policymaking bodies to promote bilateral trade. The Confederation of Indian Industry (CII) established an office in Manama in September 2014 to increase its presence in the region.

Tourism, Hotels and Restaurants

Tourism has long been recognised as an important part of the economy in Bahrain. Bahrain has a growing tourism industry with several large-scale tourist developments under construction. Tourism in Bahrain involves several different types of activities ranging from leisure events, business events and heritage cultural events. The tourism industry (hotels and restaurants) contributed 2.3%, 2.4%, 2.3% of GDP in each of 2018, 2017, 2016 and 2.5% during the three months ended 31 March 2019.

Data from the World Travel and Tourism Council (“WTTC”) put the direct contribution of the travel and tourism sector to Bahrain’s GDP at 4.2% in 2017 and forecast it to rise by an average of 4.5% per year during the period 2018-2028. The total contribution (including indirect and induced) of travel and tourism to GDP was estimated by the WTTC at 13.5% of GDP in 2018. According to WTTC estimates, in 2017 the travel and tourism sector accounted for 13.0% of total employment, or approximately 83,700 jobs. Hotel occupancy averaged 45%, 48% and 40% in 2014, 2015 and 2016, respectively. In 2017, hotel occupancy averaged 41% for five star- and 48% for four star- hotels. In the first half of 2018, hotel occupancy averaged 48% for five star- and 50% for four star- hotels.

According to 2018 tourism indicators for the Kingdom of Bahrain, 39.2% of the inbound trips were for the purpose of shopping, 40.0% were for holiday or leisure purposes, 7.6% were to visit friends or relatives and 6.8% were for business. Inbound tourism spending, which reached U.S.$3.8 billion in 2018, was primarily spent on accommodation, food and beverages, shopping and cultural services representing 21.0%, 18.3%, 33.5% and 12.6%, respectively, of total tourism spending.
Tourism-related activities are focused around hotel accommodation, retail facilities and restaurants. Bahrain aims to develop its tourism industry by developing a more holistic tourism offering.

Bahrain has hosted Formula One races since 2004 and the contract was extended beyond the preliminary six-year period. The Formula One race in 2011 was cancelled due to the political unrest that occurred in the earlier part of the year. Bahrain has been, however, reinstated to the Formula One race schedule since 2012 and has hosted the fourth race of each season.

The Government is also taking steps to restore historical sites and is working on a number of initiatives relating to preservation of heritage and protection of archaeological sites. It has been involved with UNESCO in a large-scale excavation programme, resulting in a number of discoveries relating to the ancient Dilmun civilisation. The main archaeological site is named Saar (named after the closest modern village) and is divided into two distinct zones: a residential zone and a cemetery. Dilmun was one of the most important ancient civilisations of the region and is believed to have existed in the third millennium BC. It is thought to have been a hub on a major trading route between Mesopotamia and the Indus Valley in South Asia.

The Spring of Culture Festival, organised by the Bahrain Authority for Culture and Antiquities, is an annual festival that commences in February each year and has been held for 14 consecutive years. Events and activities are designed to engage all segments of society, from arts and crafts exhibitions to intellectual lectures and talks, poetry readings, music and song concerts and theatrical performances.

The Bahrain Authority for Culture and Antiquities is also working on the maintenance and restoration of Al Khamis Mosque. Al Khamis Mosque is believed to have been built during the caliphate of Umayyad Caliph Umar II. The plan is to develop a walking area around the mosque to allow visitors to walk around and appreciate the architectural design of the mosque. A visitor’s centre will also be developed. Other historical attractions that the Bahrain Authority for Culture and Antiquities manages, include: (i) the National Museum; (ii) Bayt Al Quran, a multi-purpose complex dedicated to the Islamic arts; (iii) Siyadi House, the home of a prominent 19th century pearling merchant in Muharraq; (iv) Dilmun Burial Mounds; (v) Bahrain Fort, a UNESCO World Heritage Site that has been open to the public since 2008; (vi) the Bahrain Pearling Trail, a UNESCO World Heritage Site made up of three oyster beds in the Bahrain northern waters, a segment of the coast and the seafront in Bu Mahir fortress and 17 buildings in Muharraq connected by a 3.5-kilometre visitor pathway; and (vii) the Manama and Muharraq Souqs.

In June 2019, Bahrain authorities announced the launch of the world’s largest underwater theme park, which is expected to include several dive spots in addition to artificial coral reefs to be submerged in the later stages of the project in order to form a safe haven for the Kingdom’s marine ecosystem. The dive site, covering an area of 100,000 square metres, is expected to have a 70-metre long decommissioned Boeing 747 as its centrepiece.

Bahrain’s tourism industry benefits from Bahrain’s geography, open culture and liberal regulation. Three of the GCC capitals—Riyadh, Kuwait City and Doha, as well as the main population centres of Saudi Arabia’s Eastern Province, are located within a radius of approximately 400 kilometres around Bahrain and within a convenient distance for day trips.

Saudi nationals are the principal tourists to Bahrain with the causeway linking the two countries facilitating this movement. In 2018, 13.4 million visitors crossed the causeway to enter Bahrain. In March 2017, Bahrain and Saudi Arabia began implementing a “one-stop crossing” on the causeway, aimed at decreasing congestion and facilitating the smooth flow of traffic while increasing the number of visitors. The “one-stop crossing” permits drivers to go through only one post for routine border procedures, including passport control, car clearance and customs (rather than requiring drivers to go through posts at both the Bahraini and the Saudi crossings). Bahrain and Saudi Arabia have agreed to build a second bridge, with both road and railway links. See “—Transport and Construction—Ports and Sea Transportation”. Bahrain aims to continue being a destination of choice, particularly for Saudi tourists travelling to Bahrain for retail shopping and weekend breaks. It is anticipated that such tourism from Saudi Arabia will continue to increase, as will the growth in the number of foreign visitors to Bahrain for business travel, despite considerable competition from Dubai for tourists from the West. In order to accommodate tourists and foreign visitors to Bahrain, Bahrain had 118 hotels in 2016, of which more than half are considered to be 4 star and above (17 were considered five star and 53 were considered to be 4 star).
The table below sets out arrivals through the ports of the Kingdom of Bahrain for the indicated periods.

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Saudi Causeway</td>
<td>11,032,090</td>
<td>11,845,527</td>
<td>12,216,520</td>
<td>12,691,351</td>
<td>13,408,395</td>
<td>6,488,705</td>
</tr>
<tr>
<td>Airport</td>
<td>2,245,046</td>
<td>2,498,739</td>
<td>2,731,747</td>
<td>2,610,316</td>
<td>2,593,173</td>
<td>1,268,948</td>
</tr>
<tr>
<td>Sea Port</td>
<td>59,627</td>
<td>68,298</td>
<td>92,333</td>
<td>95,881</td>
<td>112,541</td>
<td>101,396</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,336,763</strong></td>
<td><strong>14,412,564</strong></td>
<td><strong>15,040,600</strong></td>
<td><strong>15,397,548</strong></td>
<td><strong>16,114,109</strong></td>
<td><strong>7,859,049</strong></td>
</tr>
</tbody>
</table>

Source: Nationality Passport and Residence Affairs.

Shopping forms an essential part of tourism in Bahrain and there are a number of modern malls and designer boutiques where the latest fashions and international goods are available. Bahrain has approximately 20 malls, which vary in size, capacity and range of products and services offered. Increasingly, the newer malls are located away from the capital (Manama) to serve different areas of the country. As part of the Government’s strategy to increase the accessibility of government services outside of Manama, post offices, utility bill payments and enquiry desks are increasingly common in shopping malls across the country. The two main malls in Bahrain are Bahrain City Centre and Al-Seef Mall. Bahrain Dragon City, a large shopping mall hosting more than 500 Chinese businesses, opened at the end of 2015. In October 2017, the Avenues, a large retail and leisure development in the centre of Manama comprised of shops, an indoor market, waterfront restaurants and cinemas was completed.

**Privatisation**

The total proceeds raised from privatisations in Bahrain between 1989 and 2000 amounted to less than U.S.$79.8 million. Since then, privatisations have accelerated. In particular, in 2007, Hidd power plant was privatised, generating U.S.$738 million and the privatisation of the Seef Properties generated U.S.$72 million for the Government. In November 2010, Mumtalakat conducted a global offering of a portion of its ordinary shares in Alba. The ordinary shares are listed on the Bahrain Bourse and global depositary receipts representing such shares are listed on the London Stock Exchange. See “Public Finance—Revenue—Alba” and “Economy of The Kingdom of Bahrain—Principal Sectors of the Economy—Manufacturing—Aluminium”.

Currently 90% of Bahrain’s electricity and water is produced by the private sector and the Ministry of Works has received proposals from six organisations for a consultancy contract in respect of the planned expansion of the Tubli sewage treatment plant, which is also expected to be a Public Private Partnership (“PPP”) project. The Government is also encouraging private sector investment in other sectors such as utilities, education and healthcare and has privatised its public transport system. The King Hamad University Hospital, established in late 2011, is managed by the Bahrain Defence Force and will be used as a teaching hospital for the neighbouring, privately run medical university. The role of private investment in the health sector is expected to further benefit from the Supreme Council of Health’s plans to establish a national health insurance system.

**GCC Common Market**

See “—Other Services—Trade” and “Overview of The Kingdom of Bahrain—International Relations—GCC”.

**Employment**

Bahrain has a high proportion of non-Bahrainis among its working population (77.2% in 2014, 78.1% in 2015, 80.0% in 2016 and 79.1% in the six months ended 30 June 2018). Bahrain’s workforce reached 759,671 in 2018.

The Government has sought to implement a policy in recent years of increasing the number of Bahraini nationals in employment, principally through specialised training. A number of different training programmes are offered in the financial services, hotel trade and technical fields and more recently, in the retail trade area. The employment of Bahraini nationals who have completed these types of training courses is encouraged by the Government.

The unemployment rate among Bahraini nationals has declined rapidly due to focused Government reforms. In 2006, the Government launched an ambitious labour market reform programme based on four pillars: the National Employment Project (“NEP”), the LMRA, the Labour Fund and the Unemployment Insurance Programme. The reform programme sought to stimulate investment and technological change, as well as education and training of the Bahraini labour force. Since the launch of the programme, the unemployment rate for Bahraini nationals has been reduced from 15.0% in 2005 to 3.8% in 2014, 3.5% in 2015, 4.3% in 2016, 4.1% in 2017 and 4.3% in 2018. The Government has also introduced a voluntary retirement scheme for government employees as a result of which the employment of public sector Bahraini workers was reduced from 53,707 in the fourth quarter of 2018 to 49,125 in the second quarter of 2019. This scheme was offered to civil servants below director level, based on a one-time indemnity and lifetime pension, as well as the right to work in the private sector. The severance package and pensions for this scheme are
funded by sources from outside of the State budget. A total of 8,214 government employees have now retired under the scheme over five phases, ending on 31 August 2019. The average salary of public sector employees has decreased by 6.9% from BD 911 per month in the second quarter of 2018 to BD 848 per month in the second quarter of 2019.

In accordance with Vision 2030, the Government aims to ensure that all residents and citizens are treated equally under the law and in accordance with human rights, including ensuring equal access to services and support for adequate job training. In addition, the Government aims to create a level playing field in the job market for Bahrainis through immigration reform and the revision of labour laws. In implementing this vision, the Government, through the Ministry of Labour and Social Development, issued a decision in April 2009 to abolish the sponsorship system for foreign employees which restricted employees from transferring into new jobs without their employer’s approval. The decision, which came into effect in August 2009, allows foreign employees to transfer from one job to another independent of their sponsors and lifts all restrictions that were previously applicable to employees under the sponsorship programme.

The NEP programme uses career-related assessment, which is designed to tailor evaluation to individuals’ specific attributes and to provide accurate information about a person’s capabilities, desires and future career. Following establishment of the NEP, Ministry of Labour and Social Development officials have been encouraging private organisations to provide better quality training for their employees. The aim is to raise the productivity and performance of the companies. The Council of Ministers has also approved the formation of a Supreme Committee for Human Resources Development and the Ministry of Labour and Social Development also implemented a wage subsidy to private companies.

In order to provide financial support to unemployed Bahraini nationals, the Government levies a 1% fee on salaries to pay for an unemployment scheme. Deductions commenced on 1 July 2007, with unemployment benefits becoming payable to those eligible from September 2007.

The Government issued a new labour law pursuant to Legislative Decree № 36 of 2012 dated 12 August 2012 (the “New Labour Law”). The New Labour Law complements the provisions of Labour Law № 23 of 1976 and is aimed at increasing worker protections in a manner consistent with ILO guidance. The New Labour Law provides that all domestic workers are required to be employed under contractual terms in line with all private sector employees and have increased annual, maternity and sick leave entitlements. Employees will now also be entitled to compensation for any delays in payment. Fines will be imposed on employers who fail to comply with the provisions of the New Labour Law.

In 2017, Bahrain adopted the “Flexi Permit” programme, establishing a renewable two-year permit that allows eligible people to work in any job on a full or part-time basis and live in Bahrain without an employer or sponsor for a renewable two year period in order to protect labour rights and permit holders from exploitation. Approximately 2,000 workers are able to benefit from a Flexi Permit each month. Under the Flexi Permit programme, permit holders are granted a “Blue Card”, which identifies them to potential employers (and is renewed free of charge every six months), enabling permit holders to work in various full or part-time non-professional jobs. Permit holders also benefit from free health care at government centres and are permitted to leave and return to Bahrain on a regular basis during the work visa’s validity period.

With effect from February 2019, the Government has been implementing a new National Employment Programme. This programme consists of a number of initiatives, including: (i) an awareness campaign targeting employers; (ii) increasing certain benefits for dismissed workers and jobseekers; (iii) increasing subsidies on wages to 70% for the first year of employment; and (iv) increasing a sponsored training programme by Tamkeen.

Certain employment policies target increasing the employability of women in the private sector, including through a part-time scheme. More than 5,000 women have been recruited in the private sector by this scheme. In the first six months of 2019, 40% of employed jobseekers were women (as compared to 36% in 2018).

Tamkeen

Tamkeen was established by the EDB in August 2006 to regulate and improve the labour market in Bahrain. It is a semi-autonomous independent authority which formulates strategic and operational plans to enhance the overall prosperity of Bahrain by investing in Bahraini employability, job creation and social support. In particular, Tamkeen is tasked with supporting Bahrain’s private sector and positioning it as the key driver of economic growth. Tamkeen is funded solely by the fees collected by the LMRA, receiving approximately 80% of LMRA’s collected fees; these fees are not included in the state budget. Tamkeen's main objectives are to support Bahraini nationals to become employees of choice, to support high quality private sector job creation and to help the private sector cope with the impact of labour market reform. To achieve these objectives, Tamkeen aims to (i) increase the competitiveness of Bahraini nationals by reducing the cost of their employment relative to expatriates, investing in skill development and tackling employment barriers with regard to both current employers and new employees to the market through a combination of financial incentives and training and (ii) support private sector competitiveness and productivity by issuing grants to support the hiring of management and operations consultants, assisting in the purchase of new and upgraded equipment and helping businesses improve their marketing techniques. The aim is to decrease private sector reliance on expatriate
labour by building the management and technical know-how of Bahraini nationals. To date, Tamkeen has invested approximately U.S.$3 billion to support individuals and businesses through more than 330 programmes, serving more than 234,000 Bahraini individuals and businesses. See “Overview of The Kingdom of Bahrain—Vision 2030”.

In 2018, Tamkeen provided U.S.$66.7 million of labour market investment to Bahraini individuals, (excluding unemployment insurance) and U.S.$204.7 million to support businesses and institutions in Bahrain (excluding unemployment insurance for businesses). Tamkeen provided U.S.$51.0 million of unemployment insurance (for both individuals and businesses) in 2018.

Tamkeen enhanced its support of the Bahraini labour market in 2016 by further expanding the scope of its programmes aimed at both individuals and businesses. Tamkeen continued to provide individuals with opportunities to specialise and grow in various professional fields. Some of Tamkeen’s programmes were briefly suspended and re-launched with revised criteria.

Tamkeen’s 2018-2020 strategy aims at: (i) accelerating growth and expanding market reach; (ii) working across public and private sectors to boost productivity across the economy; (iii) creating innovation across the private sector; and (iv) building national economic resilience by continuing long-term efforts at the diversification of Bahrain’s key economic sectors.

A new area of focus for Tamkeen is investments that further strengthen and nurture the investment ecosystem and allow Tamkeen to play an active role in the development of the private sector.

The schemes Tamkeen operates are aimed at individuals and enterprises. The schemes available to assist individual Bahrainis include:

- **Tamkeen Professional Certifications Scheme**: supports eligible candidates in attaining professional qualifications.
- **Tamkeen Basic Skills Certification Scheme**: aims to help Bahrainis acquire or enhance their core skill-set making them more employable or enhancing their performance at their current jobs.
- **Mashroo3i Business Awards**: targets young Bahraini students and engages them in a business plan competition. This competition helps them learn about preparing business plans and business prototypes.
- **A9eel Programme**: a nationwide work ethics campaign. The main objective is to encourage work attitudes aimed at leading to improved employee productivity, thus contributing to the economic development of Bahrain.

The schemes available to assist Bahraini enterprises include:

- **Business Development Programme**: provides a co-financing service that offers grants of up to 50% if the cost of certain items or services set out in an approved budget. The amount of the grant awarded to each applicant is determined based on a review of the applicant’s business requirements.
- **Training & Wage Support**: supports Bahraini enterprises in training and providing development opportunities to their Bahraini employees, as well as subsidising wage increases and salaries.
- **International Placement**: supports employers in the private sector to improve their productivity by encouraging the growth of their own employees through exposure to international work experience.
- **Tamweel and Tamweel+**: in partnership with financial institutions, offers both start-up and existing enterprises easy access to capital needed through financial packages that comply with Islamic Shari’ah.
- **Taqdeer**: rewards start-ups that have exceeded targets for the employment of Bahraini nationals and provides start-ups with grants to cover certain operating expenses.

**Wages**

The LMRA has developed a database of wage information (relating to Bahraini nationals only) based on ILO best practices and standards. There is no official minimum wage level in Bahrain although the concept has been debated in the past by the LMRA. The Ministry of Labour and Social Development recommends that a Bahraini employee’s minimum wage should be no less than BD 250 per month and BD 400 for Bahraini employees with a university degree.
The table below sets out the average monthly wages in Bahrain for the periods indicated.

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</thead>
<tbody>
<tr>
<td>Average Bahraini Wage</td>
<td>1,905</td>
<td>1,944</td>
<td>2,027</td>
<td>2,063</td>
<td>2,089</td>
<td>2,087</td>
</tr>
<tr>
<td>Public sector</td>
<td>1,757</td>
<td>1,786</td>
<td>1,829</td>
<td>1,882</td>
<td>1,916</td>
<td>2,003</td>
</tr>
<tr>
<td>Private sector</td>
<td>2,144</td>
<td>2,210</td>
<td>2,366</td>
<td>2,372</td>
<td>2,390</td>
<td>2,247</td>
</tr>
</tbody>
</table>

Note:
(1) Using the fixed conversion rate of BD 0.376 = U.S.$1.00.

Source: Social Insurance Organization

In 2018, the average Bahraini monthly wage was U.S.$2,089, as compared to U.S.$2,063 in 2017, reflecting a 1.3% increase. The average public sector monthly wage was U.S.$1,916 in 2018, as compared to U.S.$1,882 in 2017, reflecting an increase of 1.8%. The average private sector monthly wage was U.S.$2,390 in 2018, as compared to U.S.$2,372 in 2017, reflecting an increase of 0.8%.

The average Bahraini monthly wage in the six months ended 30 June 2019 was U.S.$2,247. The average public sector monthly wage was U.S.$2,003 in the six months ended 30 June 2019 and the average private sector monthly wage was U.S.$2,247.

See “Monetary and Financial System—Inflation”.

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103
BALANCE OF PAYMENTS AND FOREIGN TRADE

The table below sets out Bahrain’s balance of payments, prepared in accordance with IMF Manual 6 methodology, for the periods indicated.

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Current account (a+b+c+d)</td>
<td>1,523.1</td>
<td>(752.1)</td>
<td>(1,492.8)</td>
<td>(1,599.7)</td>
<td>(2,220.0)</td>
</tr>
<tr>
<td>a.</td>
<td>Goods</td>
<td>3,713.3</td>
<td>830.9</td>
<td>(803.7)</td>
<td>(700.0)</td>
<td>(851.9)</td>
</tr>
<tr>
<td></td>
<td>General Merchandise</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exports (fob)</td>
<td>23,497.9</td>
<td>16,540.4</td>
<td>12,784.6</td>
<td>15,376.1</td>
<td>18,258.2</td>
</tr>
<tr>
<td></td>
<td>Imports (fob)</td>
<td>(19,784.6)</td>
<td>(15,709.6)</td>
<td>(13,588.3)</td>
<td>(16,076.1)</td>
<td>(19,110.1)</td>
</tr>
<tr>
<td>b.</td>
<td>Services (n)</td>
<td>1,806.9</td>
<td>2,520.2</td>
<td>3,497.9</td>
<td>3,555.9</td>
<td>3,976.9</td>
</tr>
<tr>
<td></td>
<td>Transportation</td>
<td>(676.3)</td>
<td>(499.5)</td>
<td>(868.6)</td>
<td>(959.6)</td>
<td>(1,061.2)</td>
</tr>
<tr>
<td></td>
<td>Travel</td>
<td>596.8</td>
<td>752.1</td>
<td>1,954.1</td>
<td>1,850.8</td>
<td>2,205.1</td>
</tr>
<tr>
<td></td>
<td>Construction</td>
<td>(1.3)</td>
<td>(0.8)</td>
<td>(2.4)</td>
<td>(2.7)</td>
<td>5.1</td>
</tr>
<tr>
<td></td>
<td>Communication services</td>
<td>566.2</td>
<td>514.9</td>
<td>531.9</td>
<td>668.8</td>
<td>780.9</td>
</tr>
<tr>
<td></td>
<td>Financial services (including Insurance)</td>
<td>763.6</td>
<td>1,141.2</td>
<td>1,212.2</td>
<td>1,299.7</td>
<td>1,338.6</td>
</tr>
<tr>
<td></td>
<td>Other business services</td>
<td>558.0</td>
<td>213.3</td>
<td>241.8</td>
<td>245.0</td>
<td>242.1</td>
</tr>
<tr>
<td>c.</td>
<td>Income (i)</td>
<td>(1,632.7)</td>
<td>(1,735.9)</td>
<td>(1,795.5)</td>
<td>(1,989.6)</td>
<td>(2,076.1)</td>
</tr>
<tr>
<td></td>
<td>Investment income</td>
<td>(1,632.7)</td>
<td>(1,735.9)</td>
<td>(1,795.5)</td>
<td>(1,989.6)</td>
<td>(2,076.1)</td>
</tr>
<tr>
<td></td>
<td>Direct investment income</td>
<td>(1,279.3)</td>
<td>(1,375.5)</td>
<td>(1,417.3)</td>
<td>(1,292.2)</td>
<td>(755.3)</td>
</tr>
<tr>
<td></td>
<td>Portfolio income</td>
<td>(294.4)</td>
<td>(313.6)</td>
<td>(333.5)</td>
<td>(636.7)</td>
<td>(1,229.0)</td>
</tr>
<tr>
<td></td>
<td>Other investment income</td>
<td>(39.0)</td>
<td>(46.8)</td>
<td>(44.7)</td>
<td>(53.7)</td>
<td>(91.8)</td>
</tr>
<tr>
<td>d.</td>
<td>Current transfers (n)</td>
<td>(2,364.4)</td>
<td>(2,367.3)</td>
<td>(2,391.5)</td>
<td>(2,466.0)</td>
<td>(3,268.9)</td>
</tr>
<tr>
<td></td>
<td>Workers’ remittances</td>
<td>(2,364.4)</td>
<td>(2,367.3)</td>
<td>(2,391.5)</td>
<td>(2,466.0)</td>
<td>(3,268.9)</td>
</tr>
</tbody>
</table>

2. Capital and financial account \((A+B)\)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>Capital account ((A))</td>
<td>100.0</td>
<td>252.9</td>
<td>873.9</td>
<td>603.7</td>
<td>795.2</td>
</tr>
<tr>
<td></td>
<td>Capital transfers</td>
<td>100.0</td>
<td>252.9</td>
<td>873.9</td>
<td>603.7</td>
<td>795.2</td>
</tr>
<tr>
<td>B.</td>
<td>Financial account ((I+II+III+IV))</td>
<td>(2,397.1)</td>
<td>(1,118.1)</td>
<td>1,688.0</td>
<td>980.6</td>
<td>3,144.7</td>
</tr>
<tr>
<td>I.</td>
<td>Direct investment</td>
<td>(2,397.1)</td>
<td>(1,118.1)</td>
<td>1,688.0</td>
<td>980.6</td>
<td>3,144.7</td>
</tr>
<tr>
<td></td>
<td>Abroad</td>
<td>394.4</td>
<td>(3,191.0)</td>
<td>880.1</td>
<td>(229.0)</td>
<td>(111.2)</td>
</tr>
<tr>
<td></td>
<td>In Bahrain</td>
<td>1,518.6</td>
<td>64.9</td>
<td>243.4</td>
<td>1,426.1</td>
<td>1,515.2</td>
</tr>
<tr>
<td>II.</td>
<td>Portfolio investment</td>
<td>(700.3)</td>
<td>(106.9)</td>
<td>1,834.3</td>
<td>3,214.9</td>
<td>(1,504.3)</td>
</tr>
<tr>
<td></td>
<td>Assets</td>
<td>(971.5)</td>
<td>(536.4)</td>
<td>(2,292.0)</td>
<td>642.3</td>
<td>(2,176.6)</td>
</tr>
<tr>
<td></td>
<td>Liabilities</td>
<td>271.3</td>
<td>429.5</td>
<td>4,163.3</td>
<td>2,572.6</td>
<td>672.3</td>
</tr>
<tr>
<td>III.</td>
<td>Other investment</td>
<td>(2,888.6)</td>
<td>(542.0)</td>
<td>(2,737.1)</td>
<td>(3,265.7)</td>
<td>2775.8</td>
</tr>
<tr>
<td></td>
<td>Assets</td>
<td>(6,831.6)</td>
<td>(2,992.3)</td>
<td>(626.3)</td>
<td>(2,847.9)</td>
<td>(2,201.3)</td>
</tr>
<tr>
<td></td>
<td>Liabilities</td>
<td>3,943.1</td>
<td>2,450.3</td>
<td>(1,746.8)</td>
<td>(417.8)</td>
<td>4,977.1</td>
</tr>
<tr>
<td>IV.</td>
<td>Reserve assets</td>
<td>(721.3)</td>
<td>2,656.9</td>
<td>1,103.5</td>
<td>(165.7)</td>
<td>469.2</td>
</tr>
</tbody>
</table>

3. Errors and omissions | 773.9 | 1,617.3 | (1,069.3) | 15.4 | (1,719.9) | 279.3 |

Notes:
(1) Trade statistics in this table are prepared on a “free on board basis,” as such term is defined in the IMF’s Balance of Payment Manual, Sixth Edition (the “BPM6”).
(2) The data contained in this table is structured to be consistent with the BPM6. Data from 2014 has also been updated to comply with the BPM6.
(3) Using the fixed conversion rate of BD 0.376 = U.S.$1.00.
(4) A negative sign means net outflows/increases in external assets.

Current Account

Bahrain has a free market economy, with no restrictions on capital movements, foreign exchange, foreign trade or foreign investment. Bahrain’s current account was in surplus in 2014 (U.S.$1,523.1 million), before turning to deficits in 2015 (U.S.$752.1 million), 2016 (U.S.$1,492.8 million), 2017 (U.S.$1,599.7 million) and 2018 (U.S.$2,220.0 million). In the three months ended 31 March 2019, Bahrain’s current account was in surplus (U.S.$382.4 million). The EDB forecasts that the current account will remain in deficit in 2019 and 2020. As a percentage of current GDP, Bahrain recorded a current account surplus of 4.6% in 2014, deficits of 2.4% in 2015, 4.6% in 2016, 4.5% in 2017, 5.9% in 2018 and a surplus of 4.1% for the three months ended 31 March 2019. The deficits in the current account in 2015, 2016, 2017 and 2018 were primarily due to a decrease in export receipts, primarily due to lower international oil prices and increased workers’ remittances from Bahrain, which were partially offset by reduced imports during 2015, 2016, 2017 and 2018, as compared to 2014.

Bahrain’s economy is dependent on imports, as evidenced by import/current GDP ratios of 59.3%, 50.5%, 42.2%, 45.4% and 50.5% in each of 2014, 2015, 2016, 2017 and 2018, respectively. The import/current GDP ratio for the three months ended 31 March 2019 was at 43.8%. Its principal imports are crude oil (purchased from Saudi Arabia for processing at the Sitra oil refinery) and alumina (purchased from Australia for processing at the Alba smelter).

Source: CBB
Its principal exports are crude oil, refined oil products and aluminium (by Alba). Although aluminium prices have been less volatile than those for oil, fluctuations in recent years have affected Bahrain’s trade balance.

Bahrain’s services account balance has been positive in each of the preceding nine years ending 2018. The principal source of revenue in the services sector is income from financial services (including insurance) and travel. Travel services reached U.S.$22,205.1 in 2018 increasing substantially from 2014 and 2015 levels.

The activities of Bahrain’s significant wholesale banking industry give rise to high levels of income credits and debits. Other income debits include the repatriation of profits by foreign firms located in Bahrain.

Bahrain has a high outflow of funds as expatriate workers remit savings and earnings to their home countries. In 2014, there was a U.S.$198.4 million increase in remittances, which led to an outflow of U.S.$2,364.4 million. In 2015, there was a U.S.$2.9 million increase in remittances, which led to an outflow of U.S.$2,367.3 million. In 2016, there was a U.S.$24.2 million increase in remittances, which led to an outflow of U.S.$2,391.5 million. In 2017, there was a U.S.$74.5 million increase in remittances, which led to an outflow of U.S.$2,466.0 million. In 2018, there was a U.S.$802.9 million increase in remittances, which led to an outflow of U.S.$3,268.9 million. In the three months ended 31 March 2019, there was an outflow of U.S.$635.4 million in remittances. The increase in remittances and outflow in 2018 was primarily due to the knock-on effect of speculation regarding the peg of the Bahraini Dinar to the U.S. Dollar. Following the announcement of the U.S.$10 billion GCC support package, remittance levels have returned to more normal levels.

**Capital and Financial Accounts**

Within the capital and financial accounts, Bahrain has experienced gradually increasing levels of foreign direct investment. Bahraini entities are also active investors abroad, as shown by the direct investment figures. Total direct investment recorded a net inflow U.S.$1,913.0 million in 2014, a net outflow of U.S.$3,126.1 million in 2015, a net inflow of U.S.$1,123.4 million in 2016, a net inflow of U.S.$1,197.1 million in 2017, a net inflow of U.S.$1,404 million in 2018 and an inflow of U.S.$194.4 million in the three months ended 31 March 2019. In 2015, direct investment flows abroad were U.S.$3,191.0 million while direct investment inflows to Bahrain were U.S.$64.9 million. In 2016, direct investment flows abroad were U.S.$880.1 million while direct investment inflows to Bahrain were U.S.$243.4 million. In 2017, direct investment flows abroad were U.S.$229.0 million while direct investment inflows to Bahrain were U.S.$1,426.1 million. In 2018, direct investment flows abroad were U.S.$111.2 million while direct investment inflows to Bahrain were U.S.$199.9 million. Portfolio investments (which principally comprises debt and equity securities issued by banks) demonstrated net outflows of U.S.$700.3 million in 2014, U.S.$106.9 million in 2015, a net inflow of U.S.$1,834.3 million in 2016, a net inflow of U.S.$3,214.9 in 2017, a net outflow of U.S.$104.3 million in 2018 and a net inflow of U.S.$104.3 million in the three months ended 31 March 2019. Other investments (principally comprising bank loans and cash deposits) demonstrated outflows of U.S.$2,888.6 million in 2014, U.S.$542.0 million in 2015, U.S.$2,373.1 million in 2016 and U.S.$3,265.7 million in 2017 and an inflow of U.S.$2,775.8 in 2018 and U.S.$120.0 million in the three months ended 31 March 2019.

**Balance of Payments**

In 2014, Bahrain’s balance of payments showed a surplus of U.S.$721.3 million, which was equivalent to 2.2% of GDP in 2014. In 2015, Bahrain’s balance of payments showed a deficit of U.S.$2,656.9 million, which is equivalent to 8.5% of GDP in 2015. In 2016, Bahrain’s balance of payments showed a deficit of U.S.$1,103.5 million, which was equivalent to 3.4% of GDP in 2016. In 2017, Bahrain’s balance of payments showed a surplus of U.S.$165.7 million, which is equivalent to 0.5% of GDP in 2017. In 2018, Bahrain’s balance of payments showed a deficit of U.S.$469.2 million, which is equivalent to 1.2% of GDP in 2018. The deficit was primarily due to an increase in the current account deficit, which increased from (U.S.$1,599.7 million) in 2017 to (U.S.$2,220.0 million) in 2018.

**Foreign Trade**

Bahrain’s major import is crude oil which is piped to the Sitra oil refinery from Saudi Arabia. Although in terms of volume oil imports have been relatively stable, in terms of price they have varied considerably. This variation in price reflects market-based movements in the price charged by Saudi Arabia for oil.

See “Economy of the Kingdom of Bahrain—Principal Sectors of the Economy—Other Services—Trade”.
The table below provides details of Bahrain’s crude oil imports for each of the periods indicated.

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>Q1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports of oil (U.S.$ millions)(^{(1)})</td>
<td>7,440.2</td>
<td>3,933.0</td>
<td>3,147.3</td>
<td>4,245.5</td>
<td>5,720.2</td>
<td>1,213.0</td>
</tr>
<tr>
<td>As a percentage of total imports</td>
<td>37.6%</td>
<td>25.0%</td>
<td>23.2%</td>
<td>26.4%</td>
<td>29.9%</td>
<td>28.2%</td>
</tr>
</tbody>
</table>

Note:
(1) Using the fixed conversion rate of BD 0.376 = U.S.$1.00.

The majority of Bahrain’s major exports are petroleum-related, consisting of petroleum products from the Sitra oil refinery, petrochemical products from the petrochemical complex operated by GPIC and revenues derived from the sale of Bahrain’s share of the crude oil produced at the Abu Saafa oil field. For a summary of oil production and refinery figures, see the tables under “Economy of The Kingdom of Bahrain—Principal Sectors of the Economy”. In 2018, exports of local origin increased by 9.2% year-on-year.

The largest non-oil export of Bahrain is aluminium (which is smelted at Alba aluminium smelter). Based on IGA foreign trade data, aluminium was 7.9% of total exports and 20.8% of total non-oil exports in 2014, 12.0% of total exports and 22.5% of total non-oil exports in 2015 and 10.4% of total exports and 19.5% of total non-oil exports in 2016 and 13.3% of total exports, 29.3% of total non-oil exports in 2017, 27.8% of total non-oil exports in 2018 and 22.0% of total non-oil exports in the three months ended 31 March 2019.

Source: CBB
MONETARY AND FINANCIAL SYSTEM

Role of the Central Bank of Bahrain

The CBB is an independent public sector organisation constituted under its own law, the Central Bank of Bahrain and Financial Institutions Law of 2006. It was established on 7 September 2006. The CBB is responsible for maintaining monetary and financial stability in Bahrain. It succeeded the Bahrain Monetary Agency (the “BMA”), which had previously carried out central banking and regulatory functions since its establishment in 1973 (shortly after Bahrain secured full independence from the United Kingdom).

The CBB inherited the BMA’s wide range of responsibilities. The CBB implements Bahrain’s monetary and foreign exchange rate policies, manages the Government’s reserves and debt issuances, issues the national currency and oversees payments and settlement systems. It is also the sole regulator of Bahrain’s financial sector, covering the full range of banking, insurance, investment business and capital markets activities. The CBB performs the role of financial agent to the Government, a role which principally entails advising the Government in relation to financial matters generally, as well as administering Government debt.

The CBB is also responsible for regulating conduct in Bahrain’s capital markets. In 2002, the legislative and regulatory authority and supervision of the Bahrain Bourse was transferred from the Ministry of Commerce to the CBB, which regulates and supervises all the Bahrain Bourse’s activities. The CBB is not directly accountable to the National Assembly and is independent of the Government but is accountable to the Minister of Finance and National Economy.

There are seven members of the board of directors of the CBB, including an independent chairman, each of whom is appointed by royal decree. The Governor of the CBB serves for a five-year term (the current governor was reappointed in February 2015).

Both the GCC and Bahrain have experienced the repercussions of global market turmoil since 2007. In light of such events, the CBB took a proactive role similar to many other central banks and introduced two measures to improve market liquidity: interest rate cuts and the opening of a new foreign exchange swap facility. These adjustments helped to ensure that short-term financial assistance was available to banks at reasonable rates against a wider range of collateral and allowed banks to obtain Bahraini Dinar in return for U.S. Dollars, as required. Additionally, in March 2009, the mandatory reserve ratio was lowered from 7% to 5% following a significant decline in inflationary pressures on consumer and asset prices. The mandatory reserve ratio has remained unchanged since 2012.

Monetary and Exchange Rate Policy

Bahrain’s monetary and exchange rate policy was previously managed by the BMA pursuant to the Bahrain Monetary Agency Law (Law № 23 of 1973) and is now managed by the CBB. The objective of Bahrain’s monetary policy is to facilitate the fixed exchange rate regime. In 2001, the BMA formally pegged the Bahraini Dinar to the U.S. Dollar at a rate of BD 0.376 = U.S.$1.00. This rate had in fact been used in practice since 1980, even though, in principle, the Bahraini Dinar had been pegged to the IMF’s special drawing rights (“SDR”). This policy is consistent with Bahrain’s current and capital accounts and fits in with the regional framework of U.S. Dollar-pegged exchange rates as the pricing of oil and gas is in U.S. Dollars. The currencies of all GCC countries (except Kuwait) are formally pegged to the U.S. Dollar and, in the last year, central bank governors from such countries have reaffirmed their commitment to maintain the peg of their respective currencies to the U.S. Dollar.

The CBB Monetary Policy Committee (“MPC”) meets on a weekly basis throughout the year to closely evaluate economic and financial developments, monitor liquidity conditions in order to provide recommendations for monetary policy instruments and set interest rates on facilities offered by the CBB to the banking sector. With its regular meetings and recommendations submitted to H.E. the Governor, the MPC played a vital role in the CBB’s efforts to mitigate the effects of the global financial crisis on Bahrain.
Money Supply

The following table sets out an analysis of Bahrain’s domestic liquidity, as at the dates indicated. The below measures only include general government deposits and do not include the U.S.$3 billion debt owed to CBB by the Government.

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>As at 31 December 2016 (U.S.$ millions)</th>
<th>As at 31 December 2017 (U.S.$ millions)</th>
<th>As at 31 July 2018 (U.S.$ millions)</th>
<th>% Change December 2018 - 2019 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency in circulation(2)</td>
<td>1,396.7</td>
<td>1,423.7</td>
<td>1,401.1</td>
<td>1,404.5</td>
<td>1,450.7</td>
</tr>
<tr>
<td>M1(3)</td>
<td>8,761.6</td>
<td>8,818.9</td>
<td>8,922.7</td>
<td>9,101.1</td>
<td>9,276.1</td>
</tr>
<tr>
<td>M2(4)</td>
<td>26,709.8</td>
<td>27,042.3</td>
<td>28,176.9</td>
<td>28,843.8</td>
<td>30,891.8</td>
</tr>
<tr>
<td>M3(5)</td>
<td>31,636.1</td>
<td>31,972.9</td>
<td>33,301.5</td>
<td>33,569.4</td>
<td>35,540.7</td>
</tr>
</tbody>
</table>

**Notes:**
(1) Using the fixed conversion rate of BD 0.376 = U.S.$1.00.
(2) These figures exclude money held by banks.
(3) Currency in circulation plus private demand deposits.
(4) M1 plus private sector savings and time deposits.
(5) M2 plus government deposits.

Source: CBB

The following table sets out an analysis of Bahrain’s M1, M2 and M3 money supply as at the dates indicated.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>M1</td>
<td>8,231.6</td>
<td>8,761.6</td>
<td>8,818.9</td>
<td>8,922.7</td>
<td>9,101.1</td>
<td>9,276.1</td>
</tr>
<tr>
<td>Total private sector deposits(2)</td>
<td>24,633.7</td>
<td>25,313.0</td>
<td>25,618.6</td>
<td>26,775.8</td>
<td>27,439.4</td>
<td>29,441.1</td>
</tr>
<tr>
<td>M2</td>
<td>25,945.5</td>
<td>26,709.8</td>
<td>27,042.3</td>
<td>28,176.9</td>
<td>28,843.8</td>
<td>30,891.8</td>
</tr>
<tr>
<td>Time and savings deposits(3)</td>
<td>17,713.8</td>
<td>17,948.2</td>
<td>18,223.4</td>
<td>19,254.2</td>
<td>19,742.7</td>
<td>21,615.7</td>
</tr>
<tr>
<td>General government deposits(3)</td>
<td>4,999.3</td>
<td>4,926.3</td>
<td>4,930.6</td>
<td>5,124.6</td>
<td>4,725.5</td>
<td>4,648.8</td>
</tr>
<tr>
<td>M3</td>
<td>30,944.7</td>
<td>31,636.1</td>
<td>31,972.9</td>
<td>33,301.5</td>
<td>33,569.4</td>
<td>35,540.7</td>
</tr>
<tr>
<td>Net foreign assets(4)</td>
<td>6,089.7</td>
<td>4,926.3</td>
<td>4,930.6</td>
<td>5,124.6</td>
<td>4,725.5</td>
<td>4,648.8</td>
</tr>
<tr>
<td>Domestic assets</td>
<td>24,855.0</td>
<td>26,709.8</td>
<td>27,042.3</td>
<td>28,176.9</td>
<td>28,843.8</td>
<td>30,891.8</td>
</tr>
</tbody>
</table>

**Notes:**
(1) Using the fixed conversion rate of BD 0.376 = U.S.$1.00.
(2) Includes demand deposits, as well as time and savings deposits
(3) Includes general government deposits with both the CBB and the retail banks
(4) Includes net foreign assets held by both the CBB and the retail banks
(5) Year on year percentage change
(6) December 2018 to July 2019 percentage change

Source: CBB

Money supply growth has been stimulated by a growth in savings. Broad money (M2) growth was mainly due to increases in private sector deposits in both domestic and foreign currency.

As at 31 July 2019, M3 increased by U.S.$1,971.3 million, or 5.9%, from U.S.$33,569.4 million as at 31 December 2018 to U.S.$35,540.7 million as at 31 July 2019. General government deposits (with both the CBB and the retail banks) decreased by U.S.$76.7 million, or 1.6%, from U.S.$4,725.5 million as at 31 December 2018 to U.S.$4,648.8 million as at 31 July 2019. Government deposits accounted for 13.1% of M3 as at 31 July 2019. The growth in M3 was mainly due to an increase in net domestic assets. Between 31 December 2018 and 31 July 2019, total domestic assets increased by U.S.$1,115.0 million, or 3.2%, to U.S.$35,760.5 million. Additionally, net foreign liabilities (held by both the CBB and retail banks) were U.S.$220.0 million as at 31 July 2019, as compared to net foreign liabilities of U.S.$1,076.2 million as at 31 December 2018.
Inflation

The CBB maintains the Bahraini Dinar’s peg against the U.S. Dollar, which has provided price stability over the years and as a result managed to keep inflation relatively stable. As Bahrain has no significant domestic production, its inflation (as measured by CPI) has been mainly affected by the cost of imports. The CPI for Bahrain includes 12 broad categories of consumer goods that are representative of consumption patterns in the economy. These components are: food and non-alcoholic beverages; alcoholic beverages and tobacco; clothing and footwear; housing, water, electricity, gas and other fuels; furnishing, household equipment and routine household maintenance; healthcare services; transport; communication; recreation and culture; education; restaurants; and miscellaneous goods and services.

Until 2008, Bahrain recorded moderate consumer price increases in the range of 3% to 4%. However, during the years 2009, 2010 and 2011, consumer price rises declined, particularly in 2011, when the inflation rate was negative 0.4%. This was mainly due to a reduction in consumer spending. In 2014, 2015, 2016, 2017 and 2018 there was a reversal of the deflationary trend seen over the preceding three years and consumer prices increased moderately.

The table below shows the CPI and inflation for the periods indicated.

<table>
<thead>
<tr>
<th>Year</th>
<th>CPI (2006=100)</th>
<th>Inflation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>121.6</td>
<td>2.6%</td>
</tr>
<tr>
<td>2015</td>
<td>123.9</td>
<td>1.9%</td>
</tr>
<tr>
<td>2016</td>
<td>127.3</td>
<td>2.7%</td>
</tr>
<tr>
<td>2017</td>
<td>129.1</td>
<td>1.4%</td>
</tr>
<tr>
<td>2018</td>
<td>131.8</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

Source: Information eGovernment Authority

In 2014, the CPI increased by 2.6% to 121.6 primarily due to increases in the prices of housing, water, electricity, gas and other fuels and education. In 2015, the CPI increased by 1.9% to 123.9, primarily due to increases in the prices of housing, water, electricity gas and other fuels, alcoholic beverages and tobacco. This increase continued through 2016 as the CPI rose by 2.7% to 127.3, primarily due to increases in the prices of alcoholic beverages, tobacco and transportation. In 2017, the CPI increased by 1.4% to 129.1 primarily due to increases in the prices of furnishing, household equipment and routine household maintenance, food and non-alcoholic beverages, alcoholic beverages and tobacco and clothing and footwear. In 2018, the CPI increased by 2.1% to 131.8 primarily due to increases in the prices of alcoholic beverages and tobacco, transportation and health care services.

Inflation data is collected and calculated on a monthly basis by the IGA.

The table below shows the CPI during each month in the period 1 January 2019 to 31 July 2019 and inflation when comparing the CPI in each of those months to the corresponding months in the previous year.

<table>
<thead>
<tr>
<th>Month</th>
<th>CPI (April 2019=100)</th>
<th>Year on year change</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 2019</td>
<td>99.3</td>
<td>1.4%</td>
</tr>
<tr>
<td>February 2019</td>
<td>99.5</td>
<td>0.9%</td>
</tr>
<tr>
<td>March 2019</td>
<td>100.3</td>
<td>1.2%</td>
</tr>
<tr>
<td>April 2019</td>
<td>100</td>
<td>1.0%</td>
</tr>
<tr>
<td>May 2019</td>
<td>99.6</td>
<td>0.5%</td>
</tr>
<tr>
<td>June 2019</td>
<td>99.8</td>
<td>0.2%</td>
</tr>
<tr>
<td>July 2019</td>
<td>99.5</td>
<td>(0.4%)</td>
</tr>
</tbody>
</table>

Source: Information eGovernment Authority

Year-on-year inflation decelerated to 0.4% in July 2019, with expected price increases in electricity and water (of 18% and 25%, respectively) offset by decreases in the prices of other goods and services, such as clothing and footwear (a 9.6% decrease) and recreation and culture (a 10.3% decrease).

The most recent full-year inflation forecasts for 2019 are 2.8% by MOFNE and 3.3% by the IMF, citing price increases and the introduction of value added tax (“VAT”) as drivers of inflation. These forecast price increases have, to date, however, been offset by lower prices of imported goods, including the cost of mobile phones and travel packages.

Foreign Direct Investment

Bahrain benefits from its reputation as a favourable business environment. Bahrain generally has had a stable economic history. In 2018, 65.6% of its financial sector employees were Bahraini citizens, as compared to 65.5% in 2017, which demonstrates a level of local talent and a relative lack of reliance on the need to attract foreign expatriate workers from abroad). In 2018, the banking sector contributed to 52.2% of the total employment in the financial sector and 75.8% of employees in the banking sector were Bahraini citizens.
The cost of conducting business in Bahrain is relatively low when compared to other countries in the MENA region. There are also significant and established wholesale banking, insurance and reinsurance and fund management industries (including industries ancillary to these, such as audit firms) and an efficient and robust legal and regulatory framework.

The table below sets out Bahrain’s foreign direct investment for the periods indicated.

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018(1)</th>
<th>Q1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Investment (net)</td>
<td>(9,053.7)</td>
<td>(5,927.7)</td>
<td>(7,051.0)</td>
<td>(8,248.1)</td>
<td>(9,652.2)</td>
<td>(9,846.5)</td>
</tr>
<tr>
<td>Outward FDI flow</td>
<td>16,693.4</td>
<td>19,884.3</td>
<td>19,004.3</td>
<td>19,233.2</td>
<td>19,344.4</td>
<td>19,350</td>
</tr>
<tr>
<td>Inward FDI flow</td>
<td>25,747.1</td>
<td>25,812.0</td>
<td>26,055.3</td>
<td>27,481.4</td>
<td>28,996.6</td>
<td>29,196.5</td>
</tr>
</tbody>
</table>

Note: (1) Preliminary Data.

Source: CBB

Bahrain’s net international investment position, comprised of Bahrain’s outstanding international assets and liabilities, amounted to U.S.$26.8 billion at the end of 2018, as compared to U.S.$29.9 billion and U.S.$30.9 billion at the end of 2017 and 2016, respectively.

The EDB promotes foreign direct investment in Bahrain in order to further diversify Bahrain’s economy and encourage productivity-driven growth. Bahrain is a regional pioneer of diversification in the GCC context and derives more than 80% of its GDP from the non-oil sector, with its financial services sector particularly benefitting from foreign direct investment. The EDB is an independent public sector organisation constituted under its own law which is headed by the Crown Prince and consists of seven ministers and seven prominent business leaders. In recent years, the principal source of foreign direct investment has been reinvested earnings by Bahrain’s significant offshore banking sector.

Bahrain attracted U.S.$29.1 billion of inward foreign direct investment in the first quarter of 2019, compared to U.S.$28.9 billion in 2018. The financial services industry attracts significant foreign direct investment in Bahrain and a number of international financial institutions have offices in Bahrain. Bahrain’s strong regulatory environment provides a base for all types of banking and financial services. A number of Islamic finance global oversight bodies are also located in Bahrain. See “—The Banking Sector—Islamic Banks”. Additionally, manufacturing, professional and industrial services, as well as logistics, have also attracted foreign investment in Bahrain. Bahrain’s central location and attractive lifestyle, supply of skilled labour, as well as bilateral trade and economic agreements, make it an attractive location for foreign investments in the above sectors.

Furthermore, Bahrain’s inward foreign direct investment in 2018 was approximately 50.8% of current GDP.

Foreign Reserves

The table below shows the foreign reserves held by the CBB as at the dates indicated.

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December (U.S.$ millions)</th>
<th>As at 31 July (U.S.$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign exchange(1)</td>
<td>5,757.4</td>
<td>3,108.8</td>
</tr>
<tr>
<td>SDRs</td>
<td>187.9</td>
<td>179.8</td>
</tr>
<tr>
<td>Reserve position in the IMF</td>
<td>103.2</td>
<td>98.7</td>
</tr>
<tr>
<td>Total gross foreign reserves</td>
<td>6,048.5</td>
<td>3,387.3</td>
</tr>
<tr>
<td>Gold</td>
<td>6.6</td>
<td>6.6</td>
</tr>
<tr>
<td>Total gross foreign reserves (including gold)</td>
<td>6,055.1</td>
<td>3,393.9</td>
</tr>
</tbody>
</table>

Note: (1) Pursuant to Article 19 of the Central Bank of Bahrain and Financial Institutions Law, foreign reserves permanently maintained by the CBB shall not be less than 100% of the value of the currency in circulation. As at 31 December 2018, BD 681.7 million of notes and coins were in circulation.

Source: CBB and IMF

Bahrain’s foreign reserves are held abroad and primarily invested in fixed income instruments and money markets. These investments are generally U.S. Dollar-denominated and are invested in low credit risk securities such as government or government-secured instruments. Total gross foreign reserves (including gold) increased from...
U.S.$2,446.7 million as at 31 December 2016 to U.S.$2,635.3 million as at 31 December 2017. The increase was due to improvements in all components of total gross foreign reserves, except for gold, which remained stable at U.S.$6.6 million. Total gross foreign reserves (including gold) decreased from U.S.$2,635.3 million as at 31 December 2017 to U.S.$2,148.6 million as at 31 December 2018. The decrease was due to the decline in all components of total gross foreign reserves, except for gold, which remained stable at U.S.$6.6 million. Total gross foreign reserves (including gold) increased to U.S.$3,215.2 million as at 31 July 2019.

As at 31 December 2014, 2015, 2016, 2017 and 2018, Bahrain’s gross foreign reserves were U.S.$6,055.1 million, U.S.$3,393.9 million, U.S.$2,446.7 million, U.S.$2,635.3 million and U.S.$2,148.6 million, respectively and were estimated by the CBB to be sufficient to finance 2.6, 2.2, 2.0 and 1.3 months of obligations in respect of imports of goods, respectively. As at 31 July 2019, Bahrain’s gross foreign reserves were estimated by the CBB to be sufficient to finance 2.0 months of obligations in respect of imports of goods.

Foreign reserves represented 2.9 months of non-oil import coverage as at 31 July 2019.

On 28 July 2017, Moody’s downgraded Bahrain’s long-term issuer rating to B1 from Ba2, noting foreign exchange reserves at the CBB to be low following the decline since 2015. On 17 December 2018, Moody’s changed the outlook to stable from negative on the Government of Bahrain’s issuer ratings and affirmed the ratings at B2 on the basis that disbursements under the U.S.$10 billion financial support agreement signed with Saudi Arabia in October 2018 (see “Overview of The Kingdom of Bahrain—International Relations—GCC”) will reduce the risk that the central bank foreign exchange reserves could be rapidly depleted. This rating and outlook was affirmed in July 2019. See “Risk Factors—Risks Relating to the Kingdom—Bahrain’s sovereign credit ratings are subject to revision and downgrade”.

The Banking Sector

Prior to 2006, the BMA categorised its licensed banking institutions, being: (i) full commercial banks; (ii) offshore banking units; or (iii) investment banks. Within each of these categories an institution could choose to subscribe to a conventional or an Islamic framework. As a result, six different types of banking institutions existed. In 2006, the categories of offshore banking unit and investment banks were effectively merged into a single new category, now described as wholesale banking. The category of full commercial banks was also renamed as retail banks. The ability to subscribe to either a conventional or an Islamic framework was retained. As a result, four types of banking institutions are now in existence.

Since the financial crisis of 2007, there has been a trend in the banking sector of Bahrain to move away from wholesale banking to retail banking. Bahrain did not witness a generalised, systemic banking crisis. However, as a result of the global financial crisis, there has been a renewed focus on the retail banking sector, while wholesale banks have consolidated operations.

The aggregate balance sheet of the banking system was U.S.$189.3 billion as at 31 December 2014, U.S.$191.0 billion as at 31 December 2015, U.S.$186.1 billion as at 31 December 2016, U.S.$187.5 billion as at 31 December 2017, U.S.$192.7 billion as at 31 December 2018. As at 31 July 2019, the aggregate balance sheet of the banking system reached U.S.$200.8 billion.
The table below sets out the annual aggregate balance sheet of all banking institutions in Bahrain (including conventional and Islamic banks).

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December</th>
<th>As at 31 July</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td><strong>Wholesale Banks</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td>109,284.5</td>
<td>108,813.8</td>
</tr>
<tr>
<td>Domestic</td>
<td>7,828.1</td>
<td>8,642.4</td>
</tr>
<tr>
<td>Foreign</td>
<td>101,456.4</td>
<td>100,171.4</td>
</tr>
<tr>
<td>Liabilities</td>
<td>109,284.5</td>
<td>108,813.8</td>
</tr>
<tr>
<td>Domestic</td>
<td>10,116.7</td>
<td>9,601.9</td>
</tr>
<tr>
<td>Foreign</td>
<td>99,167.8</td>
<td>99,211.9</td>
</tr>
<tr>
<td><strong>Retail Banks</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td>80,008.6</td>
<td>82,187.0</td>
</tr>
<tr>
<td>Domestic</td>
<td>41,430.1</td>
<td>43,945.6</td>
</tr>
<tr>
<td>Foreign</td>
<td>38,578.5</td>
<td>38,241.3</td>
</tr>
<tr>
<td>Liabilities</td>
<td>80,008.5</td>
<td>82,187.0</td>
</tr>
<tr>
<td>Domestic</td>
<td>41,755.7</td>
<td>42,957.6</td>
</tr>
<tr>
<td>Foreign</td>
<td>38,252.9</td>
<td>39,229.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>189,293.1</td>
<td>191,000.8</td>
</tr>
</tbody>
</table>

Notes:
1. Preliminary Data.
2. Using the fixed conversion rate of BD 0.376 = U.S.$1.00

Source: CBB

**Conventional Banks**

**Retail Banks**

Retail banks include domestic banks, which hold most of the assets of this category, foreign banks and six Islamic banks.

The table below sets out the aggregate balance sheet of retail banks, by sector, of loans made by retail banks as at the dates indicated.

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December</th>
<th>As at 31 July</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of retail banks&lt;sup&gt;1&lt;/sup&gt;</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>of which: Islamic retail banks</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Aggregate balance sheet of retail banks (U.S.$ millions)&lt;sup&gt;2&lt;/sup&gt;</td>
<td>80,008.6</td>
<td>82,187.0</td>
</tr>
<tr>
<td>Combined foreign and local deposits of retail banks (U.S. $ millions)&lt;sup&gt;2&lt;/sup&gt;</td>
<td>41,484.4</td>
<td>43,489.3</td>
</tr>
<tr>
<td>Business loans made by retail banks (% of total loans)</td>
<td>55.8</td>
<td>53.0</td>
</tr>
<tr>
<td>Loans to Government made by retail banks (% of total loans)</td>
<td>2.6</td>
<td>3.8</td>
</tr>
<tr>
<td>Personal loans made by retail banks (% of total loans)</td>
<td>41.6</td>
<td>43.2</td>
</tr>
</tbody>
</table>

Notes:
1. Including Islamic retail banks
2. Using the fixed conversion rate of BD 0.376 = U.S.$1.00

Source: CBB

**Wholesale Banks**

Wholesale banks comprise locally-incorporated banks and branches of foreign commercial and investment banks which use Bahrain as a base. Locally-incorporated wholesale banks are subject to the capital or cash reserve requirements of...
the CBB and, in the case of branches of overseas banks, may operate with significant tax benefits with regard to their home jurisdiction. Wholesale banks pay the CBB an annual licence fee and, under specific conditions and limitations, may accept deposits from residents of Bahrain.

Wholesale banks, including wholesale Islamic banks, are the most important sector in Bahrain’s financial services industry. As at 31 December 2014, 2015, 2016, 2017 and 2018 there were 75, 75, 75, 72 and 68 wholesale banks in Bahrain, respectively, of which 17, 19, 19, 17 and 15, respectively, were wholesale Islamic banks. As at 31 July 2019, there were a total of 66 wholesale banks, of which 15 were wholesale Islamic banks.

The table below shows a breakdown of the assets and liabilities of wholesale banks as at the dates indicated.

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December</th>
<th>As at 31 July</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assets</td>
<td>Liabilities</td>
</tr>
<tr>
<td>Domestic (U.S.$ billions)</td>
<td>7.8</td>
<td>10.1</td>
</tr>
<tr>
<td>Foreign (U.S.$ billions)</td>
<td>101.5</td>
<td>99.2</td>
</tr>
<tr>
<td>Share of GCC countries (%)&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>32.1</td>
<td>37.8</td>
</tr>
<tr>
<td>Share of Western Europe (%)</td>
<td>36.8</td>
<td>28.1</td>
</tr>
<tr>
<td>Share of Americas (%)</td>
<td>8.0</td>
<td>3.2</td>
</tr>
<tr>
<td>Share of Asian countries (%)</td>
<td>10.3</td>
<td>8.1</td>
</tr>
<tr>
<td>Denominated in U.S. Dollars (%)</td>
<td>66.2</td>
<td>77.3</td>
</tr>
<tr>
<td>Denominated in Euros (%)</td>
<td>7.2</td>
<td>6.6</td>
</tr>
<tr>
<td>Denominated in GCC currencies (%)</td>
<td>13.1</td>
<td>7.8</td>
</tr>
</tbody>
</table>

Note:
(1) Excluding Bahrain.

**Source:** CBB

**Islamic Banks**

Bahrain is increasingly involved in the rapidly expanding Islamic banking business and hosts the industry’s global oversight body, the Accounting and Auditing Organisation for Islamic Institutions, as well as the Islamic Rating Agency and the International Islamic Financial Market. The Islamic banking sector was created in Bahrain in 1978 with the establishment of the Bahrain Islamic Bank and expanded in the 1980s with the issue of four banking licences to Islamic banks. Eight further banking licences were issued to Islamic banks in the 1990s.

The number of Islamic banking licences has remained relatively stable for the past seven years and, as at 31 July 2019, there were a total of 21 Islamic banking licenses, of which six were held by retail banks and 15 were held by wholesale banks.

The aggregate total assets of Islamic banks, comprised of unrestricted investments, have been relatively stable since 2015, increasing from U.S.$25,342.5 million in 2015 to U.S.$25,486.2 million in 2016 and U.S.$26,745.5 million, with restricted investment accounts (which are off balance sheet items) of U.S.$1,939.1 million as at 31 December 2017. As at 31 December 2018, the aggregate total assets of Islamic banks comprised of unrestricted investments stood at U.S.$27,928.2 million and restricted investment accounts (which are off balance sheet items) amounted to U.S.$1,822.1 million.

With restricted investment accounts, the account holder may impose certain restrictions as to when and how such holder’s funds are to be invested and the Islamic bank may be restricted from combining its own funds with the restricted investment account funds for investment purposes.

As at 31 December 2014, 2015, 2016, 2017 and 2018 Islamic banks’ assets accounted for 13.2%, 13.3%, 14.1%, 14.3% and 14.5% of total banking sector assets, respectively. As at 31 July 2019, the aggregate total assets of Islamic banks reached U.S.$30,510.2 million and accounted for 15.2% of the total banking sector assets.
Credit Developments

The table below sets out the outstanding loans and advances to non-bank residents made by retail banks and their breakdown as at the dates indicated.

<table>
<thead>
<tr>
<th>Sector</th>
<th>As at 31 December</th>
<th>As at 31 July</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(U.S.$ millions)</td>
<td></td>
</tr>
<tr>
<td><strong>Business Sector</strong></td>
<td>10,557.9</td>
<td>11,062.0</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1,408.1</td>
<td>1,676.6</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>30.2</td>
<td>11.2</td>
</tr>
<tr>
<td>Agriculture Fishing and Dairy</td>
<td>29.2</td>
<td>17.0</td>
</tr>
<tr>
<td>Construction and Real Estate</td>
<td>3,626.8</td>
<td>3,573.7</td>
</tr>
<tr>
<td>Trade</td>
<td>2,662.3</td>
<td>2,963.6</td>
</tr>
<tr>
<td>Non-Bank Financial</td>
<td>723.0</td>
<td>729.5</td>
</tr>
<tr>
<td>Other Sectors, of which:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation and Communication</td>
<td>560.6</td>
<td>519.4</td>
</tr>
<tr>
<td>Hotels and Restaurants</td>
<td>341.2</td>
<td>369.4</td>
</tr>
<tr>
<td><strong>General Government</strong></td>
<td>492.2</td>
<td>790.2</td>
</tr>
<tr>
<td><strong>Personal Sector</strong></td>
<td>7,876.3</td>
<td>9,013.8</td>
</tr>
<tr>
<td>Secured by Mortgage</td>
<td>2,611.8</td>
<td>2,814.6</td>
</tr>
<tr>
<td>Secured by Vehicle Title</td>
<td>317.5</td>
<td>330.9</td>
</tr>
<tr>
<td>Secured by Deposit</td>
<td>181.5</td>
<td>143.6</td>
</tr>
<tr>
<td>Secured By Salary Assignment</td>
<td>2,973.2</td>
<td>3,272.3</td>
</tr>
<tr>
<td>Credit Card Receivables</td>
<td>180.5</td>
<td>183.5</td>
</tr>
<tr>
<td>Other</td>
<td>1,611.9</td>
<td>2,268.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>18,926.5</td>
<td>20,866.2</td>
</tr>
</tbody>
</table>

Source: CBB

The total amount of credit given to the private sector (business sector and personal sector) by the retail banking sector was U.S.$24,624.4 million as at 31 December 2018, an increase of 10.7% compared to as at 31 December 2017. The continued credit growth was a result of improved economic activities. The total amount of credit given to the private sector (business sector and personal sector) by the retail banking sector was U.S.$25,268.5 million as at 31 July 2019 (reflecting a 2.6% increase, as compared to as at 31 December 2018).

Total business sector credit was U.S.$13,554.3 million as at 31 December 2018, reflecting a 10.1% increase, as compared to as at 31 December 2017. The principal contributors to business lending as at 31 December 2018 were the construction and real estate (36.6%), trade (22.2%) and manufacturing (18.0%) sectors. As at 31 December 2018, the largest increase in business credit was in the manufacturing sector, which was U.S.$2,436.9 million (reflecting a 27.7% increase, as compared to as at 31 December 2017), followed by the construction and real estate sector, which was U.S.$4,964.9 million (reflecting a 9.9% increase, as compared to as at 31 December 2017).

Total business sector credit was U.S.$13,756.8 million as at 31 July 2019, reflecting a 1.5% increase as compared to as at 31 December 2018. The principal contributors to business lending were the construction and real estate (35.8%), trade (21.7%), and manufacturing (20.5%) sectors. As at 31 July 2019, the largest increase in business credit was in the manufacturing sector, which was U.S.$2,824.9 million (reflecting a 15.9% increase, as compared to as at 31 December 2018).

Total personal sector credit was U.S.$11,070.1 million as at 31 December 2018, reflecting a 11.4% increase, as compared to as at 31 December 2017. Personal sector loans were primarily loans secured by mortgages (43.2%) and salary assignments (31.8%). As at 31 December 2018, the largest increase in personal credit was credit secured by mortgages, which was U.S.$4,778.3 million (reflecting a 11.3% increase, as compared to as at 31 December 2017), followed by credit secured by deposits, which was U.S.$356.7 million (reflecting a 153.7% increase, as compared to as at 31 December 2017).

Total personal sector credit was U.S.$11,511.7 million as at 31 July 2019, reflecting a 4.0% increase, as compared to as at 31 December 2018. Personal sector loans were primarily loans secured by mortgages (43.5%) and salary assignments (31.4%). As at 31 July 2019, the largest increase in personal credit was credit secured by mortgages, which was U.S.$2,824.9 million (reflecting a 15.9% increase, as compared to as at 31 December 2018).
U.S.$5,010.3 million (reflecting a 4.9% increase, as compared to as at 31 December 2018), followed by credit secured by deposits, which was U.S.$474.8 million (reflecting a 33.1% increase, as compared to as at 31 December 2018).

**Non-Performing Loans**

The table below shows a breakdown of non-performing loans ("NPLs") as a percentage of loans issued by the banking institutions in Bahrain (conventional and Islamic) at the dates indicated.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional Retail Banks</td>
<td>3.7</td>
<td>3.5</td>
<td>3.9</td>
<td>4.8</td>
<td>5.3</td>
<td>5.8</td>
<td>5.4</td>
<td>5.8</td>
<td>5.5</td>
</tr>
<tr>
<td>Conventional Wholesale Banks</td>
<td>5.9</td>
<td>5.8</td>
<td>5.2</td>
<td>5.2</td>
<td>5.7</td>
<td>5.5</td>
<td>5.4</td>
<td>5.3</td>
<td>5.7</td>
</tr>
<tr>
<td>Islamic Retail Banks</td>
<td>12.5</td>
<td>11.3</td>
<td>12</td>
<td>12.7</td>
<td>11.4</td>
<td>9.6</td>
<td>10.0</td>
<td>10.4</td>
<td>9.5</td>
</tr>
<tr>
<td>Islamic Wholesale Banks</td>
<td>4.6</td>
<td>4.1</td>
<td>4.6</td>
<td>3.0</td>
<td>3.7</td>
<td>2.5</td>
<td>2.6</td>
<td>1.8</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>Total Banking Sector</strong></td>
<td>5.6</td>
<td>5.2</td>
<td>5.3</td>
<td>5.5</td>
<td>5.9</td>
<td>5.7</td>
<td>5.6</td>
<td>5.6</td>
<td>5.5</td>
</tr>
</tbody>
</table>

Note: (1) Preliminary Data.

Between 2017 and 2018, the NPLs for the entire banking sector decreased to 5.5%. NPLs of conventional retail banks increased by 0.1% from 5.4% as at 31 December 2017 to 5.5% as at 31 December 2018; NPLs of conventional wholesale banks increased by 0.3%, from 5.4% to 5.7% during the same period; NPLs of Islamic retail banks decreased by 0.5%, from 10.0% to 9.5% during the same period; and NPLs of Islamic wholesale banks decreased by 1.3%, from 2.6% to 1.3% during the same period.

As at 30 June 2019, NPLs for the entire banking sector were 5.3%. NPLs of conventional retail banks increased to 5.5%; NPLs of conventional wholesale banks decreased to 5.3%; NPLs of Islamic retail banks increased to 9.7%; and NPLs of Islamic wholesale banks decreased to 1.2%.

Although Islamic banks significantly reduced their NPL ratios over the past five years, their NPL ratios still remain the highest amongst other banking segments due to the nature of their financings, which involve a higher exposure to real estate. The CBB continues to work with banks in the sector to decrease their real estate exposure and NPL figures accordingly.

The table below shows a breakdown of the specific provisioning of NPLs, as a percentage of NPLs for the banking institutions in Bahrain (conventional and Islamic), at the dates indicated.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional Retail Banks</td>
<td>56.0</td>
<td>55.0</td>
<td>54.3</td>
<td>48.6</td>
<td>49.9</td>
<td>47.1</td>
<td>50.6</td>
<td>54.3</td>
<td>63.8</td>
</tr>
<tr>
<td>Conventional Wholesale Banks</td>
<td>73.0</td>
<td>66.8</td>
<td>67.0</td>
<td>64.2</td>
<td>65.7</td>
<td>67.7</td>
<td>59.0</td>
<td>66.6</td>
<td>67.9</td>
</tr>
<tr>
<td>Islamic Retail Banks</td>
<td>39.2</td>
<td>41.0</td>
<td>39.6</td>
<td>34.3</td>
<td>40.1</td>
<td>42.0</td>
<td>35.9</td>
<td>43.5</td>
<td>38.6</td>
</tr>
<tr>
<td>Islamic Wholesale Banks</td>
<td>75.3</td>
<td>79.2</td>
<td>81.2</td>
<td>78.1</td>
<td>81.4</td>
<td>97.2</td>
<td>86.5</td>
<td>85.3</td>
<td>79.6</td>
</tr>
<tr>
<td><strong>Total Banking Sector</strong></td>
<td>62.8</td>
<td>60.1</td>
<td>59.2</td>
<td>53.4</td>
<td>56.6</td>
<td>56.8</td>
<td>52.8</td>
<td>58.2</td>
<td>61.2</td>
</tr>
</tbody>
</table>

Note: (1) Preliminary Data.

As at 31 December 2018, provisions for NPLs of the entire banking sector were 61.2%, provisions for NPLs of conventional retail banks increased to 63.8%, provisions for NPLs of conventional wholesale banks increased to 67.9%, provisions for NPLs of Islamic retail banks decreased to 38.6%, and provisions for NPLs of Islamic wholesale banks decreased to 79.6%.

As at 30 June 2019, provisions for NPLs of the entire banking sector was 64.7%, provisions for NPLs of conventional retail banks increased to 66.0%, provisions for NPLs of conventional wholesale banks increased to 74.3%, provisions
for NPLs of Islamic retail banks decreased to 37.4%, and provisions for NPLs of Islamic wholesale banks increased to 94.9%.

Provisions for NPLs of Islamic retail banks are generally lower than the conventional retail segment largely because Islamic bank lending is mostly asset-backed. The Shari’a based financing instruments are backed by underlying tangible assets and are, therefore, considered secured by assets that can be used as collateral.

**Capital Adequacy**

The table below shows a breakdown of the Capital Adequacy Ratios (“CAR”) by the banking institutions in Bahrain (conventional and Islamic) at the dates indicated.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional Retail Banks.......</td>
<td>18.3</td>
<td>18.6</td>
<td>20.1</td>
<td>21.0</td>
<td>20.9</td>
<td>19.8</td>
</tr>
<tr>
<td>Conventional Wholesale Banks..</td>
<td>21.4</td>
<td>19.8</td>
<td>19.4</td>
<td>19.2</td>
<td>18.1</td>
<td>19.3</td>
</tr>
<tr>
<td>Islamic Retail Banks ............</td>
<td>16.9</td>
<td>15.9</td>
<td>17.2</td>
<td>18.6</td>
<td>17.6</td>
<td>18.0</td>
</tr>
<tr>
<td>Islamic Wholesale Banks ........</td>
<td>24.0</td>
<td>20.7</td>
<td>19.2</td>
<td>18.3</td>
<td>18.1</td>
<td>16.7</td>
</tr>
<tr>
<td>Total Banking Sector ...........</td>
<td>18.3</td>
<td>19.0</td>
<td>19.3</td>
<td>19.5</td>
<td>18.9</td>
<td>19.1</td>
</tr>
</tbody>
</table>

**Note:**
(1) Preliminary Data.

The CAR for the entire banking sector increased by 0.2%, from 18.9% as at 31 December 2018 to 19.1% as at 30 June 2019. The CAR of conventional retail banks decreased by 1.8%, from 20.9% as at 31 December 2018 to 19.8% as at 30 June 2019, while the CAR of conventional wholesale banks increased by 1.2%, from 18.1% to 19.3% during the same periods. The CAR of Islamic retail banks increased by 0.4%, from 17.6% as at 31 December 2018 to 18.0% as at 30 June 2019; the CAR of Islamic wholesale banks decreased by 1.4% from 18.1% to 16.7% during the same period.

**Bank Supervision**

The CBB is the sole regulator of Bahrain’s financial sector, covering the full range of banking, insurance, investment business and capital markets activities. The CBB’s wide scope of responsibilities allows a consistent policy approach to be applied across the whole of Bahrain’s financial sector. It also provides a straightforward and efficient regulatory framework for financial services firms operating in Bahrain.

Under the Central Bank of Bahrain and Financial Institutions Law of 2006, the CBB is authorised, among other things, to grant licences to persons wishing to undertake regulated services, determine the types of business which banks may or may not conduct, establish capital requirements for banks, conduct inspections of banks, stipulate reserve and liquidity ratios for banks and, in certain circumstances, to take over the administration of banks and liquidate them.

The CBB has five offsite supervision directorates which undertake supervision of retail banks, wholesale banks, nonbank financial institutions, Islamic financial institutions and insurance firms, respectively. The principal objectives of these directorates are to ensure that the institutions remain adequately capitalised, have effective risk management and internal controls in place, maintain adequate liquidity and operate with integrity and skill. Supervision is conducted by these directorates in a number of ways, including through prudential meetings with banks and their auditors, monitoring of the regular reporting of banks and ensuring their compliance with a range of regulatory requirements.

A separate inspection directorate, carries out onsite examinations of banks, including Islamic financial institutions. This directorate has introduced a risk-based approach whereby a particular institution’s risk profile will determine the nature and frequency of inspections. A separate directorate, the compliance directorate, investigates suspicious financial transactions, money laundering, terrorist financing and unauthorised business.

In 2016, the CBB (together with the IMF) conducted a Financial Sector Assessment Programme (the “FSAP”), aimed at ensuring that international standards and best practices have been implemented and applied across the CBB’s financial sector operations and activities. On 26 June 2016, the IMF published a comprehensive report in respect of Bahrain’s financial sector, which included a number of recommendations for the development of the legislative and regulatory frameworks adopted by the CBB, as well as detailed technical reports of, amongst other topics, banking
supervision, inspection, insurance, financial stability and macro-prudential policy, contingency planning and anti-
money laundering. The CBB has implemented many of these recommendations, including establishing the Financial
Stability Committee tasked with creating a macroprudential policy framework for the CBB, making changes to the
deposit protection scheme and to the risk modules in the CBB rulebook for conventional and Islamic Banks and signing
a memorandum of understanding with the MOFNE, acknowledging the importance of cooperation during financial
crises and the need for information exchange and consultation regarding financial stability and crisis management and
is continuing to work on the implementation of certain other recommendations.

Conventional Banks and Bank Financial Institutions

The retail and wholesale banking supervision directorates are responsible for the offsite supervision of all conventional
banks, financing companies and ancillary service providers. The financial institutions supervision directorate is
responsible for all non-Islamic non-bank financial institutions (including money changers and money and foreign
exchange brokers).

The banking supervision directorates deal with the prudential supervision of banks, financing companies and ancillary
service providers and require the published accounts of all licensees under its supervision, whether locally incorporated
or branches of foreign banks, to comply with International Financial Reporting Standards. Locally incorporated banks
and branches of foreign banks operating under a commercial bank licence in Bahrain are required to publish their
financial statements on a quarterly basis and semi-annual basis, respectively. The year-end financial statements of all
banks and financing companies must be audited by external auditors and the interim financial statements must be
reviewed by the external auditors. In addition, all banks operating in Bahrain are required to submit prudential
information returns on a quarterly basis and statistical returns on a monthly basis to the CBB.

As the banking regulator, the CBB sets and monitors capital requirements on both a consolidated (group) basis and on a
solo (parent company only) basis. The CBB implemented the new standards for capital and liquidity requirement
proposed by the Basel Committee on Banking Supervision (“Basel III”) in Bahrain starting from 1 January 2015. Local
banks or banking groups are required to maintain a minimum capital adequacy ratio of 12.5% (on a consolidated basis)
and 8% (on a stand-alone basis) which exceeds the minimum ratio requirements set by Basel III. All Bahraini banks are
currently following the standardised approach to Credit Risk under Pillar One of Basel III. The basic indicator and
standardised approaches are permitted for operational risk, while the standardised and internal model approaches are
permitted for market risk. As part of Basel III implementation, new more extensive Pillar Three Disclosure
requirements came into effect for all locally-incorporated banks’ financial statements dated 30 June 2015 onward. With
effect from 30 June 2019, the CBB requires all locally-incorporated banks to also report Basel III ratios on leverage and
liquidity on a quarterly basis for LCR. From 31 December 2019, the CBB will also require all locally-incorporated
banks to report in respect of NSFR.

The CBB has established a Deposit and Unrestricted Investment Account Protection Scheme (the “Scheme”) for
compensating eligible depositors (any natural person holding an eligible account with a conventional bank or an
Islamic bank in Bahrain) when conventional retail and Islamic banks licenced by the CBB are unable, or are likely to be
unable, to satisfy claims against them. A new pre-funded Scheme was established by the CBB at the beginning of 2011
to replace the old post-funded Scheme. The new Scheme creates two funds (one conventional and one Islamic), which
will be used to compensate eligible depositors in the event that their bank defaults.

The body established to operate and administer the Scheme is the Deposit and Unrestricted Investment Account
Protection Board. The Deposit Protection Board will consider if and when compensation will be available in relation to
a particular bank, set out the procedures and rules of operation of the Scheme and be responsible for calculating the
amounts of compensation payable.

The Scheme applies to eligible deposits held with the Bahrain offices of CBB licensees, whether in Bahraini Dinars or
other currencies, held by persons who are either residents or non-residents of Bahrain. In the event of default, such
deposits are protected up to a maximum of BD 20,000 (U.S.$53,191.50).

Islamic Banking

As the charging of interest is prohibited under Shari’a rules and regulations, Islamic banking institutions operate, inter
alia, on the principle of profit and loss sharing. Rather than charging interest, they participate in the yield resulting
from use of the funds. Depositors also share in the profits of the bank according to a predetermined ratio.

Due to the different way in which Islamic banking operates and the specific risks inherent in the system, the CBB has
developed a regulatory framework separate from that for the conventional banking system for Islamic banks. This was
first implemented in March 2002 with the introduction of the Prudential Information and Regulatory Framework for
Islamic banks ("PIRI") by the Islamic financial institutions directorate. The objective of the PIRI is to provide an Islamic banking regulatory framework which is based on the Basel III standards and addresses the specific features of Islamic financial products.

Among other measures, PIRI requires Islamic banks to maintain a 12.5% consolidated capital adequacy ratio (8.0% on a solo basis) and to take a capital charge equal to 30% of assets financed by unrestricted profit sharing investments accounts in order to calculate the Capital Adequacy requirements. Islamic banks, like conventional banks, must also submit prudential returns on a quarterly basis. The Basel III capital adequacy requirements are applicable to Islamic banking institutions; however, such requirements are customised to fit the nature of the Islamic banking in accordance with Islamic Financial Services Board ("IFSB") requirements. The deposit protection scheme described above also applies in respect of deposits held with Islamic banks licenced with the CBB.

**Banking Sector Liquidity**

The impact of the global financial crisis on the Bahraini financial system has been relatively modest so the Government and the CBB have not considered it necessary to resort to some of the exceptional measures adopted elsewhere in the world such as unlimited deposit or interbank guarantees or asset purchases by the state. Nonetheless, the CBB introduced two measures to improve market liquidity: opening a new foreign exchange swap facility and the acceptance of a wider range of collateral. These adjustments helped to ensure that short-term financial assistance was available to banks at reasonable rates against a wider range of collateral and allowed banks to obtain Bahraini Dinars in return for U.S. Dollars, as required. The CBB enhanced its monitoring of bank liquidity during the financial crisis, requiring all locally-incorporated banks to report their liquidity positions on a daily basis and to report their risk exposures on a weekly basis.

As part of its implementation strategy of Basel III, the CBB is assessing the readiness of banks in Bahrain in complying with the new liquidity requirements. The CBB is considering introducing new liquidity requirements to enhance its regulatory framework and, in January 2018, issued a consultation paper in respect of its liquidity management module in the CBB rulebook for conventional and Islamic licensees. Comments to the consultation paper were received from licencees at the end of February 2018. Currently, the CBB receives pro forma Basel III ratios (liquidity coverage ratio and net stable funding ratio) on a quarterly basis.

**Insurance**

In light of substantial infrastructure investments anticipated in the GCC over the next decade, opportunities for growth of the insurance industry are considered to be significant. This growth in regional infrastructure spending is expected to result in an increase in insurance activity, in turn, resulting in a growth in gross premiums of the insurance industry in the region. As an economy with a relatively strong insurance sector, the Government believes that Bahrain is well-placed in terms of market position, regulatory quality and structure to handle and capitalise on this anticipated demand for insurance services, both domestically and regionally.

A significant number of insurance companies and organisations have a presence in Bahrain. The table set out below sets out the number of insurance companies and gross premiums of the insurance market as at the dates indicated.

<table>
<thead>
<tr>
<th>Insurance companies and organisations registered in Bahrain(1)</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross premiums of the insurance market (U.S.$ millions)(2)</td>
<td>728.6</td>
<td>725.5</td>
<td>723.5</td>
<td>714.6</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Gross premiums of the insurance market (% change year on year)</td>
<td>6.0</td>
<td>(0.4)</td>
<td>(0.3)</td>
<td>(1.2)</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Notes:
(1) Includes representative offices and ancillaries.
(2) Using the fixed conversion rate of BD 0.376 = U.S.$1.00.

Source: CBB

Since 2002, the responsibility for the regulation of the insurance sector rests with the insurance directorate of the CBB. The insurance directorate conducts its offsite supervision in a manner broadly equivalent to the banking and financial institutions supervision directorates, although insurance firms are now obliged to report to the CBB on a quarterly basis.
basis. All legal, regulatory and supervisory insurance frameworks follow the essential criteria of the International Association of Insurance Supervisors core principles and methodology.

As part of the efforts towards enhancement and improvement of the regulatory framework, the CBB introduced its revised and enhanced Operational and Solvency framework for the Takaful and Retakaful industry in 2014 after undergoing deliberations and consultations with the industry and all the stakeholders. The Takaful and Retakaful industry has shown a nominal growth in gross contributions in 2015 from the previous year.

**Anti-Money Laundering**

In 2001, Bahrain passed its first anti-money laundering law (Legislative Decree № (4) of 2001) which, among other things, established a Financial Investigations Unit (“FIU”) within the Ministry of the Interior. Under this law, banks and financial institutions in Bahrain are obliged to submit a Suspicious Transaction Report (“STR”) in respect of any banking activity which they regard as suspicious through an on-line reporting system.

Bahrain views the fight against anti-money laundering (“AML”) and combating the financing of terrorism (“CFT”) as a key priority. Bahrain is part of the Financial Action Task Force (the “FATF”), an anti-money laundering and anti-terror financing association which also includes the 29 OECD countries, through the full membership of the GCC to the FATF, as is committed to implementation of all international standards in this area. Bahrain is also the founding member of the regional MENAFATF and hosts its secretariat.

MENAFATF has 18 member states and holds two plenaries in Bahrain every year. In accordance with the sixteenth plenary decision, Bahrain was moved from regular follow-up reporting (annual reporting) to a biennial update process. As per the fourth follow-up report submitted by Bahrain to MENAFATF at the 16th plenary meeting in 2012, it was agreed that Bahrain achieved a largely compliant status with respect to the FATF recommendations.

The CBB has continued its efforts with a particular emphasis on upgrading Bahrain’s regulatory AML/CFT framework through the AML/CFT policy committee (the “AML/CFT Policy Committee”); a national committee chaired by the CBB and comprised of 13 members from relevant government authorities. The AML/CFT Policy Committee is responsible for formulating AML/CFT policies, procedures and coordinating with relevant internal bodies to ensure that the regulatory framework is in compliance with the latest FATF recommendations. The Government amended Legislative Decree № (4) of 2001 by Law № 54 of 2006 to incorporate FATF’s recommendations concerning the financing of terrorism. In 2013, Legislative Law № (25) was passed to reflect the new FATF recommendations introduced in 2012. In 2017, Legislative Law № (36) was passed to further incorporate AML and CFT provisions in line with the international standards.

**Capital Markets**

The Bahrain Bourse (formerly known as the Bahrain Stock Exchange) commenced operations in June 1987; and in late 2010 by the Royal Decree № (60) of 2010, it was converted into a shareholding company and renamed the Bahrain Bourse (BHB).

As at 31 July 2019, a total of 41 companies were listed on the Bahrain Bourse with a total market capitalisation of U.S.$25.8 billion. Bonds (both corporate and government) and mutual funds are also listed on the exchange.

The Bahrain All Share Index closed at the end of July 2019 at 11,547.7 and stood at 1,337.3 at the end of 2018. The value of shares traded in 2018 reached U.S.$861.3 million while the volume of shares traded reached 1.44 billion. A number of transactions were concentrated in the commercial banks sector which represented 52.0% of the total value of shares traded and 57.2% of the total volume of shares traded in 2018. Bahraini investors accounted for 55.2% of the total value of traded shares, while non-Bahraini investors accounted for 44.8% in 2018.
The table below sets out certain data relating to the Bahrain Bourse transactions as at and for the periods indicated.

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>As at 31 July 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies listed on the Bahrain Bourse</td>
<td>47</td>
<td>46</td>
<td>44</td>
<td>43</td>
<td>44</td>
<td>44</td>
</tr>
<tr>
<td>Total market capitalisation (U.S.$ billion)</td>
<td>22.1</td>
<td>19.1</td>
<td>19.3</td>
<td>21.7</td>
<td>21.8</td>
<td>25.8</td>
</tr>
<tr>
<td>Growth rate (%)</td>
<td>19.6</td>
<td>(13.5)</td>
<td>1.0</td>
<td>12.4</td>
<td>0.6</td>
<td>13.9(4)</td>
</tr>
<tr>
<td>Bahrain All Share Index close</td>
<td>1,426.6</td>
<td>1,215.9</td>
<td>1,220.5</td>
<td>1,331.7</td>
<td>1,337.3</td>
<td>1,547.7</td>
</tr>
<tr>
<td>Volume of shares traded (millions of shares)</td>
<td>1,127.4</td>
<td>515.6</td>
<td>734.4</td>
<td>1,129.8</td>
<td>1,441.1</td>
<td>105.3</td>
</tr>
<tr>
<td>Value of shares traded (U.S.$ million)</td>
<td>716.3</td>
<td>292.5</td>
<td>331.0</td>
<td>562.1</td>
<td>861.3</td>
<td>74.1</td>
</tr>
<tr>
<td>Bahrain All Share index (points)</td>
<td>1,426.6</td>
<td>1,215.9</td>
<td>1,220.5</td>
<td>1,331.7</td>
<td>1,337.3</td>
<td>1,547.7</td>
</tr>
<tr>
<td>Number of listed Bahraini companies</td>
<td>42</td>
<td>42</td>
<td>41</td>
<td>40</td>
<td>41</td>
<td>41</td>
</tr>
</tbody>
</table>

Notes:
(1) Using the fixed conversion rate of BD 0.376 = U.S.$1.00.
(2) Excludes companies listed on the Bahrain Bourse under cross-listing arrangements and closed companies.
(3) Figures are as at 31 July 2019 or for the period January-July 2019.
(4) Growth between July 2018 and July 2019.

Source: Bahrain Bourse

In order to open up Bahrain’s economy, the Government relaxed ownership restrictions in 1999 which had the effect of improving the performance of the Bahrain Bourse. In the mid-1980s, GCC nationals were permitted to own up to 49% of a listed firm and, in 1999, this level was increased to 100%. At the same time, a rule was introduced allowing non-GCC nationals to own 49% of the Bahrain Bourse listed firms.

The CBB regulates the Bahrain Bourse. The issuing of broking licences, changes to listing and trading rules (which are contained in the Capital Markets Rulebook) and market supervision is carried out by the CBB through the capital markets supervision directorate which has adopted a single regulatory model in line with that of the other central bank directorates. The CBB has also commenced custodial services and settlement procedures through a new central depositary system.
Bahrain’s budget deficit has grown in recent years due to a counter-cyclical policy of continued diversification of investment and public support during low oil price periods. However, in recognition of the importance of restructuring Government expenditures and revenues to align with positive economic growth, stabilising debt and strengthening fiscal sustainability, the Government introduced several initiatives between 2015 and 2017, focused on: (i) streamlining Government expenditure; (ii) increasing revenues; and (iii) redirecting government subsidies towards eligible citizens.

In late 2018 the Government announced the FBP, which provides a roadmap for addressing Bahrain’s fiscal challenges over the medium-term, with the overall objective to achieve a balanced budget by 2022. To achieve this goal, initiatives were introduced, which are aimed at: (i) reducing Government operational expenditures; (ii) introducing a voluntary retirement scheme for government employees; (iii) balancing the Electricity and Water Authority’s expenditures and revenue (pursuant to which a 25% reduction of the Electricity and Water Authority’s subsidy is budgeted for 2019 and 2020); (iv) streamlining the distribution of cash subsidies to citizens in need; (v) improving the efficiency of Government expenditure; and (vi) simplifying Government processes and increasing non-oil revenue. The principal goal of the 2019/2020 budget is to implement the FBP initiatives. These measures seek to reduce the deficit by U.S.$2.1 billion on an annual basis over the coming years.

Under these broad targets, the FBP aims to strengthen the Kingdom’s fiscal and economic foundations to ensure the sustainability of resources for future generations, including through: (i) further developing the provision of sustainable government services in education, health and social services; (ii) continuing the provision of subsidised electricity and water services to citizens in their primary residences; (iii) creating quality job opportunities for citizens and ample support to do business; (iv) establishing rules for the sustainable use of resources; (v) enhancing the efficiency and fairness of direct government support to citizens; (vi) continuing funding development and infrastructure projects; (vii) streamlining and improving the provision of government services to citizens and investors; and (viii) improving Bahrain’s credit rating, thereby reducing the cost of financing for citizens and investors.

On 5 September 2019, there was a meeting among the Minister of State for Financial Affairs of the UAE, the Minister of Finance of the State of Kuwait, the Minister of Finance and National Economy of the Kingdom and the Assistant Minister for International Financial Affairs and Macro-Fiscal Policies of Saudi Arabia to discuss the progress and results of initiatives activated as part of the FBP. During this meeting, it was noted, among other things: (i) that the results of an assessment carried out by the Arab Monetary Fund on the implementation of the FBP had highlighted that progress was being made across the programme’s initiatives; and (ii) that the positive outcomes achieved to date through the implementation of the FBP had led to a decline in the actual deficit in the first half of 2019 by 37.8% and an increase of non-oil revenues by 47%, as compared to the corresponding period in 2018.

The Government’s policy includes further developing non-oil streams of revenue and involves the introduction of new fees and charges across a number of sectors. To date, the Government has approved and implemented increases to primary healthcare charges, fees for licences and services provided by the Civil Aviation Authority, visa fees, postal and traffic violation fees, as well as recovering Government services costs through capital contributions. See “—Fiscal Policy” for more information on Bahrain’s fiscal policy.

Following a five-month delay as a result of discussions regarding a reduction in public expenditure to address the budget deficit, the 2019/2020 budget was approved in May 2019 by Parliament and signed by the King as Law № 11 of 2019.

In the 2019/2020 budget, total revenue is budgeted at U.S.$7,489 million for 2019 and U.S.$7,836 million for 2020, total expenditure is budgeted at U.S $9,460 million for 2019 and U.S$9,434 million for 2020 and the budget deficit is budgeted at U.S $1,971 million for 2019 and U.S $1,598 million for 2020.

**Government Budget**

Bahrain prepares budgets on a biennial basis, taking into account the key priority areas of Vision 2030 during each budgeting process. See “Overview of The Kingdom of Bahrain—Vision 2030”. The budget is built around a two-year cycle, but separate budgets are also prepared for each calendar year. The financial year commences on 1 January and ends on 31 December.

Bahrain’s budget is not consolidated. Local authorities are funded by transfers from the Government budget to cover any shortfall in their own budgets. Local authorities are not permitted to borrow funds in their own name.

Two holding companies, Mumtalakat and nogaholding, were established by Royal Decrees in June 2006 and August 2007, respectively. Mumtalakat is an independent holding company for the Government’s non-oil and gas assets, while nogaholding is a holding company for the Government’s oil and gas assets. Prior to the establishment of these two holding companies, the Government received income from the assets they now hold directly.

Bahrain’s budget is presented on a modified cash basis. See “Certain Defined Terms and Conventions—Fiscal Data” and “Risk Factors—Risks Relating to the Kingdom—Bahrain’s fiscal deficit and debt ratio may not be fully reflective of all of the Government’s obligations”. 

PUBLIC FINANCE
## Budget revenues and expenditures

The following table summarises the execution of the Government budget for the periods indicated.

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil and gas</td>
<td>5,431</td>
<td>5,047</td>
<td>5,854</td>
<td>7,381</td>
<td>7,489</td>
<td>3,320</td>
<td>7,836</td>
</tr>
<tr>
<td>Non-oil and gas</td>
<td>1,190</td>
<td>1,227</td>
<td>1,459</td>
<td>1,301</td>
<td>2,084</td>
<td>916</td>
<td>2,261</td>
</tr>
<tr>
<td><strong>Expended</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recurrent expenditure(1)</td>
<td>8,287</td>
<td>8,302</td>
<td>8,464</td>
<td>8,891</td>
<td>8,779</td>
<td>4,284</td>
<td>8,902</td>
</tr>
<tr>
<td>Projects expenditure</td>
<td>1,180</td>
<td>1,093</td>
<td>943</td>
<td>870</td>
<td>681</td>
<td>180</td>
<td>532</td>
</tr>
<tr>
<td><strong>Surplus/(deficit)</strong></td>
<td>(4,035)</td>
<td>(4,347)</td>
<td>(3,553)</td>
<td>(2,380)</td>
<td>(1,971)</td>
<td>(1,144)</td>
<td>(1,598)</td>
</tr>
<tr>
<td><strong>Primary surplus/(deficit)</strong></td>
<td>(3,319)</td>
<td>(3,385)</td>
<td>(2,278)</td>
<td>(735)</td>
<td>(269)</td>
<td>(293)</td>
<td>(256)</td>
</tr>
<tr>
<td>Overall Budget Deficit to GDP Ratio (%)</td>
<td>(13)</td>
<td>(13)</td>
<td>(10)</td>
<td>(6)</td>
<td>(5)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>Primary Budget Surplus/(Deficit) to GDP Ratio (%)</td>
<td>(11)</td>
<td>(11)</td>
<td>(6)</td>
<td>(2)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
</tr>
</tbody>
</table>

Notes:
1. Includes debt service.
2. 2019 Figures are the Adjusted Budget.

Source: Ministry of Finance and National Economy

### 2015/2016 Budget

In 2015, an actual deficit of U.S.$4,035 million was recorded (compared to a budgeted deficit of U.S.$4,493 million) with recurrent expenditure reaching U.S.$8,287 million (compared to budgeted recurrent expenditure of U.S.$8,395 million).

In 2016, an actual deficit of U.S.$4,347 million was recorded (compared to a budgeted deficit of U.S.$4,160 million and reflecting an increase of 8% compared to the actual deficit in 2015) with recurrent expenditure reaching U.S.$8,302 million (compared to budgeted recurrent expenditure of U.S.$8,480 million) and project expenditure reaching U.S.$1,180 million (compared to budgeted project expenditure of U.S.$1,676 million).

The 2015/2016 budget was based on an average oil price of U.S.$60.0 per barrel, compared to the actual average oil price of U.S.$49.8 per barrel in 2015 and U.S.$38.1 per barrel in 2016. A number of fiscal consolidation measures were also introduced in the 2015/2016 budget, including:

- **Manpower Expenditure Measures:** reductions across line ministries of: (i) overtime budgets (by 10% in 2015 and 20% in 2016); (ii) the part-time and temporary employment budget (by 10% in each of 2015 and 2016); and (iii) the training budget (by 20% in each of 2015 and 2016); and

- **Other Recurrent Expenditures of Ministries and Government Entities:** a decrease in other recurrent expenditure budgets across line ministries, as well as a reduction of recurrent expenditures by 7% in 2015 and 3% in 2016 across semi-government entities.

See “—Fiscal Policy”.

### 2017/2018 Budget

In 2017, an actual deficit of U.S.$3,553 million was recorded (compared to a budgeted deficit of U.S.$3,772 million and reflecting a decrease of 18% compared to the actual deficit in 2016) with recurrent expenditure reaching U.S.$8,464 million (compared to budget recurrent expenditure of U.S.$8,590). In 2017, the actual deficit was lower than the budgeted deficit primarily due to lower project expenditures than budgeted, as well as lower actual recurrent expenditure figures.

In 2018, an actual deficit of U.S.$2,380 million was recorded (compared to a budgeted deficit of U.S.$3,597 million and reflecting a decrease of 33% compared to the actual deficit in 2017 and a decrease of 45% compared to the actual deficit in 2016) with recurrent expenditure reaching U.S.$8,891 million (compared to budget recurrent expenditure of U.S.$8,854). In 2018, the actual deficit was lower than the budgeted deficit primarily due to a lower budgeted oil price (of U.S.$55 per barrel) compared to the 2018 actual average oil price (of U.S.$69.65 per barrel). Recurrent expenditures were higher in 2018, as compared to budgeted recurrent expenditures, primarily due to higher than budgeted debt interest costs.
A number of fiscal consolidation measures were introduced in the 2017/2018 budget, including:

- **Manpower Expenditure Measures:** a 75% decrease in civil sector promotions (as compared to 2016), a reduction in cash incentives to civil servants and further reductions in the overtime and training budgets (by 50% and 75%, respectively); and

- **Other Recurrent Expenditures of Ministries and Government Entities:** a reduction of line ministries’ and semi-government entities’ budgets by a maximum of 15%.

Total revenues for 2018 were U.S.$7,381 million, of which U.S.$6,080 million was comprised of oil and gas revenues. The 2017/2018 budget did not include the expected revenues to be derived from the introduction of VAT.

### 2019/2020 Budget

In the 2019/2020 budget, total revenue is budgeted at U.S.$7,489 million for 2019, total expenditure is budgeted at U.S.$9,460 million for 2019 and the budget deficit is budgeted at U.S.$1,971 million for 2019. Non-oil revenues are budgeted at BD 784 million for 2019.

In the 2019/2020 budget, total revenue is budgeted at U.S.$7,836 million for 2020, total expenditure is budgeted at U.S.$9,434 million for 2020 and the budget deficit is budgeted at U.S.$1,598 million for 2020. Non-oil revenues are budgeted at BD 850 million for 2020.

The 2019/2020 budget is the first budget cycle to implement the FBP. The 2019/2020 budget, *inter alia*, targets: (i) decreases in recurrent expenditures of 1% in each of 2019 and 2020 (as compared to the previous year); (ii) decreases in manpower expenditure of 3% in 2019 (as compared to 2018) and 2% in 2020 (as compared to 2019 budgeted expenditures); and (iii) decreases in project expenditure of 35% in 2019 (as compared to the 2018 budget).

Key changes in fiscal consolidation measures in the 2019/2020 budget, as compared to previous budgets, include: (i) measures to implement the FBP in addition to the 2019/2022 GP; (ii) the introduction of VAT; (iii) the continued implementation of excise tax; (iv) a natural increase in supply and demand; and (v) the continued implementation of certain revenue development initiatives. The 2019/2020 budget assumes an average oil price of U.S.$60 per barrel.

See “—Fiscal Policy”.

### Non-budget expenditures

In March 2011, the Foreign Ministers of the GCC announced the establishment of the GCC Development Fund to be provided as a grant and distributed between Bahrain and Oman, with Bahrain receiving U.S.$7.5 billion to be distributed over a ten-year period. See “Risk Factors—Risks Relating to the Kingdom—Bahrain’s economy is dependent on economic and other conditions of Saudi Arabia in particular, as well as the GCC countries”. GCC Development Fund proceeds are expected to be utilised towards the achievement of Vision 2030’s developmental goals. For more information on this economic strategy, see “Overview of The Kingdom of Bahrain—Vision 2030”.

The Government has identified specific priority projects to be financed through the GCC Development Fund, in the following sectors.

<table>
<thead>
<tr>
<th></th>
<th>Saudi Arabia</th>
<th>Kuwait</th>
<th>UAE</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td>442</td>
<td>996</td>
<td>990</td>
<td>2,428</td>
</tr>
<tr>
<td>Roads and Sewerage</td>
<td>770</td>
<td>470</td>
<td>210</td>
<td>1,450</td>
</tr>
<tr>
<td>Electricity and Water</td>
<td>581</td>
<td>940</td>
<td>50</td>
<td>1,571</td>
</tr>
<tr>
<td>Airport</td>
<td>—</td>
<td>—</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Health</td>
<td>69</td>
<td>—</td>
<td>150</td>
<td>219</td>
</tr>
<tr>
<td>Education</td>
<td>85</td>
<td>—</td>
<td>10</td>
<td>95</td>
</tr>
<tr>
<td>Social</td>
<td>—</td>
<td>62</td>
<td>—</td>
<td>62</td>
</tr>
<tr>
<td>Industry</td>
<td>—</td>
<td>32</td>
<td>—</td>
<td>32</td>
</tr>
<tr>
<td>Youth and Sports</td>
<td>477</td>
<td>—</td>
<td>—</td>
<td>477</td>
</tr>
<tr>
<td>Others (Administration Fees)</td>
<td>—</td>
<td>—</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>To be allocated in next phase</td>
<td>76</td>
<td>—</td>
<td>40</td>
<td>116</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,500</strong></td>
<td><strong>2,500</strong></td>
<td><strong>2,500</strong></td>
<td><strong>7,500</strong></td>
</tr>
</tbody>
</table>

Source: Ministry of Finance and National Economy

In 2017, the Government finalised projects in place with the Kuwait Fund and the Abu Dhabi Fund. The Government is coordinating with the Saudi Fund in respect of the U.S.$76 million of funds remaining to be allocated.

As at 31 December 2015, 2016, 2017 and 2018, U.S.$5.935 million, U.S.$6.076 million U.S.$7.311 million and U.S.$7,384 million, respectively, was allocated to projects from the GCC Development Fund. A further U.S.$76 million will be allocated in a later phase and U.S.$40 million is reserved for contingencies. These projects are in
various stages (tendering, award and implementation) of progress. As at 31 December 2015, 2016, 2017 and 2018, U.S.$183 million, U.S.$734 million, U.S.$1,433 million and U.S.$2,211 million, respectively, had been paid from the GCC Development Fund.

**Fiscal Policy**

Bahrain’s budget deficit has grown in recent years due to a counter cyclical policy of continued diversification in investment and public support during low oil prices. However, in recognition of the importance of restructuring Government expenditures and revenues to align with positive economic growth, stabilising debt and strengthening fiscal sustainability, the Government introduced several initiatives between 2015 and 2017, focused on: (i) streamlining Government expenditure; (ii) increasing revenues; and (iii) redirecting government subsidies towards eligible citizens.

The main objectives of Bahrain’s general budget for the years 2019-2022 are:

- implementation of the FBP initiatives;
- implementing fiscal consolidation measures in connection with:
  - developing new non-oil revenue streams;
  - recovering costs on existing Government fees and services;
  - reducing Government expenditures; and
  - redirecting Government subsidies to target lower-income segments of the population.

Although oil continues to play an important role in Bahrain’s economy, the Government continues to focus on (i) reducing subsidies; and (ii) further increasing non-oil revenues through various initiatives. Developing non-oil streams of revenue has involved the introduction of new fees and charges across a number of sectors. Since 30 December 2017, excise tax has been imposed on additional commodities and, with effect from 1 January 2019, VAT of 5% is charged on goods and services in accordance with the GCC agreement, post-paid methods have been adopted to improve revenue collection and other revenue initiatives have been implemented. The VAT registration system is operational and collection has already been commenced. In the six months ended 30 June 2019, VAT collection was U.S.$321.9 million, which exceeded the estimated revenue from VAT for this period.

The following table sets forth the key initiatives that were implemented in 2018 and 2019.

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Implementation Date</th>
<th>Estimated Revenue/Savings for a one-year cycle from the implementation date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction of commercial activities fees on commercial registration</td>
<td>December 2018</td>
<td>U.S.$17.3 million</td>
</tr>
<tr>
<td>On arrival visa for transit passengers (72 hours)</td>
<td>July 2018</td>
<td>U.S.$0.9 million</td>
</tr>
<tr>
<td>Organization of the reference of vehicle inspection service to private sector</td>
<td>July 2018</td>
<td>U.S.$0.04 million</td>
</tr>
<tr>
<td>Self - Sponsorship Residence Permit</td>
<td>June 2018</td>
<td>U.S.$0.2 million</td>
</tr>
<tr>
<td>Implemented collection fees for Tender Board</td>
<td>March 2018</td>
<td>U.S.$0.25 million</td>
</tr>
<tr>
<td>Excise Revenue</td>
<td>January 2018</td>
<td>U.S.$169.3 million in 2019 and U.S.$186 million in 2020</td>
</tr>
</tbody>
</table>

**Subsidies**

The Government has been active in realigning public subsidies so that they target those most in need. Working in conjunction with the World Bank, the Government has identified the best options to redirect food subsidies by introducing a means-tested monthly financial transfer, saving up to U.S.$50.5 million annually. It has also raised unified gas prices by U.S.$0.25 per year, starting from 2015 which will continue through to 2021 until it reaches U.S.$4.0 per mmbtu, which is projected to realise a saving of almost U.S.$930.0 million over six years. In addition, the re-categorisation of utilities subsidies is expected to generate savings of over U.S.$1,748.3 million. Increases in oil and gas prices are expected to save up to U.S.$1,241.4 million by 2021. While the reduction of subsidies has contributed
and may continue to contribute to an increase of some components affecting inflation, inflation remained low during the course of 2017 and 2018, increasing by 1.4% in 2017 and 2.1% in 2018. See “Economy of The Kingdom of Bahrain—Principal Sectors of the Economy—Mining—Aluminium”.

Since 2018, the Government has been looking to reform and streamline its subsidy system, to consolidate payments and redirect a larger proportion of subsidies to the poorest citizens. Part of these reforms includes transitioning to an income-contingent system. The redirection of subsidies and the reform of the subsidy criterion aims to reduce subsidy expenditure, while ensuring that eligible individuals benefit from overall higher subsidies.

The following changes to Government subsidies were approved by the Government in 2015 and 2016, are estimated by the Government to have resulted in savings of U.S.$1,465.3 million in 2019 and are expected to result in savings of U.S.$1,748.3 million from 2021 onwards following the completion of a gradual reduction in subsidies by 2021, as set out below.

<table>
<thead>
<tr>
<th>Subsidy</th>
<th>Progress</th>
<th>Implementation Date</th>
<th>Estimated Revenue/Savings per annum from 2017 onwards</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Food subsidies</strong></td>
<td>Redirecting the meat subsidy by providing a quarterly financial allowance to over 181,000 Bahraini families.</td>
<td>October 2015</td>
<td>Estimated savings of U.S.$50.5 million.</td>
</tr>
<tr>
<td><strong>Food subsidies - Total</strong></td>
<td></td>
<td></td>
<td>Estimated savings of U.S.$50.5 million.</td>
</tr>
<tr>
<td><strong>Oil &amp; Gas</strong></td>
<td>Increasing gas prices from U.S.$2.25 to U.S.$2.50, with an increase of U.S.$0.25 every year until 2021.</td>
<td>April 2015</td>
<td>Estimated revenue in 2019 of U.S.$647 million, increasing to U.S.$930.0 million by 2021.</td>
</tr>
<tr>
<td></td>
<td>Amending marine petrol station prices</td>
<td>March 2015</td>
<td>Estimated savings of U.S.$2.7 million.</td>
</tr>
<tr>
<td></td>
<td>First increase in Mumtaz fuel prices, from U.S.$0.27 to U.S.$0.43</td>
<td>January 2016</td>
<td>Estimated savings of U.S.$106.4 million.</td>
</tr>
<tr>
<td></td>
<td>First increase in Jayyed fuel prices, from U.S.$0.21 to U.S.$0.33</td>
<td>January 2016</td>
<td>Estimated savings of U.S.$42.6 million.</td>
</tr>
<tr>
<td></td>
<td>Second increase in Mumtaz fuel prices, from U.S.$0.43 to U.S.$0.53</td>
<td>January 2018</td>
<td>Estimated savings of U.S.$42.6 million.</td>
</tr>
<tr>
<td></td>
<td>Second increase in Jayyed fuel prices, from U.S.$0.33 to U.S.$0.37</td>
<td>January 2018</td>
<td>Estimated savings of U.S.$26.6 million.</td>
</tr>
<tr>
<td><strong>Oil &amp; Gas - Total</strong></td>
<td></td>
<td></td>
<td>Estimated revenue in 2019 of U.S.$958.4 million, increasing to U.S.$1,241.4 million by 2021.</td>
</tr>
<tr>
<td><strong>Electricity &amp; Water</strong></td>
<td>Removing the electricity subsidy for all consumers with the exception of nationals with one account.</td>
<td>March 2016</td>
<td>Estimated savings in 2017 of U.S.$152.1 million, increasing to U.S.$307.9 million by 2019.</td>
</tr>
<tr>
<td></td>
<td>Removing the water subsidy for all consumers with the exception of nationals with one account.</td>
<td></td>
<td>Estimated savings in 2017 of U.S.$77.1 million, increasing to U.S.$148.5 million by 2019.</td>
</tr>
<tr>
<td><strong>Total Financial Impact</strong></td>
<td></td>
<td></td>
<td>Estimated revenue in 2019 of U.S.$1,465.3 million, increasing to U.S.$1,748.3 million by 2021.</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance and National Economy
The total value of the savings from the recent developments to public finance described above are expected to assist in alleviating the fiscal challenges presented by the decrease in oil prices.

Efficiency savings are also being introduced to streamline the size and cost of the Government. The number of ministries has been reduced from 18 to 16 while a number of Government entities have been merged. Several ministerial working committees have been established to reduce bureaucracy costs of running government departments and organisations, as well as investing in sophisticated information technology to achieve increased productivity. A centralised procurement platform is now operational and is intended to promote effective and efficient government procurement practices and systems. Six Government task forces are in place to review purchase requests and reduce operational expenditure. Between the launch of the FBP in October 2018 and June 2019, the task forces reviewed 11,753 purchase requests with a total value of U.S.$362.8 million. The average review time was 6.1 days. The new purchase requests processes and task forces have led to a reduction in total direct Government operational expenditure of 13% in the first half of 2019, as compared to the corresponding period in 2018.

The total value of the savings from the recent developments to public finance described above are expected by the Government to yield an annual saving of approximately U.S.$1.5 billion per year (4.4% of GDP), which is expected to assist in alleviating the fiscal challenges presented by the decrease in oil prices. Further fiscal consolidation measures are currently being discussed with the Government. See “Risk Factors—Risks Relating to the Kingdom—Bahrain’s fiscal deficit and debt ratio may not be fully reflective of all of the Government’s obligations”.

In order to control growth of current public spending, the Government has launched the design and implementation of a fiscal sustainability framework and strategy. This process includes the design of a medium-term fiscal strategy and funding plan, a fiscal reform plan and implementation plan and the creation of a fiscal reform unit in charge of implementing the fiscal reform plan and overseeing and monitoring the implementation of fiscal reforms.

The Government has also established six ministerial teams which seek to revise and reduce the recurrent expenditures in the following areas:

- Government buildings maintenance contracts and expenditures, headed by the Minister of Works, Municipalities and Urban Planning;
- Travel and transportation expenditures, headed by the Minister of Transportation and Telecommunications;
- Rental contracts for buildings occupied by government entities, headed by Minister of Industry, Commerce and Tourism;
- Information technology, telecommunications and electronic systems contracts and expenditures, headed by the E-Government Authority Chief Executive;
- Medical and drugs supplies expenditures, headed by the Undersecretary of the Ministry of Health; and
- Other operational expenditures, headed by the Ministry of Housing.

**Fiscal Consolidation**

In its effort to reduce and control expenditure levels, the Government has approved a number of fiscal consolidation measures that were passed by Parliament in the 2019/2020 Budget. These measures include the following:

- **Manpower Expenditure Measures**: introducing a voluntary retirement scheme for eligible government employees (see “The Economy of The Kingdom of Bahrain—Employment”);
- **Other Recurrent Expenditures of Ministries & Government Entities**: a reduction of a maximum of 18%, as compared to 2018 levels; and
- **Projects Expenditures**: a reduction of over 35% in 2019, as compared to the 2018 budget.
Revenue

The actual total revenues for the years ended 31 December 2014, 2015, 2016, 2017, 2018 and the six months ended 30 June 2019 as well as budgeted revenues for 2019 and 2020, are set forth below.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and gas</td>
<td>7,081</td>
<td>4,241</td>
<td>3,820</td>
<td>4,395</td>
<td>6,080</td>
<td>5,404</td>
<td>2,404</td>
<td>5,575</td>
</tr>
<tr>
<td>Non-oil and gas</td>
<td>1,136</td>
<td>1,191</td>
<td>1,227</td>
<td>1,459</td>
<td>1,302</td>
<td>2,085</td>
<td>916 (2)</td>
<td>2,261</td>
</tr>
<tr>
<td>Of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation and fees</td>
<td>540</td>
<td>597</td>
<td>632</td>
<td>761</td>
<td>780</td>
<td>1,347</td>
<td>773</td>
<td>1,513</td>
</tr>
<tr>
<td>Government goods and services</td>
<td>143</td>
<td>199</td>
<td>223</td>
<td>203</td>
<td>228</td>
<td>230</td>
<td>105</td>
<td>231</td>
</tr>
<tr>
<td>Government investment and properties</td>
<td>219</td>
<td>222</td>
<td>134</td>
<td>314</td>
<td>186</td>
<td>392</td>
<td>47</td>
<td>399</td>
</tr>
<tr>
<td>Grants</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>107</td>
<td>115</td>
<td>60</td>
<td>120</td>
</tr>
<tr>
<td>Fines, penalties and misc.</td>
<td>157</td>
<td>96</td>
<td>161</td>
<td>105</td>
<td>115</td>
<td>115</td>
<td>60</td>
<td>120</td>
</tr>
<tr>
<td>Sale of capital assets</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>8,217</td>
<td>5,432</td>
<td>5,047</td>
<td>5,854</td>
<td>7,382</td>
<td>7,489</td>
<td>3,320</td>
<td>7,836</td>
</tr>
</tbody>
</table>

Notes:
(1) Preliminary data for the six months ended 30 June 2019.

The principal source of revenue for the last five years has been the oil and gas industry, which is highly dependent on world oil prices. In 2014, 2015, 2016, 2017 and 2018, revenues from the oil industry represented 86.2%, 78.1%, 75.7%, 75.1% and 82.4% respectively of total revenue.

In 2014, 2015, 2016, 2017 and 2018, taxation and fees revenue represented 6.6%, 11.0%, 12.5%, 13.0% and 10.6% respectively of total revenue.

Other significant sources of revenue include custom duty, primary health care services fees, visa fees, residence permits, car licences, company registration fees and fees for employment permits and, as of 1 January 2019, VAT. Collection of VAT has been positive to date in 2019 and, given that it is the first year of implementation, above expectations. See “Fiscal Policy”.

Revenue from Government goods and services (the other significant non-oil contributor to total revenue) are principally comprised of port charges, airport taxes and airspace use fees.

Revenue from Government investments and properties are principally comprised of dividends earned on the Government’s shareholdings. The Government’s major domestic shareholdings as at 30 June 2019 were its 100% shareholding in each of its holding companies, Mumtalakat and nogaholding. A full description of the Government’s equity holdings in various local and foreign companies is set forth below.

Mumtalakat

Mumtalakat is the investment arm of Bahrain and was established in June 2006 by Royal Decree as an independent holding company for the Government’s key commercial assets. Mumtalakat was created to align and implement the execution of the Government’s initiatives to improve governance and transparency, pursue value-enhancing opportunities and help achieve operational excellence for its key state-owned commercial assets. The company is wholly-owned by the Government.

On 29 June 2006, the Government transferred its interest in 29 commercial assets to Mumtalakat, including its interest in Alba, Batelco, Edamah, Gulf Air and National Bank of Bahrain (“NBB”). Mumtalakat owns stakes in strategic commercial assets of Bahrain, which are significant contributors to the Bahraini economy and support directly and indirectly many other businesses in the country and the region.

Mumtalakat’s portfolio of companies includes a wide variety of commercial entities across a broad range of industry sectors, including industrial manufacturing, financial services, telecommunications, real estate, aviation, tourism and food production. Companies such as Alba, Gulf Air, Batelco and National Bank of Bahrain (“NBB”), represent some of the largest and most established businesses in Bahrain, with multiple decades of operating history and a track record of leadership and innovation within their industries.

Mumtalakat manages its portfolio of companies with the objective of enhancing their performance and returns. Furthermore, it actively seeks to invest in commercially sound and sustainable opportunities locally, regionally and internationally. Mumtalakat has shareholdings in strategic commercial assets of Bahrain, which are significant contributors to the Bahraini economy and support directly and indirectly many other businesses in the country and the region.

Source: Ministry of Finance and National Economy
As at 31 December 2018, Mumtalakat held minority and majority stakes in over 60 companies across various sectors, including real estate and tourism, financial services, industrial manufacturing, food and agriculture, logistics, aviation, education, consumer services, healthcare, telecommunications, media and technology and general services, in 13 countries across the MENA region, Europe and North America. The portfolio also includes assets in six publicly listed companies (Alba, Bahrain Flour Mills, Batelco, Delmon Poultry Company, Gulf Hotels Group and NBB).

As at 31 December 2017, Mumtalakat has minority and majority shareholdings in more than 60 commercial enterprises and held investments in third party managed funds.

The following companies were subsidiaries of Mumtalakat as at 31 December 2018.

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Equity (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aluminium Bahrain B.S.C. (Alba)</td>
<td>69.4</td>
</tr>
<tr>
<td>Arbahain B.S.C (c)</td>
<td>100.0</td>
</tr>
<tr>
<td>Bahrain Flour Mills Company B.S.C.</td>
<td>65.7</td>
</tr>
<tr>
<td>Bahrain National Dredging Company B.S.C. (c)</td>
<td>100.0</td>
</tr>
<tr>
<td>Bahrain Institute for Pearls and Gemstones (DANAT) B.S.C. (c)</td>
<td>100.0</td>
</tr>
<tr>
<td>Bahrain International Circuit Company S.P.C.</td>
<td>100.0</td>
</tr>
<tr>
<td>Bahrain Real Estate Investment Company (Edamah) B.S.C (c)</td>
<td>100.0</td>
</tr>
<tr>
<td>General Poultry Company B.S.C (c)</td>
<td>100.0</td>
</tr>
<tr>
<td>Gulf Air Holding B.S.C (c)</td>
<td>100.0</td>
</tr>
<tr>
<td>Gulf Techines Co. B.S.C (c)</td>
<td>100.0</td>
</tr>
<tr>
<td>MAZAD B.S.C. (c)</td>
<td>100.0</td>
</tr>
<tr>
<td>Southern Tourism Company B.S.C (c)</td>
<td>100.0</td>
</tr>
<tr>
<td>Southern Area Development Company B.S.C (c)</td>
<td>55.9</td>
</tr>
<tr>
<td>McLaren Group Limited</td>
<td>62.5</td>
</tr>
<tr>
<td>Hawar Aviation Company B.S.C. (c)</td>
<td>100.0</td>
</tr>
<tr>
<td>Arab Shipbuilding and Repair Yard Company</td>
<td>97.0</td>
</tr>
<tr>
<td>Durrat Asset II S.P.C.</td>
<td>100.0</td>
</tr>
<tr>
<td>Durrat Asset IV S.P.C.</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Note:
(1) Gulf Air Holding B.S.C(c) owns 100% stakes in Gulf Air B.S.C(c), Bahrain Airport Company S.P.C and Gulf Aviation Academy B.S.C(c).

Source: Mumtalakat

Mumtalakat also holds equity stakes in over 45 other companies in various industries around the world.

Mumtalakat achieved a consolidated net income of U.S.$148.4 million for the year ended 31 December 2018, as compared to a consolidated net income of U.S.$560.1 million for the year ended 31 December 2017. Consolidated net income in 2017 included a gain on derecognition of associates of U.S.$667.0 million.

Group revenue increased by U.S.$1.51 billion, or 37.9%, from U.S.$3.98 billion in 2017 to U.S.$5.54 billion in 2018. The increase was primarily due to consolidation of McLaren effective 20 July 2017 and higher sales revenue registered at Alba as a result of higher average London Metal Exchange prices for aluminium. Mumtalakat is chaired by H.E. Shaikh Khalid bin Abdulla Al Khalifa, Deputy Prime Minister and is led by CEO Mahmood H. Al Kooheji. Mr. Al Kooheji played an instrumental role in the establishment of Mumtalakat and acted as deputy CEO of Mumtalakat since its inception and became CEO in 2012. Mr. Al Kooheji is actively involved in the management of Mumtalakat’s portfolio and sits on several boards including Mumtalakat, Durrat Khaleej Al Bahrain Company, the Arab Petroleum Investment Corporation (“APICORP”), Arcapita Group and McLaren Group Limited.

Mr. Al Kooheji served as the chairman of the board of directors of Alba from 2008 to 2014. As the Chairman, he led the company’s restructuring in 2009 and the listing of 10% of its shares on both the London and Bahrain stock exchanges in 2010.

With effect from 1 September 2019, Khaled Omar Alromaihi has been appointed as the Chief Executive Officer of Mumtalakat effective 1st September 2019. Mr. Alromaihi was previously a member of Mumtalakat’s board and served as the head of Mumtalakat’s Board Investment Committee. Prior to this appointment Mr. Alromaihi served as Chief Executive of the EDB and he also currently serves as the Chairman of Bahrain Development Bank and as a member of the Board of the National Bank of Bahrain.

In 2018, Mumtalakat paid dividends to the Government in an amount of BD 20.0 million (U.S.$53.2 million), as compared to a budgeted commitment of BD 10.0 million (U.S.$26.6 million) for each of 2017 and 2018. Mumtalakat is expected to pay dividends of BD 30 million (U.S.$79.8 million) to the Government in 2019.
Alba

Alba is one of Mumtalakat’s key portfolio companies and a significant economic contributor to Bahrain. In November 2010, Mumtalakat conducted an offering of a portion of its ordinary shares in Alba (the “Alba Offering”). The Alba Offering enabled Mumtalakat, as selling shareholder, to sell ordinary shares (“Alba Ordinary Shares”) that it owned in Alba, representing 10.0% of Alba’s total issued, fully paid and outstanding share capital. The Alba Ordinary Shares are listed on the Bahrain Bourse and global depositary receipts are listed on the London Stock Exchange. As a consequence of the Alba Offering, Mumtalakat holds a 69.38% equity shareholding in Alba. SABIC continues to hold a 20.62% equity shareholding in Alba.

Bahrain’s largest non-oil export is aluminium, which is smelted at the Alba aluminium smelter and estimated by the IGA to have accounted for 22.0% of total non-oil exports in the three months ended 31 March 2019, 27.8% of total non-oil exports in 2018, 13.3% of total exports and 29.3% of total non-oil exports in 2017, 10.4% of total exports and 19.5% of total non-oil exports in 2016, 12.0% of total exports and 22.5% of total non-oil exports in 2015, and 7.9% of total exports and 20.8% of total non-oil exports in 2014. Alba is the GCC’s largest single-site producer and the Alba aluminium smelter is expected to be the world’s largest single-site smelter when it reaches full production.

Line 6 commenced production on 13 December 2018. In July 2019, the Line 6 expansion project was completed, increasing Alba’s annual production capacity by 540,000 tonnes, bringing Alba’s total production capacity to 1.5 million tonnes of aluminium per year. The capital expenditure estimate for the construction of Line 6, as well as replacing and expanding the power capacity of the existing power plant facilities, is approximately U.S.$3 billion, which Alba financed without Government assistance. In October 2016, Alba entered into a U.S.$1.5 billion syndicated term-loan facility, comprising of a conventional facility and an Islamic facility. In April 2017, Alba secured commitments of approximately U.S.$700 million from ECA supported facilities. In April 2018, Alba successfully drew down €204.5 million from its ECA supported facilities. Alba drew down further amounts of approximately U.S.$300 million from its bank and ECA supported facilities in the last quarter of 2018 and during 2019. See “Economy of The Kingdom of Bahrain— Principal Sectors of the Economy—Manufacturing—Aluminium.”

Gulf Air

Since January 2012, Mumtalakat and the Government have been working closely with Gulf Air and its strategic advisers to review and reformulate Gulf Air’s strategy in light of changed circumstances by focusing on cost reduction and rationalisation of business operations. A business plan detailing the restructuring of Gulf Air’s operations, along with a detailed assessment of the Government funding required to achieve the restructuring, was considered, analysed and presented to the Government and to a parliamentary sub-committee. The plan received final approval pursuant to Royal Decree № (54) of 2012 and the Government began transferring funds to the airline to support its restructuring.

Since the commencement of the restructuring programme, the amount of Government funding provided to Gulf Air totalled U.S.$1,476.1 million as at 30 June 2019. Gulf Air received U.S.$199 million in 2014, U.S.$173 million in 2015, U.S.$146 million in 2016, U.S.$79.8 million in each of 2017 and 2018 and U.S.$53.2 million in the six months ended 30 June 2019 from the Government. The decrease in funding has been due to the positive impact the restructuring has had on Gulf Air. However, 2016 and 2017 were particularly tough years for the airline industry in the region whereby sustained overcapacity in long-haul routes and increasing competition from low-cost rivals in short haul routes affected full-service airlines, such as Gulf Air. Gulf Air recorded a net loss of U.S.$116.5 million in 2018, as compared to a net loss of U.S.$214.6 million in 2017. In May 2017, a new board of directors was appointed to manage Gulf Air.

During the second half of 2015, Gulf Air ordered 29 Airbus A320 aircrafts (including 17 A321neo, 12 A320neo aircrafts) and 10 B787 aircraft from Boeing, in line with its goals to modernise its fleet to more fuel efficient aircrafts. The airline took delivery of five B787 aircrafts and one A320neo aircraft in 2018 and is expected to receive two additional B787 aircraft and four additional A320neo aircrafts in 2019. The A321neo aircrafts are expected to be delivered starting in 2020. Gulf Air operates a fleet of 37 aircraft comprising 25 narrow-bodied aircraft and 12 wide-bodied aircraft.

nogaholding

NOGA was formed in 2005 out of the structural reform of Bahrain’s oil and gas industry and was entrusted with the responsibilities of the former Supreme Oil Council, the former Gas Committee and the former Ministry of Oil. NOGA is a political body responsible for protecting the assets of the Government by acting as the oil and gas industry regulator, and proposing and implementing Government policy. By Royal Decree № (27) of 2019, His Majesty the King appointed Nasser Sultan Al-Suwaidi as Chief Executive Officer of NOGA, with the rank of Undersecretary, and Faihan Mohammed Al-Faihani, as Deputy CEO for Strategies and International Relations at NOGA, with the rank of Assistant Undersecretary. Decree № (40) of 2019 provided for the restructuring of NOGA’s board under the presidency of Shaikh Mohammed bin Khalifa Al Khalifa, the Minister of Oil.

nogaholding is a wholly-owned subsidiary of NOGA. It is an investment holding company of the Government which invests in various oil and gas companies in which the Government has a strategic interest. nogaholding oversees the
activities of its various portfolio companies (details of which are set out in the table below) by liaising and consulting with the board of directors, chief executives and senior executive managements of such companies.

Portfolio companies have a track record of paying annual dividends to nogaholding. In 2012, nogaholding received dividends totalling U.S.$253.6 million and paid a dividend of U.S.$150 million to the Ministry of Finance. In 2014, nogaholding received a U.S.$146 million aggregate dividend and paid a dividend of U.S.$150.0 million to the Government. In 2015, although dividends were declared, nogaholding did not receive a cash dividend from its operating companies Banagas and Tawseah, due to falling oil prices and the equity requirements of their portfolio companies, however, it paid a U.S.$150 million dividend to the Government. Given the medium- to long-term nature of the ongoing projects, as well as in respect of any future projects and the need to fund its respective equity requirements, nogaholding did not pay dividends in 2016. In 2017, nogaholding paid a U.S.$150 million dividend to the Government (for 2016). In 2019, nogaholding declared a U.S.$150.0 million dividend to the Government (for 2018).

As of 30 June 2019, nogaholding had outstanding debt of U.S.$2,617.5 million, Tawseah had outstanding debt of U.S.$515.0 million and Bahrain LNG, an associate of nogaholding, had outstanding debt of U.S.$79 million, which is guaranteed by nogaholding.

In March 2016, nogaholding obtained a multi-bank Murabaha Financing Facility of U.S.$570 million from a group of 10 international, regional and local banks. The proceeds from the facility were utilised to fund the construction of the oil pipeline between Saudi Arabia and Bahrain and other projects. nogaholding’s portfolio companies are currently involved in a number of major projects. Banagas is undertaking a significant expansion project (Bahrain Gas Plant Project—CGP III) to further increase gas processing capacity within Bahrain for the production of marketable natural gas liquids. Also, nogaholding has entered into a joint venture for development of a LNG import terminal project for the Kingdom of Bahrain. The project will comprise offshore receiving and regasification facility, gas pipeline and onshore gas receiving facility.

NOGA has further plans to increase access to gas in order to meet increased gas requirements resulting from the possible expansion of GPIC, Alba and the Bahrain oil refinery.

nogaholding’s portfolio companies are currently involved in a number of major projects. On 1 July 2016, nogaholding increased its equity holding in Tatweer Petroleum to 100%. Under the terms of the acquisition, nogaholding’s liability in relation to exit costs is capped at U.S.$150 million.

With respect to gas, Tatweer Petroleum is responsible for developing drilling projects and infrastructure at Bahrain Field required to support NOGA’s gas production capacity and maintain production at 1.35 billion standard cubic feet per day by 2023, which is expected to satisfy projected demand for Khuff gas.

Offshore and deep drilling projects are ongoing, but alternate plans such as importing gas from overseas, implementing energy conservation measures and purchasing electricity from the GCC grid are also either underway or being developed.


<table>
<thead>
<tr>
<th>Company</th>
<th>As at 31 December 2014 (%)</th>
<th>As at 31 December 2015 (%)</th>
<th>As at 31 December 2016 (%)</th>
<th>As at 31 December 2017 (%)</th>
<th>As at 31 December 2018 (%)</th>
<th>As at 31 December 2019 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bapco</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
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<tr>
<td>Banagas</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
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<tr>
<td>Tawseah</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
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<tr>
<td>Bahrain Aviation Fuel Co.</td>
<td>60</td>
<td>60</td>
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<tr>
<td>GPIC</td>
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<td>33</td>
<td>33</td>
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<tr>
<td>Bahrain Lube Base Oil Company.</td>
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<td>55</td>
<td>55</td>
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<tr>
<td>Tatweer Petroleum (1)</td>
<td>51</td>
<td>51</td>
<td>51</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Skagen Gulf Petchem Carriers BSC (c) (2)</td>
<td>35</td>
<td>35</td>
<td>35</td>
<td>35</td>
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<td>35</td>
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<tr>
<td>Bahrain LNG W.L.L.</td>
<td>—</td>
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<tr>
<td>BAC Jet Fuel Company</td>
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<td>—</td>
<td>50</td>
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<tr>
<td>Bahrain Gasoline Blending</td>
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<td>—</td>
<td>85</td>
<td>85</td>
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<tr>
<td>Saudi Bahrain Pipeline Company.</td>
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<td>—</td>
<td>—</td>
<td>100</td>
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<tr>
<td>Schmidt Logistics Bahrain W.L.L.</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>49</td>
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<tr>
<td>Aromatics Petchem Company W.L.L.</td>
<td>—</td>
<td>50</td>
<td>50</td>
<td>50</td>
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<td>50</td>
</tr>
<tr>
<td>Bapco Retail Company S.P.C.</td>
<td>—</td>
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<td>—</td>
<td>—</td>
<td>—</td>
<td>100</td>
</tr>
</tbody>
</table>

Notes:
(1) nogaholding acquired 100% equity in Tatweer Petroleum on 1 July 2016.
(2) nogaholding sold its 100% interest in Skagen Gulf Petchem Carriers BSC (c) in the three months ended 31 March 2017.

Source: nogaholding
**Bapco**

In July 2019, Sheikh Mohammed bin Khalifa bin Ahmed Al Khalifa, Minister of Oil, issued Resolution № (9) of 2019 to restructure the Board of Directors of Bapco. Dr Dawood Nassif was appointed as the chairman of the board of directors of Bapco.

**Recurrent Expenditure**

The following table shows the structure of the Government recurrent expenditure budget (which includes debt service) for the years indicated.

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Manpower</td>
<td>3,668</td>
<td>3,802</td>
<td>3,801</td>
<td>3,784</td>
<td>3,849</td>
<td>3,732</td>
<td>1,980</td>
<td>3,661</td>
</tr>
<tr>
<td>Services</td>
<td>593</td>
<td>634</td>
<td>579</td>
<td>589</td>
<td>628</td>
<td>601</td>
<td>220</td>
<td>592</td>
</tr>
<tr>
<td>Consumables</td>
<td>393</td>
<td>349</td>
<td>356</td>
<td>358</td>
<td>409</td>
<td>313</td>
<td>154</td>
<td>308</td>
</tr>
<tr>
<td>Assets</td>
<td>97</td>
<td>81</td>
<td>78</td>
<td>87</td>
<td>72</td>
<td>52</td>
<td>18</td>
<td>55</td>
</tr>
<tr>
<td>Maintenance</td>
<td>184</td>
<td>160</td>
<td>178</td>
<td>178</td>
<td>163</td>
<td>121</td>
<td>63</td>
<td>122</td>
</tr>
<tr>
<td>Transfers</td>
<td>1,940</td>
<td>1,778</td>
<td>1,626</td>
<td>1,444</td>
<td>1,340</td>
<td>1,410</td>
<td>599</td>
<td>1,466</td>
</tr>
<tr>
<td>Grants, subsidies and payment(2)</td>
<td>1,360</td>
<td>1,484</td>
<td>1,684</td>
<td>2,023</td>
<td>2,431</td>
<td>2,550</td>
<td>1,249</td>
<td>2,699</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,235</strong></td>
<td><strong>8,287</strong></td>
<td><strong>8,302</strong></td>
<td><strong>8,464</strong></td>
<td><strong>8,891</strong></td>
<td><strong>8,779</strong></td>
<td><strong>4,284</strong></td>
<td><strong>8,902</strong></td>
</tr>
</tbody>
</table>

Notes:

(1) Preliminary Data for the six months ended 30 June 2019.
(2) Payments on interest constitute the major part of recurrent expenditure under the heading “Grants, subsidies and payment of interest”.
(3) 2019 Figures are from the Adjusted Budget.

Recurrent expenditure on manpower (principally comprising wages and pension contributions) is the most significant part of Government recurrent expenditure. In 2014, 2015, 2016, 2017 and 2018 manpower expenditure comprised 44.6%, 45.9%, 45.8%, 44.7% and 43.3% respectively of total recurrent expenditure. See “—Government Budget—Budget revenues and expenditures—2019/2022 Budget”.

Services expenditure covers, inter alia, rent, expenditure on utilities such as electricity, water, telephones, postage, insurance, communication, travel and the staging of conferences and exhibitions. Consumables include fuel, medical supplies, general supplies and materials and printing and stationery. The major consumers of services are the Ministries of Health, Education, Defence and Interior, which between them accounted for 64.3% in 2014, 60.2% in 2015, 55.9% in 2016, 51.0% in 2017 and 51.0% in 2018 of total consumers of services.

The Electricity and Water Authority (which commenced independent accounting operations in January 2009 and was formerly known as the Ministry of Electricity and Water) accounted for approximately 10% of recurrent expenditure in 2015. The major users of consumables in 2014, 2015, 2016, 2017 and 2018 were the Ministries of Health, Defence, Interior, Sheikh Mohamed bin Khalifa Specialist Heart Centre, the King Hamad Hospital and Bahrain Oncology Centre and which between them accounted for 91.8%, 92.3%, 92.1%, 93.1% and 89.1% of total consumables in 2014, 2015, 2016, 2017 and 2018 respectively.

The principal transfers are to the local authorities in Bahrain, the Electricity and Water Authority, Bahrain University, Bahrain Polytechnic and, accounts and government contributions. Transfers to the Electricity and Water Authority amounted to 48% in 2014, 49% in 2015, 44% in 2016, 42% in 2017 and 37% in 2018.

In accordance with Vision 2030, and as articulated in the FBP, the Government aims to reduce its dependence on oil revenues for funding recurrent expenditure. It aims to achieve this by generating additional sources of revenue and cutting inefficient spending. Subsidies for water, electricity, gasoline and food will be targeted to reduce costs. See “Fiscal Policy” above. By funding the majority of its day-to-day expenditure from recurrent revenue (independent of oil), the Government believes it will be able to apply oil revenues for the benefit of future generations.

Source: Ministry of Finance and National Economy
## Project Expenditure

The following table shows the structure of the Government’s project expenditure for the periods indicated.

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td>571.8</td>
<td>618.1</td>
<td>555.3</td>
<td>453.5</td>
<td>435.9</td>
<td>327.4</td>
<td>91.0</td>
<td>290.4</td>
</tr>
<tr>
<td>Social services</td>
<td>194.7</td>
<td>149.7</td>
<td>167.3</td>
<td>125.3</td>
<td>114.9</td>
<td>90.7</td>
<td>17.7</td>
<td>68.4</td>
</tr>
<tr>
<td>Economic services</td>
<td>29.3</td>
<td>22.1</td>
<td>18.9</td>
<td>14.6</td>
<td>20.2</td>
<td>89.6</td>
<td>33.7</td>
<td>14.4</td>
</tr>
<tr>
<td>Administrative services</td>
<td>80.3</td>
<td>125.3</td>
<td>94.7</td>
<td>88.9</td>
<td>62.8</td>
<td>71.3</td>
<td>11.2</td>
<td>58.5</td>
</tr>
<tr>
<td>Others</td>
<td>316.2</td>
<td>264.9</td>
<td>256.6</td>
<td>260.6</td>
<td>236.7</td>
<td>101.9</td>
<td>26.8</td>
<td>100.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,192.3</strong></td>
<td><strong>1,180.1</strong></td>
<td><strong>1,092.8</strong></td>
<td><strong>942.9</strong></td>
<td><strong>870.5</strong></td>
<td><strong>680.9</strong></td>
<td><strong>180.4</strong></td>
<td><strong>531.9</strong></td>
</tr>
</tbody>
</table>

**Note:**
(1) Preliminary Data for the six months ended 30 June 2019.

Source: Ministry of Finance and National Economy

The project expenditure is financed through the general budget. The actual projects expenditure for 2018 was U.S.$870.5 million.

Project expenditure with Government funds principally consist of housing projects, road improvements and maintenance of new roads, the improvement and development of storm-water and waste-water networks and construction and healthcare projects. A number of projects are funded from the GCC Development Fund, including housing, road and other major infrastructure projects. See “—Government Budget—Budget revenues and expenditures—Non-budget expenditures”.

**Housing:** Since 2012, Bahrain has entered into a series of PPPs for the development of major housing projects. These projects include the construction and development of housing units including the Al Madina Al Shamaliya, the East Hidd and the Al Dur (Southern Governorate) housing projects. The estimated cost of these projects is approximately U.S.$2.6 billion, of which U.S.$677 million is expected to be funded through the budget (with the remainder to be funded through GCC funding).

**Roads and Transport:** Since 2014, Bahrain has implemented a series of road projects aimed at developing Bahrain’s main road network, focusing on projects complementing the traffic and connectivity requirements generated by new and future housing projects. Since 2014, various road projects have commenced relating to the improvement and upgrade of the Sh Khalifa bin Salman Highway, the Sh Jaber Al Ahmed Al Sabah Highway, the Muharraq ring road, Jasra interchange, Saar interchange and Shaikh Zayed Highway. Further projects are being planned in relation to the Bahrain Northern Highway, Budaiya Highway and Sh Isa bin Salman Highway.

Bahrain has also taken steps to improve transport and international connectivity. For example, the Bahrain Airport Company is developing a new passenger terminal building at Bahrain International Airport. The project is a part of the airport modernisation programme, a comprehensive development plan designed to improve the infrastructure and services at the airport to cater to future aviation needs. See “Economy of The Kingdom of Bahrain—Principal Sectors of the Economy—Other Services—Transport and Construction”

**Water:** Bahrain has taken steps to improve the quality of its water and sanitation. The Tubli Sewage Treatment Plant expansion project, which is expected to double the processing capacity of the plant to 400,000 cubic meters per day by 2022 and is estimated to cost U.S.$229 million (with certain funding from the GCC Development Fund).

**Healthcare:** Additionally, Bahrain is in the process of expanding its healthcare industry with the aim of becoming a leading healthcare destination in the region through planned projects for the development of state of the art oncology and cardiac treatment centres. The planned projects include the launch of new specialised medical centres managed by world renowned experts using the latest treatments, medical techniques and technology available to enhance medical care in Bahrain and in the region as a whole. Improving the health sector is amongst the Government’s top priorities and aligns with Bahrain’s fiscal policy of economic diversification. See “—Fiscal Policy” for more details on Bahrain’s economic diversification plans.
INDEBTEDNESS

The CBB manages the issue of foreign and domestic debt for, and on behalf of, MOFNE.

The Certificates offered by this Base Prospectus are authorised under Legislative Decree № (21) of 2017 (the “2017 Decree”). The 2017 Decree establishes Bahrain’s debt ceiling in respect of certain borrowings at U.S.$34,574.5 million in principal amount outstanding at any time (as increased in July 2017), of which U.S.$29,543.1 million was utilised and U.S.$5,031.4 million remained available as at 30 June 2019. Certain additional amounts have been authorised pursuant to separate decrees that do not apply towards the ceiling. See “—External Government Debt” and “—Domestic Government Debt”.

As at 30 June 2019, Bahrain’s total outstanding debt (comprising its total external debt and its total domestic debt, but excluding debt of the government related entities) amounted to U.S.$34,092.0 million, of which U.S.$14,335.1 million was denominated in Bahraini dinars and U.S.$19,756.9 million was denominated in foreign currencies.

During the past 13 years, Bahrain has paid all principal and interest payments in respect of its outstanding borrowings when they fell due and has not entered into any restructuring arrangements with its creditors to defer the repayment of its borrowings.

The principal strengths noted by the rating agencies are the Government’s prudent fiscal policy (including its programme with its fiscal consolidation plans), its general government net asset position, its monetary stability, well-developed financial system, structural reform targeting sustained economic diversification, strong regulatory oversight of its financial sector and well-educated workforce. See “Risk Factors—Risks Relating to the Kingdom—Bahrain is subject to a number of on-going domestic political risks” and “Risk Factors—Risks Relating to the Kingdom—Bahrain’s sovereign credit ratings are subject to revision and downgrade”.

### As at 31 December

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<tbody>
<tr>
<td>Outstanding external debt</td>
<td>6,811.9</td>
<td>8,208.2</td>
<td>11,213.7</td>
<td>15,268.1</td>
<td>18,752.9</td>
<td>19,756.9</td>
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<tr>
<td>Outstanding gross domestic debt</td>
<td>8,011.6</td>
<td>11,019.0</td>
<td>12,367.0</td>
<td>13,271.3</td>
<td>14,335.1</td>
<td>14,335.1</td>
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<tr>
<td><strong>Total outstanding Government debt</strong></td>
<td>14,823.5</td>
<td>19,227.2</td>
<td>23,580.7</td>
<td>28,539.4</td>
<td>33,088.0</td>
<td>34,092.0</td>
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<tbody>
<tr>
<td>Outstanding external debt as a percentage of GDP</td>
<td>20.4%</td>
<td>26.4%</td>
<td>34.9%</td>
<td>43.1%</td>
<td>49.5%</td>
<td>50.5%</td>
</tr>
<tr>
<td>Outstanding Government debt as a percentage of GDP</td>
<td>44.4%</td>
<td>61.8%</td>
<td>73.3%</td>
<td>80.5%</td>
<td>87.4%</td>
<td>87.1%</td>
</tr>
</tbody>
</table>

**Notes:**
1. Outstanding and total debt figures exclude borrowings from the CBB.
2. GDP figures for 2017 differ from those previously published. Figures for 2017, 2018 and the period ended 30 June 2019 are taken from the IGA’s First Quarter 2019 Bulletin on gross domestic product. For 2018, current GDP is estimated at U.S.$37,876.3 million using the IGA’s First Quarter 2019 Bulletin on gross domestic product.

Source: Ministry of Finance and National Economy
External Government Debt

The majority of the Government’s outstanding external borrowing comprises international Islamic leasing securities and international bonds. The following table sets out the breakdown of the Government’s outstanding external borrowing as at the dates indicated, by lender.

<table>
<thead>
<tr>
<th>Lender</th>
<th>As at 31 December</th>
<th>As at 30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2016</td>
</tr>
<tr>
<td>GCC Development Funds(1)</td>
<td>458.2</td>
<td>428.7</td>
</tr>
<tr>
<td>The Kuwait Fund</td>
<td>93.7</td>
<td>82.2</td>
</tr>
<tr>
<td>Arab Fund for Economic and Social Development</td>
<td>152.2</td>
<td>155.7</td>
</tr>
<tr>
<td>The Saudi Fund</td>
<td>4.2</td>
<td>2.4</td>
</tr>
<tr>
<td>The Abu Dhabi Fund</td>
<td>0.0</td>
<td>8.5</td>
</tr>
<tr>
<td>Qatar Fund for Development</td>
<td>70.0</td>
<td>70.0</td>
</tr>
<tr>
<td>Islamic Development Bank</td>
<td>138.2</td>
<td>109.9</td>
</tr>
<tr>
<td>International bonds Issue № 1 (2010)</td>
<td>1,250.0</td>
<td>1,250.0</td>
</tr>
<tr>
<td>International Islamic Leasing Securities Issue № 2</td>
<td>750.0</td>
<td>750.0</td>
</tr>
<tr>
<td>International bonds Issue № 2 (2012)</td>
<td>1,500.0</td>
<td>1,500.0</td>
</tr>
<tr>
<td>International bonds Issue № 3 (2013)</td>
<td>1,500.0</td>
<td>1,500.0</td>
</tr>
<tr>
<td>International bonds Issue № 4 (2014)</td>
<td>1,250.0</td>
<td>1,250.0</td>
</tr>
<tr>
<td>International bonds Issue № 5 (2015)</td>
<td>700.0</td>
<td>700.0</td>
</tr>
<tr>
<td>International bonds Issue № 6 (2015)</td>
<td>800.0</td>
<td>800.0</td>
</tr>
<tr>
<td>International bonds Issue № 7 (2016)</td>
<td>—</td>
<td>275.0</td>
</tr>
<tr>
<td>International bonds Issue № 8 (2016)</td>
<td>—</td>
<td>325.0</td>
</tr>
<tr>
<td>International Islamic Leasing Securities Issue № 3</td>
<td>—</td>
<td>435.0</td>
</tr>
<tr>
<td>International bonds Issue № 9 (2016)</td>
<td>—</td>
<td>1,000.0</td>
</tr>
<tr>
<td>International Islamic Leasing Securities Issue № 4</td>
<td>—</td>
<td>1,000.0</td>
</tr>
<tr>
<td>International bonds Issue № 10 (2017)</td>
<td>—</td>
<td>600.0</td>
</tr>
<tr>
<td>International bonds Issue № 11 (2017)(2)</td>
<td>—</td>
<td>500.0</td>
</tr>
<tr>
<td>International bonds Issue № 12 (2017)</td>
<td>—</td>
<td>1,250.0</td>
</tr>
<tr>
<td>International bonds Issue № 13 (2017)</td>
<td>—</td>
<td>900.0</td>
</tr>
<tr>
<td>International Islamic Leasing Securities Issue № 5 (2017)</td>
<td>—</td>
<td>850.0</td>
</tr>
<tr>
<td>International Islamic Leasing Securities Issue № 6 (2018)</td>
<td>—</td>
<td>1,000.0</td>
</tr>
<tr>
<td>International bonds Issue № 14 (2018)(2)</td>
<td>—</td>
<td>500.0</td>
</tr>
<tr>
<td>International Islamic Leasing Securities Issue № 7 (2018)(2)</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Total outstanding external debt: 8,208.2 11,213.7 15,268.1 18,752.9 19,756.9

Notes:
(1) U.S.$4,084.0 million outstanding is including the loans form GCC under the Fiscal Balance Program in addition to the previous long-term loans from regional development funds and institutions as at 30 June 2019, all these loans are not included in the calculation of Bahrain’s current debt ceiling as issued under several different decrees over the years.
(2) Conducted as a private placement.

Source: Ministry of Finance and National Economy

Each of the loans from the International Development Funds set forth in the above table relates to one or more specific projects and has typically included a significant grace period before any payments under it are required to be made. None of the loans are secured.
The following table sets out the total external debt maturing in each of the years stated.

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount of debt to be repaid in each year (U.S.$ millions)</th>
<th>Total External Debt (U.S.$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2019</td>
<td>1,769.5</td>
<td>5,245.8</td>
</tr>
<tr>
<td>2019</td>
<td>1,413.5</td>
<td>19,756.9</td>
</tr>
<tr>
<td>2020</td>
<td>1,63.1</td>
<td>16,919.1</td>
</tr>
<tr>
<td>2021</td>
<td>1,63.1</td>
<td>14,881.9</td>
</tr>
<tr>
<td>2022</td>
<td>1,63.1</td>
<td>2015</td>
</tr>
<tr>
<td>2023</td>
<td>1,63.1</td>
<td><strong>2,045.2</strong></td>
</tr>
<tr>
<td>2024</td>
<td>1,63.1</td>
<td>12,836.6</td>
</tr>
<tr>
<td>2025</td>
<td>1,63.1</td>
<td>11,812.7</td>
</tr>
<tr>
<td>2026</td>
<td>1,63.1</td>
<td>8,596.9</td>
</tr>
<tr>
<td>2027</td>
<td>1,63.1</td>
<td>8,431.1</td>
</tr>
<tr>
<td>2028</td>
<td>1,63.1</td>
<td>6,661.6</td>
</tr>
<tr>
<td>2029</td>
<td>1,63.1</td>
<td>5,245.8</td>
</tr>
<tr>
<td>2030</td>
<td>1,63.1</td>
<td>5,080.0</td>
</tr>
<tr>
<td>2031</td>
<td>1,63.1</td>
<td>4,914.2</td>
</tr>
<tr>
<td>2032</td>
<td>1,63.1</td>
<td>4,751.1</td>
</tr>
<tr>
<td>2033</td>
<td>1,63.1</td>
<td>4,587.9</td>
</tr>
<tr>
<td>2034</td>
<td>1,63.1</td>
<td>4,424.8</td>
</tr>
<tr>
<td>2035</td>
<td>1,63.1</td>
<td>4,261.6</td>
</tr>
<tr>
<td>2036</td>
<td>1,63.1</td>
<td>4,098.5</td>
</tr>
<tr>
<td>2037</td>
<td>1,63.1</td>
<td>3,935.4</td>
</tr>
<tr>
<td>2038</td>
<td>1,63.1</td>
<td>3,772.2</td>
</tr>
<tr>
<td>2039</td>
<td>1,63.1</td>
<td>3,609.1</td>
</tr>
<tr>
<td>2040</td>
<td>1,63.1</td>
<td>3,446.0</td>
</tr>
<tr>
<td>2041</td>
<td>1,63.1</td>
<td>3,282.8</td>
</tr>
<tr>
<td>2042</td>
<td>1,63.1</td>
<td>3,119.7</td>
</tr>
<tr>
<td>2043</td>
<td>1,63.1</td>
<td>2,956.5</td>
</tr>
<tr>
<td>2044</td>
<td>1,63.1</td>
<td>1,543.4</td>
</tr>
<tr>
<td>2045</td>
<td>1,63.1</td>
<td>1,380.3</td>
</tr>
<tr>
<td>2046</td>
<td>1,63.1</td>
<td>1,217.1</td>
</tr>
<tr>
<td>2047</td>
<td>1,102.0</td>
<td>115.2</td>
</tr>
<tr>
<td>2048</td>
<td>115.2</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance and National Economy

The total outstanding external debt as at 30 June 2019 was U.S.$19,756.9 million. The majority of the Government's external debt as at 30 June 2019 was denominated in GCC currencies and in U.S. Dollars. The current average maturity of the external debt is approximately 8 years.

**Domestic Government Debt**

The table below shows a breakdown of Bahrain’s domestic debt as at the dates indicated.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross domestic debt</strong></td>
<td><strong>8,011.6</strong></td>
<td><strong>11,019.0</strong></td>
<td><strong>12,367.0</strong></td>
<td><strong>13,271.3</strong></td>
<td><strong>14,335.1</strong></td>
<td><strong>14,335.1</strong></td>
</tr>
<tr>
<td>Held by SIO</td>
<td>484.8</td>
<td>690.7</td>
<td>538.3</td>
<td>468.9</td>
<td>416.8</td>
<td>339.9</td>
</tr>
<tr>
<td>Held by pension funds</td>
<td>4.8</td>
<td>130.7</td>
<td>54.8</td>
<td>46.8</td>
<td>68.9</td>
<td>66.0</td>
</tr>
<tr>
<td><strong>Net domestic debt</strong></td>
<td><strong>7,522.0</strong></td>
<td><strong>10,197.6</strong></td>
<td><strong>11,773.9</strong></td>
<td><strong>12,755.6</strong></td>
<td><strong>13,849.5</strong></td>
<td><strong>13,929.2</strong></td>
</tr>
</tbody>
</table>

Note:

(1) Syndicated loans are not included in Bahrain’s current debt ceiling because these are syndicated loans covered under Decree № (21) of 1997; Decree №(18) of 2002 in respect of debt covering Hidd Phase I, Hidd Phase II and Abu Saafa Expansion projects respectively.

Source: Ministry of Finance and National Economy
Bahrain’s gross domestic debt amounted to U.S.$8,011.6 million in 2014 (24.0% of Bahrain’s 2014 GDP at current prices), U.S.$11,019.0 million in 2015 (35.4% of Bahrain’s 2015 GDP at current prices), U.S.$12,367.0 million in 2016 (38.8% of Bahrain’s 2016 GDP at current prices) and U.S.$13,271.3 million in 2017 (37.5% of Bahrain’s 2017 GDP at current prices), U.S.$13,271.3 million in 2018 (37.5% of Bahrain’s 2018 GDP at current prices) and U.S.$14,335.1 million as at 30 June 2019 (37.8% of Bahrain’s expected GDP at current prices). This debt is principally in the form of short-term treasury bills and Islamic securities, medium- and long-term development bonds, medium-term Islamic leasing securities and two long-term syndicated loans.

The following table sets out the average interest rates payable as at each of 31 December 2017 and 2018 and 30 June 2019 in relation to Bahrain’s domestic debt.

<table>
<thead>
<tr>
<th></th>
<th>As at 30 December 2017 (%)</th>
<th>As at 31 December 2018 (%)</th>
<th>As at 30 June 2019 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short-Term Domestic Debt</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury bills (three month)</td>
<td>2.3</td>
<td>4.2</td>
<td>3.3</td>
</tr>
<tr>
<td>Treasury bills (six month)</td>
<td>2.3</td>
<td>4.4</td>
<td>3.7</td>
</tr>
<tr>
<td>Treasury bills (12 months)</td>
<td>3.2</td>
<td>4.4</td>
<td>4.5</td>
</tr>
<tr>
<td>Al Salam Islamic securities (three month)</td>
<td>2.3</td>
<td>4.2</td>
<td>3.3</td>
</tr>
<tr>
<td>Islamic leasing securities (six month)</td>
<td>2.5</td>
<td>4.3</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Overall Short-Term Domestic Debt Average Interest Rate</strong></td>
<td><strong>2.5</strong></td>
<td><strong>4.3</strong></td>
<td><strong>3.8</strong></td>
</tr>
</tbody>
</table>

|                                |                          |                            |                        |
| **Long-Term Domestic Debt**    |                          |                            |                        |
| Development bonds              | 4.9                      | 5.3                        | 5.3                    |
| Islamic leasing securities     | 4.5                      | 4.9                        | 4.9                    |
| **Overall Long-Term Domestic Debt Average Interest Rate** | **4.7** | **5.1** | **5.1** |

Source: Ministry of Finance and National Economy

Bahrain’s treasury bills have maturities of three, six and 12 months and its short-term Islamic securities have maturities of three and six months. These securities are issued by the CBB and are used as a tool to manage liquidity. Bahrain uses the proceeds of its Islamic leasing securities for funding projects.

A significant proportion of Bahrain’s domestic debt is held by commercial banks, Bahrain’s Social Insurance Organisation and by Government pension funds. As a result, Bahrain’s net domestic debt amounted to U.S.$7,552.0 million as at 31 December 2014, U.S.$10,197.6 million as at 31 December 2015, U.S.$11,773.9 million as at 31 December 2016, U.S.$12,755.6 million as at 31 December 2017, U.S.$13,849.5 million as at 31 December 2018 and U.S.$13,929.3 million as at 30 June 2019.

The Government has no contingent liabilities in respect of its domestic debt. None of Bahrain’s short-term trade finance is recorded as domestic debt and the outstanding debt amounts set out in this Base Prospectus do not include any borrowings from the CBB. The borrowings from the CBB are for cash management purposes; the introduction of the FBP and other initiatives is expected to reduce reliance on CBB funding over time. The 2017 Decree establishes a debt ceiling in respect of development bonds, treasury bills and financing instruments that are Shari’a compliant. The debt ceiling is BD 13,000 million (U.S.$34,574.5 million) in principal amount outstanding at any time (of which U.S.$29,543.1 million was utilised and U.S.$5,031.4 million remained available as at 30

**Public Debt Management**

In 2018, as part of Government efforts to promote public debt management and support debt sustainability and economic growth, a senior debt management consultant was hired as an advisor to MOFNE. In October 2018, a decree on public debt was issued, which emphasised the importance of debt management functions by creating a Debt Management Office that reports directly to the Minister of Finance and National Economy.

One of the main objectives of the Debt Management Office is to build capacity for existing debt management staff and to provide necessary training in order to enhance the Middle Office’s ability to analyse macro costs and risks to the public debt portfolio, including interest rate risk, exchange rate risk and refinancing risk.

In partnership with the IMF, in December 2018, a training session was conducted by the IMF team in the form of technical assistance. This training focused on improving the cost and risk analysis of the debt portfolio, as well as building a medium term debt strategy.

The Government has an objective to reduce its interest expenses, including by exploring liability management exercises in respect of existing debt securities.
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 and/or collection from the registered office of the Trustee and the specified office of the Principal Paying Agent. Words and expressions defined elsewhere in this Base Prospectus shall have the same meanings in this section.

Master Head Lease Agreement, as supplemented by each Supplemental Head Lease Agreement

The Master Head Lease Agreement will be entered into on 23 September 2019 between the Kingdom (in its capacity as Head Lessor), the Trustee (in its capacity as Head Lessee) and the Delegate and will be governed by the laws of Bahrain. A Supplemental Head Lease Agreement (together with the Master Head Lease Agreement, the “Head Lease Agreement”) between the Head Lessor, the Head Lessee and the Delegate will be entered into on the Issue Date of each Tranche and will also be governed by the laws of Bahrain.

Pursuant to each Head Lease Agreement, the Head Lessor will lease to the Head Lessee the Assets or the Additional Assets, as the case may be, for a lease term of 100 years commencing on the Issue Date in consideration for the Advance Rental, which shall be payable on the Issue Date.

On the earliest of:

(a) the Scheduled Dissolution Date;
(b) provided that (i) a Dissolution Event has occurred and is continuing and the Delegate has received a Dissolution Notice in accordance with Condition 13 and (ii) the Head Lessee, or the Delegate on its behalf, has, without prejudice to any right or remedy the Trustee may have under any Transaction Document or by law, by written notice (the “Head Lessee Dissolution Notice”) to the Head Lessor, declared the Termination Payment immediately due and payable by the Head Lessor to the Head Lessee on the Dissolution Event Redemption Date specified in the relevant Head Lessee Dissolution Notice, the Dissolution Event Redemption Date; or
(c) provided that (i) the Obligor Dissolution Right is specified as applicable in the applicable Final Terms, and (ii) the Head Lessor has, by written notice (the “Optional Dissolution Notice”) to the Head Lessee and the Delegate, elected that the Termination Payment becomes due and payable by the Head Lessor to the Head Lessee on the Payment Business Day immediately preceding the Optional Dissolution Date specified in the relevant Optional Dissolution Notice (which date must be not less than 15 days plus the minimum period of notice and not more than 15 days plus the maximum period of notice, in each case, specified in the applicable Final Terms after the date on which the relevant Optional Dissolution Notice is given), the Optional Dissolution Date,

the head lease pursuant to the Head Lease Agreement will be terminated and the Termination Payment shall be payable by wire transfer in same day, freely transferable, cleared funds into the Transaction Account relating to the relevant Series on (or the Payment Business Day prior to) the relevant Dissolution Date.

The Kingdom will covenant and undertake in the Head Lease Agreement that, in relation to any Series, if the relevant Termination Payment is not paid in accordance with the provisions of the Head Lease Agreement for any reason whatsoever, the Head Lessor shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates of such Series and, accordingly, the amount payable under any such indemnity claim will equal the Termination Payment.

The Head Lessor will agree in the Head Lease Agreement that all payments by it under the Head Lease Agreement must be made in full in the Specified Currency and without set-off or counterclaim of any kind and without any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature, unless such withholding or deduction is required by law. In such event, the Head Lease Agreement provides for the payment by the Head Lessor of all additional amounts as will result in the receipt by the Head Lessee of such net amounts as would have been receivable by it if no such withholding or deduction had been made and, accordingly, the Head Lessor will undertake to pay to the Head Lessee or such other persons as the Head Lessee may direct such additional amounts forthwith upon demand and in the manner and the Specified Currency prescribed under the Head Lease Agreement.

The Head Lessor will covenant and undertake in the Head Lease Agreement that its payment obligations under the Head Lease Agreement are (subject to Condition 5) direct, unconditional and unsecured obligations of the Head Lessor and shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 5, at all times rank at least pari passu with all other present and future unsecured and unsubordinated obligations of the Head Lessor, from time to time outstanding, provided, further, that the Head Lessor shall have
no obligation to effect equal or rateable payment(s) at any time with respect to any such other obligations and, in particular, shall have no obligation to pay such other obligations at the same time or as a condition of paying sums due under the Head Lease Agreement and vice versa.

Master Sub-Lease Agreement, as supplemented by each Supplemental Sub-Lease Agreement

The Master Sub-Lease Agreement will be entered into on 23 September 2019 between the Trustee (in its capacity as Sub-Lessor), the Kingdom (in its capacity as Sub-Lessee) and the Delegate and will be governed by the laws of Bahrain. A Supplemental Sub-Lease Agreement (together with the Master Sub-Lease Agreement, the “Sub-Lease Agreement”) between the Sub-Lessor, the Sub-Lessee and the Delegate will be entered into on the Issue Date of each Tranche and will also be governed by the laws of Bahrain.

Pursuant to the Sub-Lease Agreement, the Sub-Lessor may lease to the Sub-Lessee, and the Sub-Lessee may lease from the Sub-Lessor, the Assets during renewable rental periods (which shall coincide with Return Accumulation Periods) commencing on the Lease Commencement Date (which shall be the Issue Date) and extending to the Scheduled Dissolution Date (unless the Sub-Lease Agreement is terminated earlier in accordance with its term) in consideration for period payments of Rental.

The Sub-Lessee will agree in the Sub-Lease Agreement to use the Assets at its own risk. Accordingly, the Sub-Lessee shall, from the date of the Sub-Lease Agreement, bear the entire risk of loss of or damage to the Assets or any part thereof arising from the usage or operation thereof by the Sub-Lessee to the extent that such loss or damage has resulted from the Sub-Lessee’s gross negligence, wilful default, actual fraud or breach of its obligations under the Sub-Lease Agreement. In addition, the Sub-Lessor shall not be liable (and the Sub-Lessee will waive any claim or right, howsoever arising, to the contrary) for any indirect, consequential or other losses, howsoever arising, in connection with the Sub-Lessee’s use or operation of the Assets, save to the extent that such loss or damage has resulted from the Sub-Lessor’s gross negligence, wilful default, actual fraud or breach of its obligations under the Sub-Lease Agreement.

The Sub-Lease Agreement will provide that the Sub-Lessee shall pay each Rental:

(a) by no later than the Payment Business Day preceding the relevant Rental Payment Date, by crediting the Rental to the Transaction Account relating to the relevant Series; and

(b) without any prior notice or demand.

The Sub-Lessee will agree in the Sub-Lease Agreement that all payments by it under the Sub-Lease Agreement must be made in full in the Specified Currency and without set-off or counterclaim of any kind and without any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature, unless such withholding or deduction is required by law. In such event, the Sub-Lease Agreement provides for the payment by the Sub-Lessee of all additional amounts as will result in the receipt by the Sub-Lessor of such net amounts as would have been receivable by it if no such withholding or deduction had been made and, accordingly, the Sub-Lessee will undertake to pay to the Sub-Lessor or such other persons as the Sub-Lessor may direct such additional amounts forthwith upon demand and in the manner and the Specified Currency prescribed under the Sub-Lease Agreement.

The Sub-Lessee will covenant and undertake in the Sub-Lease Agreement that its payment obligations under the Sub-Lease Agreement are (subject to Condition 5) direct, unconditional and unsecured obligations of the Sub-Lessee and shall, for such exceptions as may be provided by applicable legislation and subject to Condition 5, at all times rank at least pari passu with all other present and future unsecured and unsubordinated obligations of the Sub-Lessee, from time to time outstanding, provided, further, that the Sub-Lessee shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other obligations and, in particular, shall have no obligation to pay such other obligations at the same time or as a condition of paying sums due under the Sub-Lease Agreement and vice versa.

Master Murabaha Agreement

The Master Murabaha Agreement will be entered into on 23 September 2019 between the Trustee (in its capacity as Seller), the Kingdom (in its capacity as Buyer) and the Delegate and will be governed by English law.

Pursuant to the Master Murabaha Agreement, and in connection with each relevant Tranche of Certificates, the Seller may enter into a Commodity Murabaha Investment with the Buyer using a portion of the issue proceeds of the relevant Tranche as specified in the applicable Final Terms (being no more than 49% of the aggregate face amount of the Certificates of that Tranche). In accordance with the Master Murabaha Agreement, on receipt of a duly completed Notice of Request to Purchase from the Buyer, the Seller (acting through the commodity agent) may purchase the relevant Commodities on the relevant Issue Date from a commodity supplier on a spot basis at the relevant Commodity Purchase Price.
Upon completion of the purchase of the Commodities by the Seller and the Seller gaining title thereto and (actual or constructive) possession thereof, the Seller may deliver to the Buyer a duly completed Offer Notice by no later than 1.00 p.m. (London time) (or such other time as may be agreed in writing by the Buyer and the Seller) on the relevant Issue Date.

Provided that the Buyer has delivered a duly completed Notice of Request to Purchase in accordance with the terms of the Master Murabaha Agreement, the Buyer will irrevocably undertake to accept the terms of, countersign and deliver to the Seller any Offer Notice delivered to it in accordance with the Master Murabaha Agreement and (as a result of the Seller having acted on the request of the Buyer set out in the Notice of Request to Purchase) purchase the relevant Commodities acquired by the Seller for the relevant Deferred Sale Price (to be paid in the Specified Currency and on the Deferred Payment Date as specified in the Offer Notice), in each case no later than 2.00 p.m. (London time) (or such other time as may be agreed between the Buyer and the Seller) on the relevant Issue Date.

As soon as the Buyer has accepted the Seller’s offer by countersigning the relevant Offer Notice, a Murabaha Contract shall be created between the Seller and the Buyer upon the terms of the Offer Notice and incorporating the terms and conditions set out in the Master Murabaha Agreement, the Seller shall sell and the Buyer shall buy the relevant Commodities and ownership of and all risks in and to the relevant Commodities shall immediately pass to and be vested in the Buyer, together with all rights and obligations relating thereto.

The Buyer will agree in the Master Murabaha Agreement that all payments by it under the Master Murabaha Agreement must be made in full in the Specified Currency and without set-off or counterclaim of any kind and without any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature, unless such withholding or deduction is required by law. In such event, the Master Murabaha Agreement provides for the payment by the Buyer of all additional amounts as will result in the receipt by the Seller of such net amounts as would have been receivable by it if no such withholding or deduction had been made and, accordingly, the Buyer will undertake to pay to the Seller or such other persons as the Seller may direct such additional amounts forthwith upon demand and in the manner and the Specified Currency prescribed under the Master Murabaha Agreement.

The Buyer will covenant and undertake in the Master Murabaha Agreement that its payment obligations under the Master Murabaha Agreement are (subject to Condition 5) direct, unconditional and unsecured obligations of the Buyer and shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 5, at all times rank at least pari passu with all other present and future unsecured and unsubordinated obligations of the Buyer, from time to time outstanding, provided, further, that the Buyer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other obligations and, in particular, shall have no obligation to pay such other obligations at the same time or as a condition of paying sums due under the Master Murabaha Agreement and vice versa.

Trust Deed

The Master Trust Deed will be entered into on 23 September 2019 between the Trustee, the Kingdom and the Delegate and will be governed by English law. A Supplemental Trust Deed between the same parties shall be entered into on the Issue Date of each Tranche and shall also be governed by English law.

Upon issue of a Series of Certificates, the Master Trust Deed, as supplemented by each relevant Supplemental Trust Deed, shall together constitute the Trust declared by the Trustee in relation to such Series (the Master Trust Deed, as supplemented by each relevant Supplemental Trust Deed for each Series, being the “Trust Deed”).

The Trust Assets in respect of each Series shall comprise:

(a) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
(b) all of the Trustee’s rights, title, interest, benefits and entitlements, present and future, in, to and under the Assets;
(c) all of the Trustee’s rights, title, interest, benefits and entitlements, present and future, in, to and under the Transaction Documents (excluding the covenant given to the Trustee pursuant to clause 14.1 of the Master Trust Deed);
(d) all monies standing to the credit of the Transaction Account from time to time; and

all proceeds of the foregoing.

Pursuant to the relevant Trust Deed, the Trustee will, in relation to each Series of Certificates, amongst other things, hold the relevant Trust Assets on trust absolutely for the holders of the Certificates as beneficiaries pro
rata according to the face amount of Certificates of that Series held by each Certificateholder and act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the relevant Trust Deed. Pursuant to the Master Trust Deed, the Trustee will irrevocably and unconditionally appoint the Delegate to be its attorney and in its name, on its behalf and as its act and deed to:

(a) execute, deliver and perfect all documents; and

(b) exercise all of the present and future powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Trust Deed and the Certificates,

that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or a Potential Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, (i) exercise all of the rights, powers, authorities and discretions of the Trustee under the Purchase Undertaking and any of the other Transaction Documents and (ii) make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Conditions and the Trust Deed (together the “Delegation” of the “Relevant Powers”), provided that (i) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Trust Deed or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation; (ii) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust or managing the Trust Assets; and (iii) such Delegation of the Relevant Powers shall not include any duty, power, trust, authority or discretion to dissolve the trusts constituted by the Trust Deed following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee will undertake in the Master Trust Deed to ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of its powers pursuant to the Delegation.

The Delegation is to be made by the Trustee to the Delegate for the benefit of the Delegate and the Certificateholders, subject to the terms of the Conditions and the Trust Deed. Each of the Kingdom and the Trustee will confirm in the Master Trust Deed that the Delegate may consult with or request and rely on (without liability to any person for so doing) the advice of any lawyer, valuer, banker, broker, accountant or other expert in exercising the rights, powers or actions delegated to it under the Master Trust Deed.

In addition to the Delegation of the Relevant Powers, certain powers, rights, authorities and discretions under the Master Trust Deed will be vested solely in the Delegate, including, amongst other things, the power to call and conduct meetings at the request of Certificateholders, to determine the occurrence of a Dissolution Event or Potential Dissolution Event, to waive or authorise a breach of an obligation or determine that a Dissolution Event or Potential Dissolution Event shall not be treated as such, and the power to consent to certain types of amendments to any Transaction Document, in each case as more particularly described in the Master Trust Deed.

The Kingdom will covenant and undertake in the Master Trust Deed as follows:

(a) to comply with all provisions of the Conditions which are expressed to be applicable to it including, without limitation, the negative pledge provisions described in Condition 5;

(b) to comply with the terms of the Transaction Documents; and

(c) that it shall forthwith notify the Delegate and the Trustee in writing of any Dissolution Event (and the steps, if any, being taken to remedy it) and/or any Potential Dissolution Events, in each case promptly upon becoming aware of its occurrence.

The Kingdom will acknowledge in the Master Trust Deed that the Kingdom Events applicable to it are set out in full in the Conditions, that it is fully aware of and understands the terms thereof and that the occurrence thereof shall constitute a Dissolution Event for the purposes of the Conditions.

The Kingdom will also covenant and undertake in the Master Trust Deed that, in relation to any Series, if the relevant Termination Payment is not paid in accordance with the provisions of the Head Lease Agreement for any reason whatsoever, the Kingdom shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates of such Series and, accordingly, the amount payable under any such indemnity claim will equal the Termination Payment.

The Kingdom will also covenant and undertake in the Master Trust Deed that, in relation to any Series, if the outstanding Deferred Sale Price is not paid on the relevant Dissolution Date in accordance with the provisions of the Master Murabaha Agreement for any reason whatsoever, the Kingdom shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption of the
outstanding Certificates of such Series and, accordingly, the amount payable under any such indemnity claim will equal the outstanding Deferred Sale Price.

In addition, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to Condition 11, the Kingdom will covenant and undertake in the Master Trust Deed that it will unconditionally and irrevocably (irrespective of the payment of any fee), as a continuing obligation, pay to or to the order of the Delegate (for the benefit of the Certificateholders) such net amounts as are necessary so that the amount receivable by the Delegate (after any withholding or deduction for or on account of tax) equals any and all additional amounts required to be paid by it in respect of the Certificates pursuant to Condition 11.

If and to the extent the Trustee has exercised its rights under Condition 20 to issue additional Certificates in respect of a Series, on the date of issue of such additional Certificates, the Trustee will execute a Declaration of Commingling of Assets for and on behalf of the holders of the existing Certificates and the holders of such additional Certificates so issued, declaring that the Head Lease over the relevant Additional Assets (in respect of the issuance of the additional Certificates) and the Assets as in existence immediately prior to the creation and issue of such additional Certificates and, if applicable, each Commodity Murabaha Investment made pursuant to the Master Murabaha Agreement (and all rights arising under or with respect thereto) are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Certificates and the holders of such additional Certificates as tenants in common pro rata according to the face amount of Certificates held by each Certificateholder, in accordance with the Master Trust Deed.

Agency Agreement

The Agency Agreement will be entered into on 23 September 2019 in relation to the Certificates between, amongst others, the Trustee, the Kingdom, the Delegate, the Principal Paying Agent and the Registrar. The Agency Agreement will govern the arrangements between the Trustee and the agents named therein for the issuance of Certificates and the making of payments in respect thereof. The Agency Agreement will be governed by English law.

Shari’a Compliance

Each Transaction Document provides that each of CBB International Sukuk Programme Company S.P.C. and The Kingdom of Bahrain, acting through the Ministry of Finance and National Economy agrees that it has accepted the Shari’a compliant nature of the Transaction Documents and, to the extent permitted by law, further agrees that:

(a) it shall not claim that any of its obligations under the Transaction Documents (or any provision thereof) is ultra vires or not compliant with the principles of Shari’a;

(b) it shall not take any steps or bring any proceedings in any forum to challenge the Shari’a compliance of the Transaction Documents; and

(c) none of its obligations under the Transaction Documents shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents are not compliant with the principles of Shari’a.
BOOK-ENTRY CLEARANCE SYSTEM

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the “Clearing Systems”) currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Trustee, the Kingdom nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, ownership interests in the Certificates held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such ownership interests.

Book-entry Systems

DTC

DTC has advised the Trustee that it is a limited purpose trust company organised under the New York Banking Law, a member of the Federal Reserve System, a “banking organization” within the meaning of the New York Banking Law, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants” and, together with Direct Participants, “Participants”). More information about DTC can be found at www.dtcc.com and www.dtc.org, but such information is not incorporated by reference in and does not form part of this Base Prospectus.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “DTC Rules”), DTC makes book-entry transfers of Certificates among Direct Participants on whose behalf it acts with respect to Certificates accepted into DTC’s book-entry settlement system (“DTC Certificates”) as described below and receives and transmits distributions of Periodic Distribution Amounts and Dissolution Distribution Amounts on DTC Certificates. The DTC Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Certificates (“Owners”) have accounts with respect to the DTC Certificates similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Certificates through Direct Participants or Indirect Participants will not possess Registered Certificates, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Certificates.

Purchases of DTC Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Certificates on DTC’s records. The ownership interest of each actual puracher of each DTC Certificate ("Beneficial Owner") is in turn to be recorded on the Direct Participant’s and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Certificates, except in the event that use of the book-entry system for the DTC Certificates is discontinued.

To facilitate subsequent transfers, all DTC Certificates deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Certificates; DTC’s records reflect only the identity of the Direct Participants to whose accounts such DTC Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.
Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Certificates within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Certificates unless authorised by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the DTC Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Periodic Distribution Amounts and Dissolution Distribution Amounts on the DTC Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Trustee or the relevant agent (or such other nominee as may be requested by an authorised representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not of DTC or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of Periodic Distribution Amounts and Dissolution Distribution Amounts to DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

Under certain circumstances, including if there is a “Dissolution Event” under the Certificates, DTC will exchange the DTC Certificates for definitive Certificates, which it will distribute to its Participants in accordance with their proportionate entitlements and which will be legended as set forth under “Subscription and Sale and Transfer and Selling Restrictions”.

A Beneficial Owner shall give notice to elect to have its DTC Certificates purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Certificates by causing the Direct Participant to transfer the Participant’s interest in the DTC Certificates, on DTC’s records, to the relevant agent. The requirement for physical delivery of DTC Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC Certificates are transferred by Direct Participants on DTC’s records and followed by a book-entry credit of tendered DTC Certificates to the relevant agent’s DTC account.

DTC may discontinue providing its services as depositary with respect to the DTC Certificates at any time by giving reasonable notice to the Trustee or the relevant agent. Under such circumstances, in the event that a successor depository is not obtained, DTC Certificates are required to be printed and delivered.

The Trustee may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, DTC Certificate certificates will be printed and delivered to DTC.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Certificates to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Certificates, will be required to withdraw its Registered Certificates from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to
Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

**Book-entry Ownership of and Payments in respect of DTC Certificates**

The Trustee may apply to DTC in order to have any Tranche of Certificates represented by a Global Certificate accepted in its book-entry settlement system. Upon the issue of any such Global Certificate, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual ownership interests represented by such Global Certificate to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of interests in such a Global Certificate will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Certificate, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of interests in a Global Certificate accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. Dollars of any amount in respect of a Global Certificate accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Certificate. In the case of any payment in a currency other than U.S. Dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the holders of interests in the Global Certificate in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. Dollars and credited to the applicable Participants’ account.

The Trustee expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Trustee also expects that payments by Participants to beneficial owners of Certificates will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar, the Delegate, the Trustee or the Kingdom. Payment of Periodic Distribution Amounts and Dissolution Distribution Amounts on Certificates to DTC is the responsibility of the Trustee.

**Transfers of Certificates Represented by Global Certificates**

Transfers of any interests in Certificates represented by a Global Certificate within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Certificates represented by a Global Certificate to such persons may depend upon the ability to exchange such Certificates for Certificates in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Certificates represented by a Global Certificate accepted by DTC to pledge such Certificates to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Certificates may depend upon the ability to exchange such Certificates for Certificates in definitive form. The ability of any holder of Certificates represented by a Global Certificate accepted by DTC to resell, pledge or otherwise transfer such Certificates may be impaired if the proposed transferee of such Certificates is not eligible to hold such Certificates through a Direct Participant or Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Certificates described under “Subscription and Sale and Transfer and Selling Restrictions”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant Clearing System in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (the “Custodian”) with whom the relevant Global Certificates have been deposited.

On or after the Issue Date for any Series, transfers of Certificates of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Certificates of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Global Certificates will be effected through the Registrar, the Principal Paying Agent and the
Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of interests in Global Certificates among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Trustee, the Kingdom, the Agents or the Dealers will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations nor will the Trustee, the Kingdom, the Delegate, any Agent or any Dealer have any liability for any aspect of the records relating to or payments made on account of interests in the Certificates represented by Global Certificates or for maintaining, supervising or reviewing any records relating to such interests.

Pre-issue Trades Settlement

It is expected that delivery of Certificates will be made against payment therefore on the relevant issue date, which could be more than two business days following the date of pricing. Under Rule 15c6-1 of the Exchange Act, trades in the United States secondary market generally are required to settle within two business days (T+2), unless the parties to any such trade expressly agree otherwise. Accordingly, if an issue date is more than two business days following the relevant date of pricing, purchasers who wish to trade Certificates in the United States between the date of pricing and the date that is two business days prior to the relevant issue date will be required, by virtue of the fact that such Certificates initially will settle beyond T+2, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Certificates may be affected by such local settlement practices, and, if an issue date is more than two business days following the relevant date of pricing, purchasers of Certificates who wish to trade Certificates between the date of pricing and the date that is two business days prior to the relevant issue date should consult their own adviser.
TAXATION

The following is a general description of certain tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates, whether in those jurisdictions or elsewhere, nor does it address the considerations that are dependent on individual circumstances. Prospective purchasers of Certificates should consult their own tax advisers as to which countries’ tax laws could be relevant to acquiring, holding and disposing of Certificates and receiving payments under the Certificates and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

Kingdom of Bahrain

As at the date of this Base Prospectus, there are no taxes payable with respect to income, withholding or capital gains under existing Bahraini laws. Corporate income tax is only levied on oil, gas and petroleum companies at a flat rate of 46%. This tax is applicable to any oil company conducting business activity of any kind in Bahrain, including oil production, refining and exploration, regardless of the company’s place of incorporation.

There are no currency or exchange control restrictions currently in force under Bahraini law and the free transfer of currency into and out of Bahrain is permitted, subject to any anti-money laundering regulations and international regulations in force from time to time.

Under existing Bahraini laws, payments under the Certificates will not be subject to taxation in Bahrain, no withholding will be required on such payments to any holder of Certificates and gains derived from the sale of the Certificates will not be subject to Bahraini income, withholding or capital gains tax. In the event of the imposition of any such withholding, the Kingdom has undertaken to gross-up any payments subject to such withholding, as described under Condition 11.

U.S. Federal Income Taxation

The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Certificates by a U.S. Holder (as defined below). This summary deals only with purchasers of Certificates that are U.S. Holders, acquire such Certificates at initial issuance at their issue price (as defined below) and will hold the Certificates as capital assets (generally, property held for investment).

The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Certificates by particular investors. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (including, without limitation: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in stocks, securities, or currencies or notional principal contracts; (iv) regulated investment companies; (v) real estate investment trusts; (vi) tax-exempt organisations; (vii) partnerships, pass-through entities, or persons that hold Certificates through pass-through entities; (viii) investors that hold Certificates as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes; (ix) U.S. Holders that have a functional currency other than the U.S. Dollar; (x) accrual basis taxpayers subject to special rules for the taxable year of inclusion under Section 451(b) of the Code (as defined below); and (xi) U.S. expatriates and former long-term residents of the United States) all of whom may be subject to tax rules that differ significantly from those summarised below. This summary does not address U.S. federal estate, gift or alternative minimum tax considerations, Medicare contribution tax on net investment income considerations, or non-U.S., state or local tax considerations.

As used herein, the term “U.S. Holder” means a beneficial owner of Certificates that is for U.S. federal income tax purposes, (i) a citizen or individual resident of the United States; (ii) a corporation created or organised in or under the laws of the United States or any state thereof; (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

If a partnership (or any other entity or arrangement treated as fiscally transparent for U.S. federal income tax purposes) holds Certificates, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. Any such partner or partnership should consult their tax advisers as to the U.S. federal income tax consequences to them of the acquisition, ownership and disposition of Certificates.

This summary is based on the tax laws of the United States including the Internal Revenue Code of 1986 (the “Code”), its legislative history, existing and proposed regulations promulgated thereunder, published rulings
and court decisions, all as currently in effect and all of which are subject to change at any time, possibly with retroactive effect. No rulings have been or will be sought from the U.S. Internal Revenue Service (the “IRS”) with respect to any of the matters discussed below, and no assurance can be given that the views of the IRS or a court with respect to those matters will not differ from those described below.

INVESTORS SHOULD CONSULT THEIR TAX ADVISERS TO DETERMINE THE TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF CERTIFICATES, INCLUDING THE APPLICATION TO THEIR PARTICULAR SITUATION OF THE U.S. FEDERAL INCOME TAX CONSIDERATIONS DISCUSSED BELOW.

The Trustee generally intends to treat Certificates issued under the Programme as debt, unless otherwise indicated in the supplemental U.S. federal income tax disclosure provided in a prospectus supplement or otherwise.

U.S. Holders

Overview

The Trustee intends to treat the Trust as a mere agency or security device, which is disregarded for U.S. federal income tax purposes, and to treat the Certificates as debt instruments for U.S. federal income tax purposes. Under this characterisation, U.S. Holders will be subject to U.S. federal income taxation as if they owned debt instruments. Prospective purchasers of the Certificates should consult their own tax advisors about the consequences in the event the Certificates are not treated as debt obligations of the Trustee for U.S. federal income tax purposes.

Payment of Periodic Distribution Amounts

General

Under the U.S. federal income tax rules applicable to debt instruments, payments of Periodic Distribution Amounts will be treated as payments of interest for U.S. federal income tax purposes. Interest on a Certificate held by a U.S. Holder, including the payment of any additional amounts whether payable in U.S. Dollars or a currency other than U.S. Dollars (“foreign currency” interest on a “Foreign Currency Certificate”), other than interest on a “Discount Certificate” that is not “qualified stated interest” (each as defined below under “Original Issue Discount—General”), will be taxable to such U.S. Holder as ordinary income at the time it is received or accrued, in accordance with the U.S. Holder’s method of accounting for tax purposes. Interest paid by the Trustee on the Certificates and original issue discount (“OID”), if any, accrued with respect to the Certificates (as described below under “Original Issue Discount—General”) and payments of any additional amounts generally will constitute income from sources outside the United States subject to the rules regarding the foreign tax credit allowable to a U.S. Holder (and the limitations imposed thereon). Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of any foreign taxes with respect to the Certificates (if applicable).

Original Issue Discount

General

The following is a summary of certain U.S. federal income tax consequences to a U.S. Holder of the ownership of Certificates issued with OID. The following summary does not discuss Certificates that are characterised as contingent payment debt instruments for U.S. federal income tax purposes (“CPDIs”). If Certificates are issued that are characterized as CPDIs, supplemental U.S. federal income tax disclosure may be separately provided in a prospectus supplement or otherwise.

A Certificate, other than a Certificate with a term of one year or less (a “Short-Term Certificate”), will be treated as issued with OID (a “Discount Certificate”) if the excess of the Certificate’s “stated redemption price at maturity” (as defined below) over its issue price is at least a de minimis amount (0.25% of the Certificate’s stated redemption price at maturity multiplied by the number of complete years to its maturity) (or, in the case of a Certificate that provides for payments other than “qualified stated interest” before maturity (an “instalment obligation”, its “weighted average maturity”)). A Certificate’s weighted average maturity is the sum of the following amounts determined for each payment on a Certificate (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Certificate’s stated redemption price at maturity. Generally, the “issue price” of a Certificate under the applicable Final Terms will be the first price at which a substantial amount of such Certificates included in the issue of which the Certificate is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The “stated redemption price” at maturity of a Certificate is the total of all payments provided by the Certificate that are not payments of “qualified stated
interest”. A “qualified stated interest” payment generally is any one of a series of stated interest payments on a Certificate that are unconditionally payable in cash or in property (other than in debt instruments of the Trustee) at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under “—Variable Interest Rate Certificates”), applied to the outstanding face amount of the Certificate. Solely for the purposes of determining whether a Certificate has OID, the Trustee will be deemed to exercise any call option that has the effect of decreasing the yield on the Certificate, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Certificate. If a Certificate has de minimis OID, a U.S. Holder must include the de minimis amount in income as stated principal payments are made on the Certificate, unless the U.S. Holder makes the election described below under “—Election to Treat All Interest as Original Issue Discount”. A U.S. Holder can determine the includible amount with respect to each such payment by multiplying the total amount of the Certificate’s de minimis OID by a fraction equal to the amount of the principal payment made divided by the stated face amount of the Certificate.

U.S. Holders of Discount Certificates must include OID in income calculated on a constant yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Certificates. The amount of OID includible in income by a U.S. Holder of a Discount Certificate is the sum of the daily portions of OID with respect to the Discount Certificate for each day during the taxable year or the portion of the taxable year in which the U.S. Holder holds the Discount Certificate (“accrued OID”). The daily portion is determined by allocating to each day in any accrual period a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Certificate may be of any length selected by the U.S. Holder and may vary in length over the term of the Certificates as long as (i) no accrual period is longer than one year; and (ii) each scheduled payment of interest or principal on the Certificate occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Certificate’s adjusted issue price at the beginning of the accrual period and the Discount Certificate’s yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Certificate allocable to the accrual period. The “adjusted issue price” of a Discount Certificate at the beginning of any accrual period is the issue price of the Certificate increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Certificate that were not qualified stated interest payments.

Acquisition Premium

A U.S. Holder that purchases a Discount Certificate for an amount less than or equal to the sum of all amounts payable on the Certificate after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being “acquisition premium”) and that does not make the election described below under “—Election to Treat All Interest as Original Issue Discount”, is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder’s adjusted basis in the Certificate immediately after its purchase over the Certificate’s adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Certificate after the purchase date, other than payments of qualified stated interest, over the Certificate’s adjusted issue price.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Certificate using the constant yield method described above under “—General”, with certain modifications. For purposes of this election, interest includes stated interest, OID, de minimis OID, market discount, de minimis market discount and unstated interest, as adjusted by any amortisable premium (described below under “Original Issue Discount—Certificates Purchased at a Premium”) or acquisition premium. If a U.S. Holder makes this election for the Certificate, then, when the constant yield method is applied, the issue price of the Certificate will equal the U.S. Holder’s adjusted basis immediately after its acquisition of the Certificate, the issue date of the Certificate will be the date of acquisition, and no payments on the Certificate will be treated as payments of qualified stated interest. This election generally will apply only to the Certificate with respect to which it is made and may not be revoked without the consent of the IRS. However, if the Certificate has amortisable premium, the U.S. Holder will be deemed to have made an election to apply amortisable premium against interest for all debt instruments with amortisable premium, other than debt instruments the interest on which is excludible from gross income, held as of the beginning of the taxable year to which the election applies or any taxable year thereafter. If the election to apply the constant yield method to all interest on a Certificate is made with respect to a Market Discount Certificate, the electing U.S. Holder will be treated as having made the election discussed below under “—Market Discount” to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the U.S. Holder. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.
Variable Interest Rate Certificates

Certificates that provide for interest at variable rates (“Variable Interest Rate Certificates”) generally will bear interest at a “qualified floating rate” and thus will be treated as “variable rate debt instruments” under U.S. Treasury regulations governing accrual of OID. A Variable Interest Rate Certificate will qualify as a “variable rate debt instrument” if (a) its issue price does not exceed the total non-contingent principal payments due under the Variable Interest Rate Certificate by more than an amount equal to the lesser of (i) 0.015 multiplied by the product of such total non-contingent principal payments and the number of complete years to maturity of the instrument (or, in the case of a Certificate providing for the payment of any amount other than qualified stated interest prior to maturity, multiplied by the weighted average maturity of the Certificate), or (ii) 15% of the total non-contingent principal payments, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate; and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A “qualified floating rate” is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Certificate is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Certificate (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Certificate’s issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Certificate.

An “objective rate” is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Trustee (or a related party) or that is unique to the circumstances of the Trustee (or a related party), such as dividends, interests or the value of the Trustee’s stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Trustee). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Certificate will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Certificate’s term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Certificate’s term. A “qualified inverse floating rate” is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Certificate provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Certificate’s issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a “current value” of that rate. A “current value” of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day. If a Variable Interest Rate Certificate that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a “variable rate debt instrument”, then any stated interest on the Certificate which is unconditionally payable in cash or property (other than debt instruments of the Trustee) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Certificate that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a “variable rate debt instrument” generally will not be treated as having been issued with OID unless the Variable Interest Rate Certificate is issued at a “true” discount (i.e., at a price below the Certificate’s stated face amount) in excess of a specified de minimis amount. OID on a Variable Interest Rate Certificate arising from a true discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to
(i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Certificate.

In general, any other Variable Interest Rate Certificate that qualifies as a “variable rate debt instrument” will be converted into an “equivalent” fixed rate debt instrument for purposes of determining the amount and accrual of OID and the qualified stated interest on the Variable Interest Rate Certificate. Such a Variable Interest Rate Certificate must be converted into an “equivalent” fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Certificate with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, of the Variable Interest Rate Certificate’s issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Certificate is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Certificate. In the case of a Variable Interest Rate Certificate that qualifies as a “variable rate debt instrument” and provides for stated interest at a fixed rate in addition to one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Certificate provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Certificate as of the Variable Interest Rate Certificate’s issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Certificate is converted into an “equivalent” fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Certificate is converted into an “equivalent” fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the “equivalent” fixed rate debt instrument by applying the general OID rules to the “equivalent” fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Certificate will account for the OID and qualified stated interest as if the U.S. Holder held the “equivalent” fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the “equivalent” fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Certificate during the accrual period.

If a Variable Interest Rate Certificate, such as a Certificate the payments on which are determined by reference to an index, does not qualify as a “variable rate debt instrument”, then the Variable Interest Rate Certificate will be treated as a contingent payment debt instrument. The proper U.S. federal income tax treatment of Variable Interest Rate Certificates that are treated as contingent payment debt may be more fully described in the applicable Final Terms.

Short-Term Certificates

In general, an individual or other cash basis U.S. Holder of a Short-Term Certificate is not required to accrue OID (calculated as set forth below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but should be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Certificates on a straight line basis or, if the U.S. Holder so elects, under the constant yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or other disposition of the Short-Term Certificate will be ordinary income to the extent of the OID accrued on a straight line basis (or a constant yield basis if an election is made to accrue the OID under the constant yield method) through the date of sale or other disposition. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Certificates will be required to defer deductions for interest on borrowings allocable to Short-Term Certificates in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Certificate are included in the Short-Term Certificate’s stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Certificate as if the Short-Term Certificate had been originally issued to the U.S. Holder at the U.S. Holder’s purchase price for the Short-Term Certificate. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.
Market Discount

A Certificate, other than a Short-Term Certificate, that is not acquired at its original issue generally will be treated as purchased at a market discount (a “Market Discount Certificate”) if the Certificate’s stated redemption price at maturity or, in the case of a Discount Certificate, the Certificate’s revised issue price, exceeds the amount for which the U.S. Holder purchased the Certificate by at least 0.25% of the Certificate’s stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Certificate’s maturity (or, in the case of an installment obligation, the Certificate’s weighted average maturity). If this excess is not sufficient to cause the Certificate to be a Market Discount Certificate, then the excess constitutes de minimis market discount. For this purpose, the revised issue price of a Certificate generally equals its issue price, increased by the amount of any OID that has accrued on the Certificate and decreased by the amount of any payments previously made on the Certificate that were not qualified stated interest payments.

Any gain recognised on the maturity or disposition of a Market Discount Certificate (including any payment on a Certificate that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Certificate. Alternatively, a U.S. Holder of a Market Discount Certificate may elect to include market discount in income currently over the life of the Certificate. This election shall apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. A U.S. Holder of a Market Discount Certificate that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Certificate that is in excess of the interest and OID on the Certificate includible in the U.S. Holder’s income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Certificate was held by the U.S. Holder.

Market discount will accrue on a straight line basis unless the U.S. Holder elects to accrue the market discount on a constant yield method. This election applies only to the Market Discount Certificate with respect to which it is made and is irrevocable.

Certificates Purchased at a Premium

A U.S. Holder that purchases a Certificate for an amount in excess of its face amount, or for a Discount Certificate, its stated redemption price at maturity, may elect to treat the excess as “amortisable premium”, in which case the amount required to be included in the U.S. Holder’s income each year with respect to interest on the Certificate will be reduced by the amount of amortisable premium allocable (based on the Certificate’s yield to maturity) to that year. Any election to amortise premium shall apply to all securities (other than securities the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also “Original Issue Discount—Election to Treat All Interest as Original Issue Discount” above. A U.S. Holder that does not elect to take premium (other than acquisition premium) into account currently will recognise a capital loss when the Certificate matures.

Sale or Other Disposition of Certificates

A U.S. Holder’s tax basis in a Certificate generally will be its cost, increased by the amount of any OID or market discount included in the U.S. Holder’s income with respect to the Certificate and the amount, if any, of income attributable to de minimis OID and de minimis market discount included in the U.S. Holder’s income with respect to the Certificate, and reduced by (i) the amount of any payments other than qualified stated interest payments, and (ii) the amount of any amortisable premium applied to reduce interest on the Certificate.

A U.S. Holder generally will recognise gain or loss on the sale or other disposition of a Certificate equal to the difference between the amount realised on the sale or other disposition and the tax basis of the Certificate. Except to the extent described above under “Original Issue Discount—Market Discount” or “Original Issue Discount—Short-Term Certificates” or attributable to accrued but unpaid interest or changes in exchange rates (as discussed below), gain or loss recognised on the sale or other disposition of a Certificate will be capital gain or loss and generally will be treated as from U.S. sources for purposes of the U.S. foreign tax credit limitation. In the case of a U.S. Holder that is an individual, estate or trust, the maximum marginal federal income tax rates applicable to capital gain are currently lower than the maximum marginal rates applicable to ordinary income if the Certificates have been held for more than one year at the time of the sale or other disposition. The deductibility of capital losses is subject to significant limitations.
Potential Alternative Characterisation of the Certificates

The Trustee generally intends to treat Certificates issued under the Programme as debt, unless otherwise indicated in the supplemental U.S. federal income tax disclosure provided in a prospectus supplement or otherwise. However, the IRS may seek to characterise these Certificates as interests in a grantor trust for U.S. federal income tax purposes. Under this characterisation, while the taxation of the income, gain or loss attributable to the Certificates would be essentially the same as the consequences described above under “Sale or Other Disposition of Certificates” and “Payment of Periodic Distribution Amounts”, the Trustee and U.S. Holders would be subject to certain information reporting applicable to foreign trusts. U.S. Holders that fail to comply with these information reporting requirements in a timely manner could be subject to significant penalties, including a penalty of up to 35% of the amount paid for a Certificate and 35% of distributions received from the Trustee. Moreover, a U.S. Holder that fails to file the appropriate information return within 90 days after the date on which the IRS mails notice of such failure to the holder may be liable for a penalty (in addition to the penalty described in the preceding sentence) of U.S.$10,000 for each 30-day period (or fraction thereof) during which such failure continues after the expiration of such 90-day period. A U.S. Holder could also be liable for penalties equal to 5% of the gross value of the portion of the trust owned by a U.S. Holder at the close of the year, if the Trustee failed to file a U.S. annual information return and provide each U.S. Holder with a foreign grantor trust owner statement. Similar penalties would be applicable to the Trustee for failure to comply. The Trustee does not expect that it will provide information that would allow either itself or U.S. Holders to comply with foreign trust reporting obligations if they were determined to be applicable. Alternatively, it is possible the IRS could seek to characterise an interest in a Certificate as a direct interest in two separate instruments for U.S. federal income tax purposes, in which case the amount and timing of U.S. taxable income derived from the Certificates could differ from that described above, but the foreign trust reporting rules (and penalties) would not apply. U.S. Holders should consult their own tax advisers as to the potential alternative characterisation of the Certificates under U.S. federal income tax rules and the potential application of the foreign trust reporting rules and the tax consequences generally with respect to an investment in the Certificates.

Foreign Currency Certificates

Interest and OID

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. Dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. Dollars. An accrual basis U.S. Holder may determine the amount of income recognised with respect to a Foreign Currency Certificate in accordance with either of two methods.

Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year). Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the period of the period within the taxable year). Additionally, if the last day of the accrual period is within five business days of the date of receipt of the accrued interest, a U.S. Holder that has made such election may translate accrued interest using the spot rate of exchange in effect on the date of receipt. The above election will apply to all debt obligations held by such U.S. Holder and may not be changed without the consent of the IRS. A U.S. Holder will recognize, as ordinary income or loss, foreign currency exchange gain or loss with respect to accrued interest income on the date the interest is actually or constructively received, reflecting fluctuations in currency exchange rates between the spot rate of exchange used to determine the accrued interest income for the relevant accrual period and the spot rate of exchange on the date such interest is actually or constructively received.

OID for each accrual period on a Discount Certificate that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. Dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or other disposition of the Certificate), a U.S. Holder may recognise foreign exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. Dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. Dollars.

Market Discount
Market discount on a Certificate that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. Dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder’s taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the disposition or maturity of the Certificate, the U.S. Dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

**Premium**

Premium (including acquisition premium) on a Certificate that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such premium that is taken into account currently will reduce interest income in units of the foreign currency.

On the date premium offsets interest income, a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the amount of offset multiplied by the difference between the spot rate in effect on that date, and the spot rate in effect on the date the Certificates were acquired by the U.S. Holder. A U.S. Holder that does not elect to take premium (other than acquisition premium) into account will recognise a capital loss when the Certificate matures.

**Sale or Other Disposition of Certificates**

A U.S. Holder’s tax basis in a Foreign Currency Certificate will be determined by reference to the U.S. Dollar cost of the Certificate. The U.S. Dollar cost of a Certificate purchased with foreign currency generally will be the U.S. Dollar value of the purchase price on the date of purchase or, in the case of Certificates traded on an established securities market, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

A U.S. Holder generally will recognise gain or loss on the sale or other disposition of a Certificate equal to the difference between the amount realised on the sale or other disposition and its tax basis in the Certificate. The amount realised on a sale or other disposition for an amount in foreign currency will be the U.S. Dollar value of this amount on the date of sale or other disposition or, in the case of Certificates traded on an established securities market, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognise U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or other disposition of a Certificate equal to the difference, if any, between the U.S. Dollar values of the U.S. Holder’s purchase price for the Certificate (or, if less, the face amount of the Certificate) (i) on the date of sale or other disposition, or, in the case of Certificates traded on an established securities market sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale and (ii) the date on which the U.S. Holder acquired the Certificate. Any such exchange rate gain or loss (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest) will be realised only to the extent of total gain or loss realised on the sale or retirement.

**Foreign Tax Credit Considerations**

If Bahraini taxes were to be imposed on payments with respect to the Certificates, see “Taxation-Bahrain”, subject to applicable limitations and holding period requirements, a U.S. Holder may be eligible to elect to claim a credit against its U.S. federal income tax liability for any such Bahraini taxes. A U.S. Holder that does not claim a U.S. foreign tax credit generally may instead claim a deduction for any such Bahraini taxes, but only for any taxable year in which such U.S. Holder elects to do so with respect to all non-U.S. income taxes. The rules relating to foreign tax credits are very complex, and each U.S. Holder should consult its own tax advisers regarding the application of such rules and the creditability or deductibility of any Bahraini taxes.

**Backup Withholding and Information Reporting**

In general, payments of principal, interest and accrued OID on, and the proceeds of a sale, redemption or other disposition of, Certificates, payable to a U.S. Holder by a U.S. or certain U.S.-related paying agents or intermediaries will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments (including payments of OID) if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise comply with the applicable backup withholding requirements. Certain U.S. Holders are not subject to backup withholding.
Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder’s U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS in the manner required. Certain U.S. Holders (including, among others, corporations) are not subject to information reporting or backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from information reporting and/or backup withholding.

**Reportable Transaction Reporting**

Under certain U.S. Treasury Regulations, U.S. Holders that participate in “reportable transactions” (as defined in the U.S. Treasury Regulations) must attach to their U.S. federal income tax returns a disclosure statement on Form 8886. Under the relevant rules, if the Certificates are denominated in a foreign currency, a U.S. Holder may be required to treat foreign currency exchange loss from the Certificates as a reportable transaction if this loss exceeds the relevant threshold in the regulations (U.S.$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amount for other non-individual U.S. Holders), and to disclose its investment by filing Form 8886 with the IRS. A penalty of up to U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases may be imposed in any taxable year on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. U.S. Holders should consult their own tax advisers as to the possible obligation to file Form 8886 with respect to the ownership or disposition of the Certificates, or any related transaction, including without limitation, the disposition of any foreign currency received as interest or as proceeds from the sale, exchange or retirement of the Certificates.

**Specified Foreign Financial Assets**

Certain United States persons that own “specified foreign financial assets,” including securities issued by any foreign person, either directly or indirectly or through certain foreign financial institutions, may be subject to additional reporting obligations if the aggregate value of all of those assets exceeds U.S.$50,000 on the last day of the taxable year or U.S.$75,000 at any time during the taxable year, or certain other requirements are met. The Certificates may be treated as specified foreign financial assets, and U.S. Holders may be subject to this information reporting regime. Significant penalties and an extended statute of limitations may apply to a U.S. Holder that fails to file information reports. U.S. Holders should consult their own tax advisers regarding these potential information reporting obligations.

**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 Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in Certificates (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to 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.
SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a programme agreement (the “Programme Agreement”) dated 23 September 2019, agreed with the Trustee and the Kingdom a basis upon which they or any of them may from time to time agree to purchase Certificates.

In accordance with the terms of the Programme Agreement, each of the Trustee and the Kingdom has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Certificates under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

Transfer Restrictions

As a result of the following restrictions, purchasers of Certificates in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Certificates

Each purchaser of Certificates (other than a person purchasing an interest in a Global Certificate with a view to holding it in the form of an interest in the same Global Certificate) or person wishing to transfer an interest from one Global Certificate to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Global Certificate with a view to holding it in the form of an interest in the same Global Certificate will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(a) that either: (i) it is a QIB, purchasing the Certificates for its own account or for the account of one or more QIBs and it is aware, and any person on whose account it is acting has been advised, that any sale to it is being made in reliance on Rule 144A or (ii) it is outside the United States;
(b) that it, and each account for which it is purchasing, will hold and transfer at least the minimum denomination of Certificates;
(c) that the Certificates are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Certificates have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
(d) that, unless it holds an interest in a Regulation S Global Certificate and is a person located outside the United States, if in the future it decides to resell, pledge or otherwise transfer the Certificates or any interests in the Certificates, it will do so prior to the expiration of the applicable required holding period determined pursuant to Rule 144 of the Securities Act from the later of the last Issue Date for the Series and the last date on which the Trustee or an affiliate of the Trustee was the owner of such Certificates, only (i) to the Trustee or an affiliate thereof, (ii) inside the United States to a person whom the seller and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;
(e) it will, and will require each subsequent holder to, notify any purchaser or transferee, as applicable, of the Certificates from it of the resale and transfer restrictions referred to in paragraph (d) above, if then applicable;
(f) that Certificates initially offered and sold in the United States to QIBs in reliance on Rule 144A will be represented by one or more Rule 144A Global Certificates and that Certificates offered and sold outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Certificates;
(g) it understands that before any interest in Certificates represented by a Rule 144A Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Certificate, it will be required to provide to each of the Principal Paying Agent and the Registrar a written confirmation substantially in the form set out in the Agency Agreement, amended as appropriate to the effect that such offer, sale, pledge or other transfer is being made in accordance with Regulation S;
that the Certificates in registered form, other than the Regulation S Global Certificates, will bear a
legend to the following effect, unless otherwise agreed to by the Trustee.

"THE CERTIFICATES REPRESENTED BY THIS GLOBAL CERTIFICATE HAVE NOT BEEN,
AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS
AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY
AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE
OFFER, SALE, PLEDGE OR TRANSFER OF THE CERTIFICATES REPRESENTED BY THIS
GLOBAL CERTIFICATE IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. BY
ITS ACQUISITION HEREOF, THE HOLDER: (A) REPRESENTS THAT IT IS A "QUALIFIED
INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (QIB)
PURCHASING THIS SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE
OR MORE QIBS; AND (B) AGREES THAT IT WILL NOT RESELL, PLEDGE OR OTHERWISE
TRANSFER THIS SECURITY EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT
AND PRIOR TO THE EXPIRATION OF THE APPLICABLE REQUIRED HOLDING PERIOD
DETERMINED PURSUANT TO RULE 144 OF THE SECURITIES ACT FROM THE LATER OF
THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE TRUSTEE
OR AN AFFILATE OF THE TRUSTEE WAS THE OWNER OF SUCH SECURITIES, OTHER
THAN (1) TO THE TRUSTEE OR ANY AFFIATE THEREOF; (2) INSIDE THE UNITED
STATES TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF
REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE
ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A,
(3) TO NON-U.S. PERSONS IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH
REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO AN EFFECTIVE
REGISTRATION STATEMENT UNDER THE SECURITIES ACT. IN EACH CASE IN
ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE
UNITED STATES AND ANY OTHER JURISDICTION; PROVIDED THAT, IN THE CASE OF A
TRANSFER PURSUANT TO CLAUSE (2), A TRANSFEROR OF THE CERTIFICATES WILL BE
REQUIRED (A) TO EXECUTE AND DELIVER TO THE TRUSTEE AND THE REGISTRAR AND
THE TRANSFER AGENT A TRANSFER CERTIFICATE (THE FORM OF WHICH IS ATTACHED
TO THE AGENCY AGREEMENT AND CAN BE OBTAINED FROM THE REGISTRAR AND
THE TRANSFER AGENT) AND (B) TO EXCHANGE THE PORTION OF THIS GLOBAL
CERTIFICATE TO BE SO TRANSFERRED FOR AN INTEREST IN A RULE 144A CERTIFICATE
OR A DEFINITIVE CERTIFICATE TO BE REGISTERED IN THE NAME OF THE TRANSFEREE.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE
CERTIFICATES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF
SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

EACH HOLDER OF THIS CERTIFICATE OR AN INTEREST HEREIN AGREES THAT IT WILL
DELIVER TO EACH PERSON TO WHOM THIS CERTIFICATE OR AN INTEREST HEREIN IS
TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

FOR THE PURPOSES HEREOF, "OFFSHORE TRANSACTION" AND "U.S. PERSON" HAVE
THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE
SECURITIES ACT.";

if it is outside the United States, that if it should resell or otherwise transfer the Certificates, it shall do
so in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation
S Global Certificates will bear a legend to the following effect unless otherwise agreed to by the
Trustee:

"THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S.
SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY
SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF
THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE
TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR
BENEFIT OF, U.S. PERSONS, EXCEPT PURSUANT TO AN EXEMPTION FROM
REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE
REGISTRATION STATEMENT UNDER THE SECURITIES ACT."; and

that the Trustee, each Agent, each Manager and their affiliates or, as the case may be, the relevant
Dealer and its affiliates and others will rely upon the truth and accuracy of the foregoing
acknowledgements, representations and agreements and agrees that if any of such acknowledgements,
representations or agreements made by it are no longer accurate, it shall promptly notify the Trustee
and the Managers or, as the case may be, the relevant Dealer; and if it is acquiring any Certificates as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

No sale of Legended Certificates in the United States to any one purchaser will be for less than U.S.$200,000 (or its foreign currency equivalent) face amount and no Legended Certificate will be issued in connection with such a sale in a smaller face amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$200,000 (or its foreign currency equivalent) of Certificates.

**Selling Restrictions**

**United States**

The Certificates have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Accordingly, the Certificates are being offered, sold or delivered only outside the United States in offshore transactions to non-U.S. persons in accordance with Regulation S. Until 40 days after the completion of the distribution of all Certificates of the Tranche of which such Certificates are a part, an offer, delivery or sale of Certificates within the United States or to, or for the account or benefit of, U.S. persons 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, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the resale of Certificates to QIBs pursuant to Rule 144A and each such purchaser of Certificates is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A.

This Base Prospectus has been prepared by the Trustee and the Kingdom for use in connection with the offer and sale of the Certificates outside the United States and for the resale of the Certificates in the United States to QIBs in accordance with Rule 144A. The Trustee, the Kingdom 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, other than any QIB to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate.

**Public Offer Selling Restriction under the Prospectus Regulation**

In relation to each Member State of the European Economic Area, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not 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 applicable Final Terms in relation thereto to the public in that Member State, except that it may make an offer of such Certificates to the public in that Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Trustee and the Kingdom for any such offer; or

(c) at any time in any other circumstances falling within Article (4) of the Prospectus Regulation,

provided that no such offer of Certificates referred to in (a) to (c) above shall require the Trustee, the Kingdom or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression: (i) an “offer of Certificates to the public” in relation to any Certificates in any 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 for the Certificates; and (ii) “Prospectus Regulation” means Regulation (EU) 2017/1129.
United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any 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 an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee and/or the Kingdom; 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.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any 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 million or more excluding that person’s principal place of residence;

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1 million; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the 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

Each Dealer 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 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”) rulebook; and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Certificates. Any investor in the Kingdom of 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 Article 9 or Article 10 of the “Rules on the Offer of Securities and Continuing Obligations” as issued by the Board of the Capital Market Authority (the “CMA”) resolution number 3-123-2017 dated 27 December 2017, as amended by CMA resolution number 3-45-2018 dated 23 April 2018 (the “KSA Regulations”), made through an authorised person licensed to carry out arranging activities by the CMA and following a notification to the CMA under Article 11 of the KSA Regulations.
The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to “Sophisticated Investors” under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Certificates made by it to a Saudi Investor will be made in compliance with Article 9 or Article 10 of the KSA Regulations.

Each offer of Certificates shall not therefore constitute a “public offer”, an “exempt offer” or a “parallel market offer” pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (a) the Certificates are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations); (b) the price to be paid for the Certificates in any one transaction is equal to or exceeds Saudi Riyals 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 15 of the KSA Regulations.

State of Kuwait

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates to be issued under the Programme have not been and will not be offered, sold, promoted or advertised by it in Kuwait other than in compliance with Decree Law № 31 of 1990 and the implementing regulations thereto, as amended, and Law № 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities.

Japan

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act № 25 of 1948, as amended; the “FIEA”) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Certificates, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act № 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, a 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.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed that, 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 the Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell any Certificates or cause the 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 the Certificates, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of 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 the Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the 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 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

**Malaysia**

This Base Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the CMSA. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that 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 falling within any one of the categories of persons specified under Part I of Schedule 6 or Section 229(1)(b) and Part I of Schedule 7 or Section 230(1)(b), read together with Schedule 8 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.

**General**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will (to the best of its knowledge and belief) comply in all material respects with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers 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 none of the Trustee, the Kingdom and any of the other Dealers shall have any responsibility therefor.

None of the Trustee, the Kingdom and the Dealers represents and agrees 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.
GENERAL INFORMATION

Authorisation
The establishment of the Programme and the issuance of Certificates thereunder has been duly authorised by the Legislative Decree № (21) of 2017 on the Amendment of the Provisions of Legislative Decree № (15) of 1977 on the issuance of development bonds.

The issue of the Certificates and the entry into the Transaction Documents have been duly authorised by a resolution of the directors of the Trustee dated 12 September 2019. The Trustee has obtained all necessary consents, approvals and authorisations in Bahrain in connection with the issue and performance of the Certificates and the execution and performance of the Transaction Documents.

Listing of Certificates
It is expected that each Tranche of Certificates which is to be admitted to the Official List and to trading on the Regulated Market of Euronext Dublin will be admitted separately as and when issued, subject only to the issue of one or more Global Certificates initially representing the Certificates of such Tranche. Application has been made to the Irish Stock Exchange plc, trading as Euronext Dublin, for Certificates issued under the Programme during the period of twelve months from the date of this Base Prospectus to be admitted to the Official List and trading on the Regulated Market of Euronext Dublin. The approval of the Programme in respect of Certificates is expected to be granted on or before 23 September 2019.

Arthur Cox Listing Services Limited is acting solely in its capacity as Irish listing agent for the Trustee in connection with the Certificates and is not itself seeking admission of the Certificates to the Official List or to trading on the Regulated Market of Euronext Dublin for the purposes of the Prospectus Regulation.

Documents Available
For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection and/or collection in physical form from the business address set out herein of the Trustee and during normal business hours from the specified office of the Principal Paying Agent for the time being in London:

(a) the Transaction Documents;
(b) the constitutional documents of the Trustee;
(c) a copy of this Base Prospectus; and
(d) any supplements and Final Terms to this Base Prospectus.

For the period of 12 months following the date of this Base Prospectus, the following documents will be available by electronic means on the internet site: www.mofne.gov.bh (i) the consolidated final accounts of the Government for the years ended 31 December 2015, 2016, 2017 and 2018; (ii) the latest budget for the current fiscal year; (iii) the Master Trust Deed; and (iv) the Articles of Association. The consolidated final accounts of the Government for the years ended 31 December 2015, 2016, 2017 and 2018 have been audited by the National Audit Office and were approved by the legislative assembly in accordance with Clause 113 of the Constitution.

The internet site www.mofne.gov.bh does not form part of this Base Prospectus and has not been scrutinised or approved by the Central Bank of Ireland.

This Base Prospectus has been published and will be electronically available on the website of Euronext Dublin at http://www.ise.ie.

Since the date of its incorporation, no financial statements of the Trustee have been prepared or published. The fiscal year of the Trustee ends on 31 December of each year. The Trustee is not required by Bahraini law, and does not intend, to prepare, file, publish or audit annual accounts. The Trustee will not prepare any interim accounts.

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 Tranche of Certificates allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Trustee may make an application for any Certificates to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of such Certificates, together with the relevant ISIN and (if applicable) common code, 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. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

**Conditions for determining price**

The price and amount of Certificates to be issued under the Programme will be determined by the Trustee and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

**Significant Change**

There has been no material adverse change in the financial position or prospects of the Trustee and no significant change in the financial or trading position of the Trustee, in each case, since its incorporation.

There has been no significant change in the tax and budgetary systems, gross public debt, foreign trade and balance of payments, foreign exchange reserves, financial position and resources, income and expenditure figures of the Kingdom since 31 December 2018.

**Litigation**

The Trustee is not, nor has it been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee is aware) in the 12 months preceding the date of this Base Prospectus which may have, or have had in such period, a significant effect on the financial position of the Trustee.

The Kingdom has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Kingdom is aware) in the 12 months preceding the date of this Base Prospectus which may have, or have had in such period a significant effect on the financial position of the Kingdom.

**Dealers transacting with the Trustee**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Trustee in the ordinary course of business for which they may receive fees. They have received, or may in the future receive, customary fees and commission for these transactions.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Trustee or its agencies. Certain of the Dealers or their affiliates that may, from time to time, have a lending relationship with the Trustee may routinely hedge their credit exposure to the Trustee consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Certificates issued under the Programme. Any such short positions could adversely affect future trading prices of Certificates issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**Business address**

The business address of the Trustee is Central Bank of Bahrain, King Faisal Highway, Diplomatic Area, Block 317, Road 1702, Building 96, Manama, Kingdom of Bahrain and its telephone number is +973 17 575 666 or +973 17 575 670.
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acting through the Ministry of Finance and National Economy
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