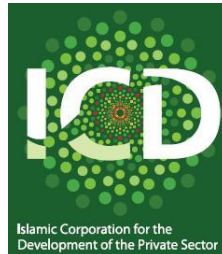


Hilal Services Ltd

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

Trust Certificate Issuance Programme

with, *inter alia*, the benefit of a Guarantee (in respect of the payment obligations arising under the Portfolio of the relevant Series of Trust Certificates) provided by



THE ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

(an international organisation that derives its legal personality from public international law)

Under the trust certificate issuance programme described in this Base Prospectus (the **Programme**), Hilal Services Ltd (in its capacity as issuer and as trustee, the **Trustee**) subject to compliance with all relevant laws, regulations and directives, may from time to time issue trust certificates (the **Trust Certificates**) in series (each a **Series**) in any currency as agreed between the Trustee and the relevant Dealers (as defined below). Each Series of Trust Certificates will be constituted by (i) a master trust deed (the **Master Trust Deed**) dated 21 December 2015 (the **Programme Date**) entered into between the Trustee, The Islamic Corporation for the Development of the Private Sector (the **ICD**) and The Law Debenture Trust Corporation p.l.c. acting as delegate of and attorney for the Trustee (the **Delegate**) and (ii) a corresponding supplemental trust deed (**Supplemental Trust Deed**) and, together with the Master Trust Deed, the **Trust Deed**) in relation to each Series of Trust Certificates issued.

Trust Certificates of each Series confer on the holders of the Trust Certificates from time to time (the **Certificateholders**) an undivided beneficial ownership interest in, and consequently the right to receive certain payments, on a *pro rata* basis (according to the face amount of Trust Certificates held by them) arising from, the assets of a trust declared by the Trustee in relation to the relevant Series (the **Trust**) over, *inter alia*, a portfolio of assets created by the ICD. The portfolio of assets created by the ICD shall be separate and independent from all other assets of the ICD and shall comprise: (a) at least 33 per cent. tangible assets comprising of: (1) Leased Assets (as defined below); (2) Disbursing Istisna'a Assets (as defined below) in respect of which the ICD has title to the corresponding asset and is the seller of the completed or manufactured asset before such asset has been delivered to the ICD by its manufacturer; (3) Shariah compliant equity instruments (and the assets underlying those equity instruments) (**Shares**) and/or sukuk certificates (and the assets underlying those sukuk certificates) (**Sukuk**) and/or any Wakala Assets (in respect of which, the ICD acts as principal or *muwakkil*); and (4) Restricted Fund Units (as defined below); PROVIDED ALWAYS THAT at least 33 per cent. of the underlying assets of all Shares, Sukuk, Wakala Assets and/ or Restricted Fund Units, as applicable, are tangible; AND PROVIDED FURTHER THAT such Shares, Sukuk, Wakala Assets and/ or Restricted Fund Units, as applicable, are considered (by the Shariah Committee of the ICD) to be Shariah compliant (and consequently any borrowing and lending by or on behalf of such assets conducted in a manner that is considered (by the Shariah Committee of the ICD) to be contrary to the principles of Shariah shall not exceed 33 per cent. of the corresponding asset value, and that any income from these assets considered (by the Shariah Committee of the ICD) to be contrary to the principles of Shariah shall not exceed 5 per cent. of the corresponding aggregate revenues); and (b) no more than 67 per cent. intangible assets comprising of Istisna'a Receivables, and/or Murabaha Receivables (each as defined below), including, without limitation, the right to receive payment of any amounts due in connection with such assets, the right to demand, sue for, recover, receive and give receipts for all amounts payable, or to become payable, under the assets and/or agreements relating to the assets and the benefit of, and the right to sue on, all covenants in favour of the ICD and the right to exercise all powers of the ICD thereunder, the constituent elements of which may be supplemented from time to time with Additional Portfolio Assets (as defined below) (the **Portfolio** which, together with any other assets in the Trust, constitute the **Trust Assets**).

The Trustee will have the benefit of a Guarantee (as defined under "*Principal features of the Programme*" below) from the ICD (the **Guarantor**) to support timely payments of profit distributions under the Trust Certificates. In addition, the Trustee will have the benefit of a purchase undertaking from the ICD, and the ICD will have the benefit of a sale undertaking from the Trustee, pursuant to which the ICD may be required to purchase the relevant Portfolio in relation to each Series of Trust Certificates upon the maturity or early dissolution of the relevant Series of Trust Certificates. Subject to the information provided herein, recourse in respect of the Trust Certificates is ultimately dependent on the performance of the ICD pursuant, *inter alia*, to such Guarantee and purchase or sale undertakings.

Certificateholders are entitled to receive Periodic Distribution Amounts (as defined in the Terms and Conditions as defined herein) calculated on the basis specified in the final terms relating to the relevant Series of Trust Certificates (the **Final Terms**) or in respect of Exempt Certificates (as defined below), a pricing supplement relating to the relevant Series of Trust Certificates (the **Pricing Supplement**). The payment of Periodic Distribution Amounts to Certificateholders will primarily depend upon the

receipt by the Trustee of all amounts due in respect of the Portfolio of the relevant Series of Trust Certificates comprising profit and the performance by the ICD of its obligations under the Guarantee.

This Base Prospectus has been approved by the United Kingdom Financial Conduct Authority (FCA) under Part VI of the Financial Services and Markets Act 2000 (**FSMA**) (the **UKLA**) as a base prospectus issued in compliance with the Prospectus Directive (as defined herein) and relevant implementing measures in the United Kingdom for the purposes of giving information with regard to the issue of the Trust Certificates described in this Base Prospectus for the period of 12 months from the date of this Base Prospectus. Application has been made for such Trust Certificates (other than Exempt Certificates (as defined below)) to be admitted to the official list (**Official List**) of the UKLA and to the London Stock Exchange plc (the **London Stock Exchange**) for such Trust Certificates to be admitted to trading on the London Stock Exchange's Regulated Market (the **Market**). The Market is a regulated market (a **Regulated Market**) for the purposes of the Directive 2004/39/EC (the **Markets in Financial Instruments Directive**) of the European Parliament and of the Council on markets in financial instruments.

Each of the Trustee and the ICD is an "Exempt Offeror" for the purposes of Article 13(1) of the DIFC Markets Law 2012, (the **Markets Law 2012**). Accordingly, the Trustee and the ICD are exempt from the requirement to produce a Prospectus under Article 14 of the Markets Law 2012 and this Base Prospectus has not been approved by the Dubai Financial Services Authority (the **DFSA**) for the purposes of the Markets Law 2012. Application has also been made to the DFSA and to NASDAQ Dubai for (i) Trust Certificates (where the relevant Series are also admitted to the Official List and admitted to trading on the Market) or (ii) Exempt Certificates (where the relevant Series are not admitted to the Official List nor admitted to trading on the Market), issued under this Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of securities maintained by the DFSA (the **Dubai Official List**) and to be admitted to trading on NASDAQ Dubai (referred to, together, as **an admission to the NASDAQ Dubai**). An application may be made for any Series to be admitted to the NASDAQ Dubai.

References in this Base Prospectus to Trust Certificates being **listed** (and all related references) shall mean that: (i) such Trust Certificates have been admitted to the Official List and admitted to trading on the Market; (ii) Trust Certificates have been admitted to the Official List and admitted to trading on the Market and the NASDAQ Dubai; or (iii) Exempt Certificates have been admitted to the NASDAQ Dubai. The requirement to publish a prospectus under the Prospectus Directive only applies to Trust Certificates which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)).

References in this Base Prospectus to "Exempt Certificates" are to Trust Certificates for which no prospectus is required to be published under the Prospectus Directive (as defined herein). For the purposes of any Exempt Certificates issued pursuant to this Programme, this document does not constitute a base prospectus within the meaning of Article 2.1 of the Prospectus Directive and will constitute listing particulars. Information contained in this Base Prospectus regarding Exempt Certificates and any Pricing Supplement relating thereto shall not be deemed to form part of this Base Prospectus and the UKLA has neither approved nor reviewed information contained in this Base Prospectus in connection with the offering and sale of Exempt Certificates or the related Pricing Supplement to which the Exempt Certificates are subject.

The Programme provides that the Exempt Certificates may be listed on the NASDAQ Dubai List 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 ICD and the relevant Dealer. The Trustee may also issue unlisted Exempt Certificates and/or Exempt Certificates not admitted to trading on any market. The relevant Final Terms in respect of the issue of any Trust Certificates (other than Exempt Certificates) will specify whether or not such Trust Certificates will be listed on the Official List and admitted to trading on the Market. If any Trust Certificates (other than Exempt Certificates) are to be admitted to trading on any other stock exchange, such admission will be in addition (rather than an alternative) to their admission to trading on the Market. In the case of Exempt Certificates, the relevant Trust Certificates will not be listed and/or admitted to trading on the Market or any other Regulated Market, and the relevant pricing supplement will state whether or not the relevant Exempt Certificates will be listed and/or admitted to trading on an unregulated market. Accordingly, in the case of Exempt Certificates, each reference in this Base Prospectus to the relevant Final Terms shall be read and construed as a reference to the relevant Pricing Supplement, unless the context requires otherwise.

Notice of the aggregate face amount of Trust Certificates and any other terms not contained herein which are applicable to each Series of Trust Certificates will be set out in the relevant Final Terms which, with respect to Trust Certificates to be listed on the Market, will be delivered to the UKLA and the Market and which, with respect to Trust Certificates to be listed on NASDAQ Dubai, will be delivered to the DFSA and NASDAQ Dubai. In the case of Exempt Certificates, notice of the aggregate nominal amount of the Trust Certificates and any other terms which are contained therein which are applicable to such Series of Trust Certificates will be set out in the Pricing Supplement relating to such Series.

The Trust Certificates will be limited recourse obligations of the Trustee. An investment in Trust Certificates issued under the Programme involves certain risks, as more fully described in the section "*Risk Factors*" beginning on page 23.

The Trust Certificates will be issued in registered form in the form of a global trust certificate which will be deposited with, and registered in the name of a nominee of, a common depository for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) on or about the relevant Issue Date (as specified in the relevant Final Terms of each such Series). Interests in Trust Certificates in individual form will only be issued in exchange for interests in the global trust certificate in exceptional circumstances or as otherwise specified in the Final Terms or Pricing Supplement, as the case may be, applicable to the relevant Series

Each of Standard & Poor's Credit Market Services Europe Limited (**S&P**), Moody's Investors Service, Inc. (**Moody's**) and Fitch Ratings, Inc. (**Fitch**) (the **Rating Agencies**, and each a **Rating Agency**) has rated the ICD. S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Moody's is not established in the European Union and is not registered in accordance with the CRA Regulation. The ratings by Moody's are expected to be endorsed by Moody's Investors Service Ltd in accordance with the CRA Regulation. Moody's Investors Service Ltd is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at

<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Fitch is not established in the European Union and is not registered under the CRA Regulation. The ratings by Fitch are expected to be endorsed by Fitch Ratings Limited in accordance with the CRA Regulation. Fitch Ratings Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with such Regulation.

Moody's has given the ICD a long-term issuer rating of 'Aa3' and a short-term issuer rating of 'P-1' with a stable outlook. Fitch has given the ICD a long-term issuer rating of 'AA' and a short-term issuer rating of 'F1+' with a stable outlook. S&P has given the ICD a long-term issuer rating of 'AA' with a stable outlook.

S&P has assigned a 'AA' rating in respect of the Programme, Moody's has assigned a provisional '(P)Aa3' senior unsecured MTN rating in respect of the Programme and Fitch has assigned a 'AA(exp)' expected rating in respect of the Programme. Trust Certificates issued under the Programme may also be assigned a rating by one or more of the Rating Agencies.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the Rating Agencies. A suspension, reduction or withdrawal of the rating assigned to the Trust Certificates may adversely affect the market price of the Trust Certificates. The Trustee has not requested a rating on the Trust Certificates by any rating agency other than the Rating Agencies.

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

Arranger

HSBC

Dealers

CIMB

Dubai Islamic Bank

First Gulf Bank

HSBC

Maybank

**National Bank of Abu Dhabi
P.J.S.C.**

NCB Capital

**Société Générale
Corporate & Investment
Banking**

Standard Chartered Bank

The date of this Base Prospectus is 21 December 2015

IMPORTANT NOTICES

This Base Prospectus comprises a base prospectus in respect of all Trust Certificates (other than Exempt Certificates) for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (the **Prospectus Directive**).

Each of the Trustee and the ICD (together, the **Responsible Persons**) accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

This Base Prospectus should be read and construed together with any amendments or supplements hereto and with any other documents incorporated by reference herein and, in relation to any Series (as defined herein) of Trust Certificates, should be read and construed together with the relevant Final Terms or Pricing Supplement, as the case may be.

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

The liability for the content of this Base Prospectus lies with the Trustee and the ICD and other persons, whose opinions are included in this Base Prospectus with their consent. If you do not understand the contents of this Base Prospectus or are unsure whether any Trust Certificates issued under this Base Prospectus are suitable for your individual investment objectives and circumstances, you should consult an authorised financial advisor.

No person is or has been authorised to give any information or make any representation other than those contained in this Base Prospectus or any other document entered into in relation to the Trust Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by the Trustee, the ICD, the Dealers (as defined in the "*General Description of the Programme*"), the Agents (each as defined herein), the Delegate or any other person. Neither the delivery of this Base Prospectus nor any Final Terms or Pricing Supplement, as the case may be, nor the offering or sale of any Trust Certificate hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Trustee or the ICD since the date hereof. Neither this Base Prospectus nor any other information supplied in connection with the Programme constitutes an offer of, or an invitation by, or on behalf of, the Trustee, the ICD, the Dealers, the Agents or the Delegate to subscribe for, or purchase any Trust Certificates. This Base Prospectus does not constitute an offer, and may not be used for the purposes of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.

The Dealers, the Agents and the Delegate 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 Dealers, the Agents or the Delegate or any of them as to the accuracy or completeness of the information contained in this Base Prospectus or of any other information provided by the Trustee or the ICD in connection with the Trust Certificates or their distribution.

This Base Prospectus is not intended to provide the basis of any credit or other evaluation, save for making an investment decision on the Trust Certificates, and should not be considered as a recommendation by the Trustee, the ICD, the Dealers, the Agents, the Delegate or any other person that any recipient of this Base Prospectus should purchase any of the Trust Certificates. Each investor contemplating purchasing Trust Certificates should make its own independent investigation of the

financial condition and affairs, and its own appraisal of the creditworthiness, of the Trustee and/or the ICD. This Base Prospectus may only be used for the purposes for which it has been published.

No comment is made or advice given by the Trustee, the ICD, the Dealers, the Delegate, the Agents or any other person in respect of taxation matters relating to any Trust Certificates or the legality of the purchase of Trust Certificates by an investor under applicable or similar laws.

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 TRUST CERTIFICATES.

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

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

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Trust Certificates shall in any circumstances imply that the information contained herein concerning the Trustee or the ICD is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in this document containing the same.

The Trust Certificates have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**). Subject to certain exceptions, Trust Certificates may not be offered or sold within the United States or to or for the benefit or account of, U.S. persons (as defined in Regulation S under the Securities Act) (see "*Subscription and Sale*").

This Base Prospectus does not constitute an offer to sell or the solicitation of any offer to buy any Trust Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Trust Certificates may be restricted by law in certain jurisdictions. The Trustee, the ICD, the Dealers, the Delegate and the Agents do not represent that this Base Prospectus may be lawfully distributed, or that any Trust Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Trustee, the ICD, the Dealers, the Delegate or the Agents which is intended to permit a public offering of any Trust Certificates or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Trust Certificates may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Trust Certificates may come must inform themselves about, and observe any such

restrictions on the distribution of this Base Prospectus and the offering and sale of Trust Certificates. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Trust Certificates in the United States, the United Arab Emirates (excluding the Dubai International Financial Centre (the **DIFC**)), the Kingdom of Saudi Arabia, the Cayman Islands and Member States of the European Union (see "*Subscription and Sale*").

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The financial statements relating to the ICD included in this Base Prospectus are as follows:

- the audited financial statements of the ICD as at and for the year ended 30 *Dhul Hijjah*, 1435H (24 October 2014); and
- the audited financial statements of the ICD as at and for the year ended 29 *Dhul Hijjah*, 1434H (3 November 2013).

Each of the financial statements for the ICD are prepared for the relevant periods corresponding to the *Hijri* calendar. Each of the audited financial statements listed above include audit reports from the independent auditor. ICD's financial statements are published in U.S. Dollars.

Each of the financial statements of the ICD have been prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Committee of the ICD. For matters which are not covered by AAOIFI standards, the ICD uses the relevant standard issued or adopted by the International Accounting Standards Board (**IASB**) and the relevant interpretation issued by the International Financial Reporting Interpretations Committee of IASB.

Each of the financial statements have not been prepared in accordance with the International Accounting Standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 and there may be material differences in the financial information in the financial statements had Regulation (EC) No 1606/2002 been applied to the historical financial information in the financial statements.

Certain differences exist between the Financial Accounting Standards issued by the AAOIFI and International Financial Reporting Standards (IFRS) which might be material to the financial information herein. The matters described in this Base Prospectus summarize certain differences between the Financial Accounting Standards issued by the AAOIFI and IFRS that may be material. The ICD is responsible for preparing the Summary in this Base Prospectus. The ICD has not prepared a complete reconciliation of its financial statements and related footnote disclosures between the Financial Accounting Standards issued by the AAOIFI and IFRS and has not quantified such differences. In making an investment decision, investors must rely upon their own examination of the ICD, the terms of the Programme and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between the Financial Accounting Standards issued by the AAOIFI and IFRS, and how those differences might affect the financial information herein.

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

This Base Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Base Prospectus may constitute forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology, such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "continue" or similar terminology. Although the ICD believes that the expectations reflected in its forward-looking statements are reasonable at this time, there can be no assurance that these expectations will prove to be correct.

In this Base Prospectus all references to \$, **U.S.\$** or **U.S. Dollars** are to the lawful currency of the United States of America, references to £, **GBP** and **Sterling** are to United Kingdom pounds sterling, references to €, **EUR** or **euro** are to the single currency introduced at the start of the third stage of

European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

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.

GENERAL NOTICE TO INVESTORS

The transaction structure relating to the Trust Certificates (as described in this Base Prospectus) has been approved by the IDB Group Shariah Committee (which governs the ICD with respect to Shariah matters). Prospective Certificateholders should rely on their own *Shariah* advisers as to whether the proposed transaction described in the approval referred to above meets their respective Shariah requirements. Any reference to the ICD Shariah Committee shall be read as a reference to the IDB Group Shariah Committee.

NOTICE TO UK RESIDENTS

Trust Certificates issued under the Programme which do not constitute "alternative finance investment bonds" within the meaning of Article 77A of the Financial Services and Markets Act 2000 (FSMA) as amended by the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010 (*Non-Regulatory AFIBs*) will represent interests in a collective investment scheme (as defined in the FSMA) which has not been authorised, recognised or otherwise approved by the FCA. Accordingly, the Trust Certificates cannot be marketed in the United Kingdom to the general public and 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 or Pricing Supplement, as the case may be, and any other marketing materials relating to the Trust Certificates of any Series (A) if effected by a person who is not an authorised person under FSMA, is being addressed to, or directed at, only the following persons: (i) persons who are "Investment Professionals" as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Financial Promotion Order) and (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 (B) if the Trust Certificates are Non-Regulatory AFIBs and the distribution is effected by a person who is an authorised person under FSMA, is being addressed to, or directed at, only the following persons: (i) persons falling within one of the categories of "Investment Professional" as defined in Article 14(5) of the FSMA (Promotion of Collective Investment Schemes) (Exemption) Order 2001 (the Promotion of CISs Order), (ii) persons falling within any of the categories of person described in Article 22 (*High net worth companies, unincorporated associations, etc.*) of the Promotion of CISs Order and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order. Persons of any other description in the United Kingdom may not receive and should not act or rely on this Base Prospectus, any Final Terms or Pricing Supplement, as the case may be, or any other marketing materials in relation to the Trust Certificates of any Series.

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

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

The contents of this Base Prospectus as amended or supplemented from time to time have not been approved by an authorised person in accordance with the rules of the United Kingdom Financial Conduct Authority.

CAYMAN ISLANDS NOTICE

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

KINGDOM OF SAUDI ARABIA NOTICE

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

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Base Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Base Prospectus. Prospective purchasers of Trust Certificates should conduct their own due diligence on the accuracy of the information relating to the Trust Certificates. If a prospective purchaser does not understand the contents of this Base Prospectus he or she should consult an authorised financial adviser.

NOTICE TO BAHRAIN RESIDENTS

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

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

The CBB has not reviewed, approved or registered this Base Prospectus or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside the Kingdom of Bahrain.

Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this document. No offer of securities will be made to the public in the Kingdom of Bahrain and this Base Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO QATARI RESIDENTS

This Base Prospectus is not intended to constitute an offer, sale or delivery of bonds or other debt financing instruments under the laws of Qatar. The Trust Certificates have not been and will not be authorised by the Qatar Financial Markets Authority, the Qatar Financial Centre or the Qatar Central Bank. The Trust Certificates and interests therein will not be offered to investors domiciled or resident in Qatar, and the Trust Certificates are not and will not be traded on the Qatar Exchange.

STABILISATION

In connection with the issue of any Series of Trust Certificates, the Dealer or Dealer(s) (if any) named as stabilising manager(s) in the applicable Final Terms for that Series (the Stabilising Manager) or persons acting on behalf of any Stabilising Manager, may effect transactions with a view to supporting the market price of the corresponding Trust Certificates at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Trust Certificates is made and, if begun, may be ended at any time, but it must end no later than the earlier of thirty (30) days after the issue date of the Trust Certificates and sixty (60) days after the date of the allotment of the Trust Certificates. Any stabilisation action must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

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On the occasion of each issuance of Trust Certificates, the Trustee will receive the contributions from the Certificateholders representing the proceeds of the issue of the corresponding Trust Certificates in the amount specified in the relevant Supplemental Trust Deed.

The Trustee has agreed to apply, on each occasion on which Trust Certificates are issued and in respect of the relevant Series of Trust Certificates only, the net proceeds of the issue of such Trust Certificates on the date of the Supplemental Service Agency Agreement to purchase from the ICD a portfolio of assets created by the ICD (on the basis of the assessment of the historical performance of different asset classes) which shall be separate and independent from all other assets of the ICD and shall comprise:

- (a) at least 33 per cent. tangible assets comprising of: (1) Leased Assets; (2) Disbursing Istisna'a Assets in respect of which the ICD has title to the corresponding asset and is the seller of the completed or manufactured asset before such asset has been delivered to the ICD by its manufacturer; (3) Shares, Sukuk and/or any Wakala Assets (in respect of which, the ICD acts as principal or *muwakkil*); and (4) Restricted Fund Units; PROVIDED ALWAYS THAT at least 33 per cent. of the underlying assets of all Shares, Sukuk, Wakala Assets and/ or Restricted Fund Units, as applicable, are tangible; AND PROVIDED FURTHER THAT such Shares, Sukuk, Wakala Assets and/ or Restricted Fund Units, as applicable, are considered (by the Shariah Committee of the ICD) to be Shariah compliant (and consequently any borrowing and lending by or on behalf of such assets conducted in a manner that is considered (by the Shariah Committee of the ICD) to be contrary to the principles of Shariah shall not exceed 33 per cent. of the corresponding asset value, and that any income from these assets considered (by the Shariah Committee of the ICD) to be contrary to the principles of Shariah shall not exceed 5 per cent. of the corresponding aggregate revenues); and
- (b) no more than 67 per cent. intangible assets comprising of Istisna'a Receivables, and/or Murabaha Receivables,

the details of which (on the relevant Closing Date) are set out in Schedule 1 of the Supplemental Purchase Agreement. The portfolio includes, without limitation, the right to receive payment of any amounts due in connection with such assets, the right to demand, sue for, recover, receive and give receipts for all amounts payable, or to become payable, under the assets and/or agreements relating to the assets and the benefit of, and the right to sue on, all covenants in favour of the ICD and the right to exercise all powers of the ICD thereunder, the constituent elements of which may be supplemented from time to time with Additional Portfolio Assets (together, the **Portfolio**) in accordance with the Master Purchase Agreement and, in respect of each Series, a Supplemental Purchase Agreement.

Under the Master Purchase Agreement, the ICD shall, on the date of each Supplemental Purchase Agreement and following its assessment of the historical performance of different asset classes which will constitute the Portfolio for the relevant Series of Trust Certificates, specify to Hilal Services Ltd the expected rate of return on the Portfolio as a percentage of the purchase price proposed to be paid by Hilal Services Ltd for such Portfolio.

On the date of each Supplemental Service Agency Agreement, the Service Agent shall receive a nominal fee of U.S.\$100 as a basic fee (the **Basic Fee**). In addition, under the Master Service Agency Agreement the ICD and the Trustee agree that any remaining amounts available after application of the order of priorities set out in Condition 5.3(a), (b) or (c) in respect of each Series of Trust Certificates may be retained by the ICD (as Service Agent) as an incentive fee (the **Incentive Fee**) for its services as Service Agent in relation to the Programme.

Pursuant to the Guarantee, the ICD has guaranteed to the Trustee the punctual performance of any and all payment obligations arising or falling due under or in respect of the assets constituting the Portfolio of the relevant Series of Trust Certificates to allow timely payment of profit amounts due to Certificateholders under the Trust Certificates (including any additional amounts required to be paid in respect of the Trust Certificates pursuant to Condition 13 (*Taxation*)). However, the aggregate amounts recoverable by the Trustee under the Guarantee shall not exceed the sum of all such Periodic Distribution Amounts and any additional amounts (arising under Condition 13 (*Taxation*) on such amounts).

Pursuant to an Additional Portfolio Assets Sale Undertaking, the Trustee has been granted the right to require the ICD to sell, in certain circumstances (as detailed below), to the Trustee on the relevant Settlement Date (as specified in the relevant exercise notice (the **Additional Portfolio Assets Exercise Notice**) scheduled to the Additional Portfolio Assets Sale Undertaking Deed), at the relevant purchase price (the **Purchase Price**), the relevant Additional Portfolio Assets (as defined in the Master Purchase Agreement and as specified in the relevant Additional Portfolio Assets Exercise Notice).

The Purchase Price payable for the relevant Additional Portfolio Assets will be specified in the relevant Additional Portfolio Assets Sale Agreement (the form of which is scheduled to the Additional Portfolio Assets Sale Undertaking Deed) and will be an aggregate amount no greater than the total amount of principal collections to be applied to the acquisition of Additional Portfolio Assets in order to reduce any Revenue Generating Assets Shortfall disclosed in a Servicing Report (as defined in the Master Service Agency Agreement) to zero (the **Revenue Generating Assets Make-Whole Amount**) in respect of the relevant Series.

This right granted under the Additional Portfolio Assets Sale Undertaking Deed may only be exercised by the Trustee, and only to the extent that, the ICD has relevant Additional Portfolio Assets on its balance sheet and at its disposal for sale to the Trustee (as specified in the relevant Purchase Report (as defined in the Master Purchase Agreement)) and if:

- (a) in respect of the relevant Series, on the relevant Report Date (as defined in the Master Purchase Agreement) prior to the relevant Settlement Date:
 - (i) the aggregate net asset value of all Leased Assets, Disbursing Istisna'a Assets, Shares, Sukuk, Tangible Wakala Assets and Restricted Fund Units comprised in the Portfolio (less all principal collections (if any) received in respect of those assets during the period from the issue date or the relevant settlement date (as applicable) up to but excluding the relevant Report Date) divided by the net asset value of the Portfolio and multiplied by one hundred, as set out in the relevant Servicing Report on a Report Date (the **Tangibility**), as identified in the Servicing Report (as defined in the Master Service Agency Agreement), is less than 33 per cent.; or
 - (ii) there is a Revenue Generating Assets Shortfall identified in the relevant Servicing Report,by delivering an Additional Portfolio Assets Exercise Notice to the ICD specifying the Settlement Date and details of the Additional Portfolio Assets to be purchased; and
- (b) the Additional Portfolio Assets specified in the relevant Additional Portfolio Assets Exercise Notice comprise of:
 - (i) in the event that the relevant Additional Portfolio Assets Exercise Notice is delivered in the circumstances described in paragraph (a)(i) above, the rights, title, interest and benefit of the ICD in, to and under Leased Assets, Disbursing Istisna'a Assets, Shares, Sukuk, Wakala Assets and Restricted Fund Units (as, and only to the extent, specified in the relevant Purchase Report) the aggregate Net Asset Value (as defined in the Master Purchase Agreement) of such Leased Assets, Shares Disbursing Istisna'a Assets, Sukuk, Wakala Assets and Restricted Fund Units being no greater than the relevant Tangibility Make-Whole Amount (as defined in the Master Service Agency Agreement); and
 - (ii) in the event that the relevant Additional Portfolio Assets Exercise Notice is delivered pursuant to paragraph (a)(ii) above, Additional Portfolio Assets (as, and only to the extent, specified in the relevant Purchase Report) the aggregate Net Asset Value of such Additional Portfolio Assets being no greater than the relevant Revenue Generating Assets Make-Whole Amount.

Following the exercise of this right, the Trustee (as purchaser) will pay the relevant Purchase Price to the ICD and the Trustee and the ICD will enter into an Additional Portfolio Assets Sale Agreement to effect the sale of the relevant Additional Portfolio Assets to the Trustee.

In the event that the ICD has insufficient assets available to sell to the Trustee on a Settlement Date, the Trustee will not be able to exercise the Additional Portfolio Assets Sale Undertaking Deed. Instead the Trustee shall instruct the Service Agent to purchase additional Sukuk and Shares from the open market on its behalf in accordance with the terms of the Master Service Agency Agreement.

Pursuant to the Master Trust Deed in respect of the relevant Series of Trust Certificates, the Trustee will declare a trust (each, a **Trust**) over the Trust Assets. Each Trust will be declared for the benefit of the Certificateholders of the relevant Series.

The Trustee shall carry out the activities of the Trust in accordance with the Master Trust Deed. In accordance with the Master Trust Deed, the Trustee will unconditionally and irrevocably appoint the Delegate to be its attorney and to exercise certain future duties, powers, authorities and discretions vested in the Trustee by certain provisions in the Master Trust Deed and in accordance with the terms of the Master Trust Deed at all times.

The Trustee has appointed the ICD to perform limited actions in order to manage the Portfolio of each Series of Trust Certificates pursuant to the Master Service Agency Agreement.

Profit received in respect of the Portfolio of each Series of Trust Certificates will, after paying the expenses of the relevant Trust, be applied to make Periodic Distributions in respect of such Series on the relevant Periodic Distribution Date(s), as more particularly described in the Terms and Conditions.

Principal amounts received in respect of the Portfolio of each Series of Trust Certificates will be credited to the Principal Account (as defined in the Master Service Agency Agreement) and if either a Tangibility Make-Whole Amount and/or a Revenue Generating Assets Make-Whole Amount arises, shall be used firstly in acquiring from the ICD Additional Portfolio Assets pursuant to the Additional Portfolio Assets Sale Undertaking Deed and secondly, to the extent that the ICD does not have sufficient Additional Portfolio Assets on its balance sheet and at its disposal for sale to the Trustee to enable the Trustee to reinvest the principal amounts in full, by acquiring Shares and/or Sukuk in the open market (through the ICD as its service agent). Any such Additional Portfolio Assets, Shares and Sukuk will form part of the Portfolio of the relevant Series of Trust Certificates.

The ICD has undertaken in favour of the Trustee and shall be unconditionally and irrevocably obliged to purchase the outstanding Portfolio on the Maturity Date and following the occurrence of a Dissolution Event (as defined in the Terms and Conditions) pursuant to the Purchase Undertaking Deed and the relevant ICD Purchase Agreement (which shall be substantially in the form annexed to the Purchase Undertaking Deed and shall contain the specific terms applicable to the relevant purchase).

The Trustee has also agreed to sell the outstanding Portfolio, upon the occurrence of an early dissolution for taxation reasons pursuant to Condition 11.2 (*Early Dissolution for Taxation Reasons*), or an Optional Dissolution (Call) under Condition 11.3 (*Dissolution at the Option of the Trustee*), pursuant to a Sale Undertaking Deed and the relevant Sale Agreement substantially in the form annexed to the Sale Undertaking Deed and containing the specific terms applicable to the relevant purchase.

The purchase price payable by the ICD pursuant to each such ICD Purchase Agreement or Sale Agreement, as the case may be, will be an amount equal to (a) the Aggregate Nominal Amount (as specified in the relevant Series of Trust Certificates) and (b) the amount of accrued but unpaid Periodic Distribution Amounts of the relevant Series on such date together with any additional amounts required to be paid in respect of this relevant Series pursuant to Condition 13 (*Taxation*), as more particularly described in "*Summary of the Principal Programme Documents*".

Certificateholders, by subscribing for or acquiring Trust Certificates, acknowledge that no recourse may be had in respect of any shortfall in the amounts due in respect of any Trust Certificates against the Delegate, in any circumstances whatsoever, or against the Trustee or the Trust to the extent that the relevant Trust Assets have been exhausted, following which all obligations of the Delegate, the Trustee and the relevant Trust shall be extinguished.

Certificateholders should note that through a combination of, *inter alia*, the Guarantee and the Purchase Undertaking Deed, the Trustee will have recourse to the ICD and the ability of the Trustee to pay the amounts due in respect of the Trust Certificates will ultimately be dependent on the ICD.

A description of the ICD is included within this Base Prospectus under "*Description of the ICD*" below.

The Master Purchase Agreement, the Master Service Agency Agreement, the Guarantee, the Purchase Undertaking Deed, the Sale Undertaking Deed, the Additional Portfolio Assets Sale Undertaking Deed and the Master Trust Deed are described in more detail in "*Summary of the Principal Programme Documents*" below.

OVERVIEW

PARTIES

Issuer and Trustee: Hilal Services Ltd as trustee for and on behalf of the Certificateholders in respect of the Trust Assets in accordance with the Master Trust Deed and the Terms and Conditions and as issuer of the Trust Certificates, an exempted company incorporated with limited liability in accordance with the laws of, and formed and registered in, the Cayman Islands.

Under the Master Trust Deed the Trustee will delegate certain powers, duties and authorities to the Delegate (as defined below), including the power and authority to enforce or realise the Trust Assets.

The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the documents to which it is a party.

The authorised share capital of the Trustee is U.S.\$50,000 divided into 50,000 shares with a nominal value of U.S.\$1 each, of which 250 shares are fully paid up and issued. The Trustee's entire issued share capital is held on trust by Walkers Fiduciary Limited.

The affairs of the Trustee are managed by Walkers Fiduciary Limited, a licensed trust company in the Cayman Islands, of Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands (as provider of corporate administrative services, director services and as share trustee for and on behalf of the Trustee) pursuant to the corporate services agreement entered into on or about 21 December 2015 (the **Corporate Services Agreement**).

Guarantor (in respect of payment obligations under the Portfolio): The Islamic Corporation for the Development of the Private Sector (the **ICD**)

Arranger: HSBC Bank plc

Dealers: CIMB Bank (L) Limited, Dubai Islamic Bank P.J.S.C., First Gulf Bank P.J.S.C., HSBC Bank plc, Maybank Investment Bank Berhad, National Bank of Abu Dhabi P.J.S.C., NCB Capital Company, Société Générale and Standard Chartered Bank

Delegate: The Law Debenture Trust Corporation p.l.c.

Principal Paying Agent and Calculation Agent: HSBC Bank plc

Registrar and Transfer Agent: HSBC Bank plc

Corporate Administrator: Walkers Fiduciary Limited of Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands

Summary of the Programme

Listing: Application has been made to the UKLA for Trust Certificates (other than Exempt Certificates) issued under the Programme during the period of 12 months from the date hereof to be admitted to the Official List and to the London Stock Exchange for such Trust Certificates to be admitted to

trading on the Market.

Application has been made to the DFSA and to NASDAQ Dubai for (A) Trust Certificates (where the relevant Series are also admitted to the Official List and admitted to trading on the Market) or (B) Exempt Certificates (where the relevant Series are not admitted to the Official List nor admitted to trading on the Market), issued under this Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the NASDAQ Dubai.

Exempt 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 ICD and the relevant Dealer in relation to the Series. Exempt Certificates which are neither listed nor admitted to trading on any market may also be issued. The applicable Pricing Supplement will state whether or not the relevant Exempt Certificates are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Distribution: Trust Certificates may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

Denominations: Subject as set out below, Trust Certificates may be issued in such denominations as may be agreed between the Trustee and the relevant Dealer subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, as may be specified in the Final Terms or Pricing Supplement, as the case may be.

Trust Certificates which may be admitted to trading on the Regulated Market of the London Stock Exchange and/or admitted to listing, trading and/or quotation by any other competent authority, stock exchange and/or quotation system situated or operating in a member state of the European Union or offered to the public in a member state of the European Union in circumstances which require the publication of a prospectus under the Prospectus Directive, may not (a) have a minimum denomination of less than €100,000 (or nearly equivalent in another currency), or (b) carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Trustee or by any entity to whose group the Trustee belongs.

Issue Price: Trust Certificates may only be issued on a fully-paid basis and at an issue price which is at par.

Final Terms: Each Series will be the subject of Final Terms or Pricing Supplements, as the case may be which, for the purposes of that Series only, supplements the Terms and Conditions of the Trust Certificates and this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Series of Trust Certificates are the Terms and Conditions of the Trust Certificates as completed by the relevant Final Terms or Pricing Supplement, as the case may be.

Currencies: Trust Certificates may be denominated in U.S.\$, euro or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. If so provided in the relevant Final Terms or Pricing Supplement, as the case may be, payments in respect of Trust Certificates may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Trust Certificates are denominated.

Status:	Each Trust Certificate will evidence an undivided beneficial ownership interest of the Certificateholders in the Trust Assets of the relevant Series and will be limited recourse obligations of the Trustee and will rank <i>pari passu</i> , without any preference or priority, with all other Trust Certificates of the same Series.
Guarantee:	<p>Pursuant to the Guarantee, the ICD has guaranteed to the Trustee the punctual performance of any and all payment obligations arising or falling due under or in respect of the assets constituting the Portfolio relating to the relevant Series of Trust Certificates. Further, the ICD has agreed in the Guarantee that if, on a day falling three Business Days prior to a Periodic Distribution Date in respect of the relevant Series of Trust Certificates, there is a shortfall between the profit amounts received in respect of the assets constituting the relevant Portfolio and the Periodic Distribution Amounts due to Certificateholders on the relevant Periodic Distribution Date (including any additional amounts required to be paid in respect of the Trust Certificates pursuant to Condition 13 (<i>Taxation</i>)), it will pay to the Trustee the amount of such shortfall.</p> <p>The aggregate amounts recoverable by the Trustee under the Guarantee shall not exceed the sum of all (a) Periodic Distribution Amounts due to Certificateholders of the relevant Series of Trust Certificates on all relevant Periodic Distribution Dates determined on a pro rata basis for the Return Accumulation Period ending on the relevant Periodic Distribution Date and (b) any such additional amounts as referenced in Condition 5.1 (<i>Trust Assets</i>).</p> <p>See "<i>Summary of the Principal Transaction Documents</i>".</p>
Form and Delivery of the Trust Certificates:	Trust Certificates will be issued in registered form only, initially (unless otherwise specified in the relevant Final Terms or Pricing Supplement, as the case may be) in the form of a permanent global trust certificate (the Global Trust Certificate) which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank S.A./N.V. (Euroclear) and Clearstream Banking, société anonyme (Clearstream, Luxembourg) or such other depositary as may be specified in the Final Terms or Pricing Supplement, as the case may be. Only in exceptional circumstances or unless otherwise specified in the relevant Final Terms or Pricing Supplement, as the case may be will individual registered trust certificates (Individual Registered Trust Certificates) evidencing holdings of trust certificates be issued in exchange for the relevant Global Trust Certificate. See " <i>Form of Trust Certificates</i> " below.
Clearance and Settlement:	Interests in the Trust Certificates will be held through Euroclear or Clearstream, Luxembourg or any other clearing system as may be specified in the relevant Final Terms or Pricing Supplement, as the case may be. Transfers within Euroclear or Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system. See " <i>Form of Trust Certificates</i> " below.
Maturities:	Trust Certificates with a Maturity Date of less than one year will not be issued under the Programme. Subject to the foregoing, Trust Certificates may be issued with any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Periodic Distributions:	Certificateholders are entitled to receive Periodic Distribution Amounts (as defined in the Terms and Conditions) calculated on the basis specified in the Final Terms or Pricing Supplement, as the case may be, applicable to

the relevant Series of Trust Certificates. Profit received in respect of the Portfolio of each Series of Trust Certificates will, after paying the expenses of the relevant Trust, be applied to make Periodic Distributions in respect of such Series of Trust Certificates on the relevant Periodic Distribution Date(s), as more particularly described in the Terms and Conditions. If the amounts collected by the ICD as Service Agent in respect of the Portfolio of a Series of Trust Certificates are in excess of the Periodic Distribution Amounts payable by the Trustee to the Certificateholders of that Series of Trust Certificates on the relevant Periodic Distribution Date, the ICD shall pay such excess amounts into the Profit Account (as defined below) in accordance with the Master Service Agency Agreement.

Redemption of Trust Certificates:	Trust Certificates shall be redeemed at the Final Dissolution Amount as may be specified in the relevant Final Terms or Pricing Supplement, as the case may be.
Early Dissolution of the Trust:	Other than as a result of the occurrence of a Dissolution Event or as a result of an Early Dissolution for Tax Reasons or Early Dissolution at the Option of the Trustee (see " <i>Optional Dissolution</i> " below), the Trust will not be subject to dissolution and the relevant Trust Certificates will not be redeemed prior to the Maturity Date (as defined in the relevant Final Terms or Pricing Supplement, as the case may be).
Dissolution Events:	Upon the occurrence of any Dissolution Event, the Trust Certificates may be redeemed on the Dissolution Date at the Final Dissolution Amount as may be specified in the Final Terms or Pricing Supplement, as the case may be. See Condition 15 (<i>Dissolution Events</i>).
Optional Dissolution:	If so specified in the relevant Final Terms or Pricing Supplement, as the case may be, a Series of Trust Certificates may be redeemed prior to its scheduled dissolution in the circumstances set out in Condition 11.2 (<i>Early Dissolution for Tax Reasons</i>) and Condition 11.3 (<i>Dissolution at the Option of the Trustee</i>).
ICD's purchase of Trust Certificates:	Pursuant to Condition 12 (<i>Purchase of Trust Certificates</i>), the ICD may at any time purchase Trust Certificates relating to a Series at any price in the open market or otherwise. Following any purchase of Trust Certificates pursuant to Condition 12, the Trustee may, pursuant to the Sale Undertaking Deed, transfer, assign and convey Trust Assets, of a total Net Asset Value that is not greater than the aggregate face amount of the Trust Certificates so purchased in return for the delivery of such Trust Certificates to the Principal Paying Agent for cancellation.
Withholding Tax:	All payments in respect of Trust Certificates by or on behalf of the Trustee shall be made without withholding or deduction for, or on account of, any taxes, levies, imposts, duties, fees, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any Relevant Jurisdiction (as such term is defined in the Terms and Conditions). In the event that any such withholding or deduction is made, the Trustee will, save in the limited circumstances provided in Condition 13 (<i>Taxation</i>), be required to pay additional amounts so that the holders of the Trust Certificates will receive the full amounts that they would have received in the absence of such withholding or deduction.
Programme Documents:	The Master Purchase Agreement, the Master Trust Deed, the Master Service Agency Agreement, the Purchase Undertaking Deed, the Sale Undertaking Deed, the Additional Portfolio Assets Sale Undertaking Deed, the Guarantee, the Agency Agreement, the Dealer Agreement and the Corporate Services Agreement.

Transaction Documents:	In respect of each Series of Trust Certificates, any Supplemental Purchase Agreement, any Supplemental Trust Deed, any ICD Purchase Agreement, any Sale or Transfer Agreement, any Supplemental Service Agency Agreement and any Additional Portfolio Assets Sale Agreement.
Governing Law and Dispute Resolution:	<p>The Programme Documents (with the exception of the Corporate Services Agreement and the Share Declaration of Trust (as defined in the "<i>Description of the Trustee</i>") will be governed by English law. The Corporate Services Agreement and the Share Declaration of Trust will be governed by the laws of the Cayman Islands. The Transaction Documents will be governed by English law.</p> <p>In respect of any dispute under such agreement or deed to which it is a party (with the exception of the Corporate Services Agreement and the Share Declaration of Trust), the Trustee and the ICD have agreed to arbitration in London under the London Court of International Arbitration (the LCIA) Rules. The ICD has also agreed to submit to the jurisdiction of the courts of England (the English Courts) at the option of the Delegate, the Certificateholders, the Agents or the Trustee, as the case may be, in respect of any dispute under the Transaction Documents or Programme Documents (with the exception of the Corporate Services Agreement), subject to the right of the Delegate, the Certificateholders, the Agents or the Trustee, as the case may be, to require any dispute to be resolved by any other court of competent jurisdiction.</p>
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Trust Certificates and on the distribution of offering material in the United States of America, the European Economic Area (including the United Kingdom), the Cayman Islands, Singapore, Hong Kong, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the State of Qatar (excluding the Qatar Financial Centre), the Qatar Financial Centre, the State of Kuwait, the Kingdom of Bahrain and the Kingdom of Saudi Arabia, see " <i>Subscription and Sale</i> " below.
Covenants:	The Trustee has agreed to certain restrictive covenants in the Master Trust Deed, as more fully set out in Condition 6 (<i>Covenants</i>).
Cross Default:	None.
Limited Recourse:	<p>Each Trust Certificate of a particular Series will represent an undivided beneficial ownership interest in the Trust Assets for such Series. No payment of any amount whatsoever shall be made in respect of the Trust Certificates or by the Trustee (and/or its directors or officers in their capacity as such) or any agents thereof 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 or officers in their capacity as such) (other than the relevant Trust Assets) or the ICD (to the extent that it fulfils all of its obligations under the Programme Documents and Transaction Documents to which it is a party) or the Delegate or any Agent or any of their respective affiliates in any circumstances whatsoever in respect of any shortfall in the expected amounts from the relevant Trust Assets. In the event that the relevant Trust Assets have been enforced, realised and fully discharged, all obligations of the Trustee (and/or its directors or officers in their capacity as such) and the ICD shall be extinguished.</p> <p>Certificateholders, by subscribing for or acquiring Trust Certificates, acknowledge that no recourse may be had in respect of any shortfall in the amounts due in respect of any Trust Certificates against the Delegate, in</p>

any circumstances whatsoever, or against the Trustee or the Trust to the extent that the Trust Assets have been exhausted, following which all obligations of the Delegate, the Trustee and the Trust shall be extinguished.

RISK FACTORS

The purchase of Trust Certificates may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Trust Certificates. Before making an investment decision, prospective purchasers of Trust Certificates should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information in this Base Prospectus. The following is a description of principal risk factors that each of the Trustee and the ICD believes (a) may affect the Trustee's ability to fulfil its obligations under the Trust Certificates to prospective Certificateholders and (b) are material for the purpose of assessing the market risk associated with the Trust Certificates. Most of these factors are contingencies which may or may not occur and which neither the Trustee nor the ICD is in a position to express a view on the likelihood of any such contingency occurring. The Trustee and the ICD believe that the factors described below represent the principal risks inherent in investing in the Trust Certificates issued under the Programme, but the inability of the Trustee to pay any amounts due on or in connection with any Trust Certificates may occur for other reasons and neither the Trustee nor the ICD represents that the statements below regarding the risks of holding any Trust Certificates are exhaustive. There may also be other considerations, including some which may not be presently known to the Trustee or the ICD or which the Trustee or the ICD currently deems immaterial, that may impact any investment in Trust Certificates.

Prospective investors should read the entire Base Prospectus and reach their own view prior to making any investment decision. Words and expressions defined in the "Terms and Conditions of the Trust Certificates" below or elsewhere in this Base Prospectus have the same meanings in this section.

Risk factor relating to the Trustee

The Trustee is a Special Purpose Company

The Trustee was incorporated under the laws of the Cayman Islands on 30 June 2015 as an exempted company with limited liability and has no operating history. The only material assets of the Trustee, which will be held on trust for Certificateholders, will be the Trust Assets relating to each series of Trust Certificates and the obligation of the ICD to make payments under the Transaction Documents to the Trustee. Therefore, the Trustee is subject to all risks to which the ICD is subject to the extent that such risks could limit the ICD's ability to satisfy in full and on a timely basis its obligations under the Programme Documents and Transaction Documents to which it is a party. See "*Risk Factors relating to the ICD*" below for a further description of these risks. The Trustee does not engage in any business activity other than the issuance of the Trust Certificates and the acquisition of the Portfolio as described herein and other activities incidental or related to the foregoing. Additionally, because the Trustee is a Cayman Islands company, it may not be possible for Certificateholders to effect service of process on it outside the Cayman Islands.

Risk factors relating to the ICD and its business

As a multilateral institution, the ICD is not subject to any national law but is governed by public international law. Therefore the ICD is not subject to any national banking regulation, and is not supervised by any external regulatory authority. Consequently the ICD is not obliged to comply with the requirements of the Basel Committee on Banking Supervision (the **Basel Committee**) nor of any other regulatory body. However, the ICD develops and implements its own prudential financial and risk management policies, as approved by the Board of Directors, which take into account international best practices.

The ICD's risk management department regularly reviews, assesses, monitors and reports the risks in its key operational areas including in relation to credit risk, currency risks, liquidity risks, mark up rate risks and market risk. The ICD follows a number of policies and guidelines governing its financing and investment activities, exposure limits, country concentrations limits, counterparty exposure limits for placements and operational risk.

The ICD has adopted and implemented new credit risk assessment guidelines and internal rating models/scorecards for Member Countries, corporate finance, project finance and financial institutions

(which are based on the IDB Group credit risk assessment guidelines with some amendments and additions to accommodate the ICD's business and operations). The credit risk assessment guidelines were approved by the ICD's Board of Directors in Rajab 1434 (May 2013). Any financing and/or investments proposition must be assessed against the eligibility criteria and the risk rating scorecard set out in the relevant risk assessment guidelines. The ICD also follows an anti-money laundering and combating terrorist financing policy, approved by its Board of Directors.

In the course of its business activities, the ICD is exposed to a variety of risks, the most significant of which are set out below. Whilst the ICD believes it has implemented the appropriate policies, systems and processes to control and mitigate these risks, investors should note that any failure to adequately control these risks could be greater than anticipated and which could result in adverse effects on the ICD's business, financial condition, results of operations, prospects and/or reputation.

Status of the ICD

The ICD is a supranational organisation established by agreement among its Members, and is neither incorporated nor registered under the laws of any country. Therefore, the ICD is not subject to any national law but governed by public international law. English law will assume legal personality for the ICD to the extent that the ICD has legal personality in its Member Countries. The ICD has opined that each of its Member Countries has duly signed and ratified or accepted its Articles of Agreement and therefore it has legal personality in each of its Member Countries. Accordingly, the ICD would have legal personality as a matter of English law.

The ICD is subject to political and economic conditions in Member Countries

The ICD currently has all of its operations and projects in Member Countries, and plans to continue to have all of its future operations and projects in Member Countries. While some Member Countries have generally historically experienced a relatively stable political environment, certain other Member Countries have not. In particular, since early 1432H (2011) there has been political unrest in a range of countries in Eastern Europe, the Middle East and North Africa region, including Algeria, Bahrain, Egypt, Iraq, Lebanon, Libya, Nigeria, Oman, Saudi Arabia, Sudan, Syria, Tunisia, Turkey and Yemen, all of which are Member Countries. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and has given rise to increased political uncertainty across the region. Although, due to the nature of the ICD's operations in Member Countries to date (including the fact that a substantial proportion of the ICD's activities relate to dealings with governmental authorities), the ICD's business has not been materially adversely affected by the unrest in certain Member Countries, there can be no assurance that the ICD's business and results of operations will not be adversely affected by economic and political conditions in Member Countries and any sustained deterioration in the economies of these countries or major political upheaval in the future, especially in view of the effect that such political, economic and related developments, both within and outside Member Countries, may have on global financial markets, which are the markets in which the ICD operates.

Principal Shareholders and Government Interests

As at the date of this Base Prospectus, the IDB holds 44.7 per cent. and the Kingdom of Saudi Arabia (**KSA**) holds 18.7 per cent. of the share capital of the ICD. By virtue of such shareholding in the ICD, these and other major shareholders have the ability to influence the business of the ICD through their ability to control actions that require shareholder approval. If circumstances were to arise where the interests of these shareholders conflict with the interests of Certificateholders, the latter could be disadvantaged. The IDB or any other major shareholders of the ICD could, for example, cause the ICD to pursue transactions, make dividend payments or other distributions or payments to shareholders or undertake other actions to implement government policy rather than to foster the commercial interests of the ICD.

The KSA or the IDB (or any other major shareholder) may, whether directly or through government owned entities, at any time and for any reasons, dispose of its investments in and otherwise cease to do business with or otherwise support the ICD. The reduction or elimination of this support could have a material adverse effect on the ICD's business, results of operations, financial condition and prospects.

Credit Risks

Credit risks arising from adverse changes in the credit quality and recoverability of various forms of financing, advances and amounts due from counterparties are inherent in the ICD's business. Credit risks could arise from a deterioration in the credit quality of specific counterparties of the ICD, from a general deterioration in local or global economic conditions or from systemic risks with the financial systems, all of which could affect the recoverability and value of the ICD's assets and require an increase in the ICD's provisions for the impairment of its assets and other credit exposures.

Operational Risks

Operational risks and losses can result from fraud, error by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with conduct of business rules, the failure of internal systems, equipment and external systems (including but not limited to those of the ICD's counterparties or vendors) and occurrence of natural disasters. Although the ICD has implemented risk controls and loss mitigation strategies and substantial resources are devoted to developing efficient procedures, it is not possible to entirely eliminate any of the operational risks.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Trustee or the ICD will be unable to comply with its obligations as a company with securities admitted to the Official List and admitted to trading on the Market.

Importance of Key Personnel

The ICD's ability to maintain and grow its business will depend, in part, on its ability to continue to recruit and retain qualified and experienced banking and management personnel. The ICD may face challenges in recruiting and retaining qualified personnel to manage its business from time to time and, if it is to continue to grow, will need to continue to increase its employee numbers.

Information Systems

A failure or interruption in or breach of the ICD's information systems and any failure to update such systems, may result in loss of business and other losses.

The ICD is increasingly dependent on information technology systems to conduct its business. Any failure or interruption or breach in security of these systems could result in failures or interruptions in the ICD's risk management, general ledger, account servicing or credit organisation systems. Although the ICD has developed back-up systems and may continue some of its operations in emergencies, if the ICD's information systems fail, the ICD could be temporarily unable to operate its business as usual. Likewise, a temporary shutdown of the ICD's information technology systems could result in significant costs being incurred in connection with information retrieval and verification.

There can be no assurances that failures or interruption will not occur or that the ICD will be able to address them in a timely manner if they do occur. Accordingly the occurrence of any failure, interruption or breach of the ICD's information systems could have a material adverse effect on the ICD's business, financial condition, results of operations and prospects.

Liquidity Risks

Liquidity risks could arise from the inability of the ICD to anticipate and provide for unforeseen decreases or changes in funding sources which could have adverse consequences on the ICD's ability to meet its obligations when they fall due. The ICD aims to adopt a conservative liquidity management approach by maintaining sufficient levels invested in cash, cash equivalents, commodity placements and *Murabaha* financing with short-term maturities of three to twelve months. A major feature of this liquidity management policy is to place the ICD's liquid funds with banks in both Member Countries and non-Member Countries in a Shariah compliant manner. The ICD has in place comprehensive guidelines regarding how the placement of liquid funds should be managed which assigns:

- (a) minimum ratings;

- (b) country limits; and
- (c) single counterparty limits.

Exchange Rate Risk

Exchange rate risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial assets and liabilities denominated in currencies other than US Dollars. The ICD is exposed to exchange rate risk as some of its equity investments are held in currencies other than US Dollars. The ICD also aims to refrain from taking exchange rate risks in its liquid investments. The ICD has implemented appropriate policies and processes to ensure that its exposures to exchange rate risks are maintained at a prudential level and are within its risk bearing capacity. However, there can be no assurance that the ICD can entirely mitigate such exchange rate risks.

Equity and Capital Impairment Risk

The ICD is exposed to equity and capital impairment risks arising from equity investments. Equity investments are generally held for strategic rather than trading purposes. The ICD does not actively trade in equity investments and so equity investments are not generally classified as available-for-sale. That said, the ICD may be subject to capital impairment risk arising from holding such equity investments. For equity investments that are accounted for on an available-for-sale basis, the ICD is exposed to equity price risk. The ICD conducts comprehensive due diligence prior to investing in potential equity projects and follows its investment guidelines which specifies the criteria for making such investments. In addition, the ICD appoints its representatives to the boards of the investee companies and all equity investments are monitored by the relevant departments of the ICD on a regular basis. However, there can be no assurance that the ICD will be able to liquidate all of its equity holdings at a price which is lower than that which the ICD paid for such equity investments so as to entirely eliminate capital impairment risk.

Mark – Up rate Risk

The ICD's business is exposed to mark up risks. In part, this arises from the fact that the ICD earns income through funding a large part of its financial assets with equity. As the mark-ups on some of these financial assets are based on the London Interbank Offered Rate (LIBOR), lower market rates generally result in lower mark-ups which, in turn, reduce the earnings on the ICD's equity. To mitigate this risk, the ICD's pricing policy requires inclusion of a floor and ceiling in the mark-up. Secondly, the ICD's income is exposed to the net spread between the mark-up the ICD earns on its assets and the cost of its own funding of such assets. To limit such exposures, the ICD adopts a match funding approach and funds floating rate assets with floating rate liabilities with similar maturities.

Market Risk

The ICD has only a limited exposure to market risk. Nevertheless, the ICD's Asset and Liability Committee (ALCO) meets once a month to discuss, amongst other things, potential market risk exposures to the ICD. The ICD has no exposure to sub-prime or other distressed financial assets, nor does the ICD have any exposure to collateralised debt obligations, collateralised loan obligations and other equivalent asset backed products.

Currency Risk

The ICD is exposed to currency risk as a portion of its liquid fund portfolio and some of its equity investments are in currencies other than US Dollars but the ICD has minimised its exposures to currency risks on such liquid funds. The ICD does not enter into currency hedging contracts.

As the ICD is expected to invest in currencies other than US Dollar and provide financing or investments in non-U.S.\$ transactions, it may be exposed to foreign exchange risk. In order to hedge against such risks, the Treasury Department has been working with a financial institution in the UAE to adopt a foreign exchange forward structure. The structure has been reviewed by the Shariah Committee and the Treasury Department is working to finalise the structure and to adopt the product in its operations.

Risk factors relating to the Trust Certificates

Absence of secondary market and limited liquidity

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

Liability under the Trust Certificates

The Trust Certificates will represent entitlements solely to the Trust Assets of the relevant Series. In particular, the Trust Certificates will not be obligations or responsibilities of, or guaranteed by, any of the Delegate, the Principal Paying Agent or any Dealer. None of these persons shall accept any liability whatsoever to any Certificateholders in respect of any failure by the Trustee to pay any amount due under the relevant Trust Certificates.

The ability of the Trustee to pay amounts due in respect of the Trust Certificates will be primarily dependent upon the receipt by the Trustee of all amounts due in respect of the Portfolio of the relevant Series of Trust Certificates (which may not be sufficient to meet all claims under the Trust Certificates, the Programme Documents and relevant Transaction Documents) and ultimately upon the ICD fulfilling its obligations under the Purchase Undertaking Deed (and relevant ICD Purchase Agreement) and its obligations under the Guarantee and the Master Trust Deed (and relevant Supplemental Trust Deed) to make payments to, and indemnify, the Trustee.

The Trust Certificates are limited recourse obligations

The Trust Certificates to be issued under the Programme are not debt obligations of the Trustee. Instead, the Trust Certificates represent an undivided ownership interest solely in the relevant Trust Assets. Recourse in respect of each Series is limited to the Trust Assets of that Series and proceeds of such Trust Assets are the sole source of payments on the relevant Trust Certificates. Following a Dissolution Event, early dissolution for tax reasons pursuant to Condition 11.2 (*Early Dissolution for Taxation Reasons*), or an Optional Dissolution (Call) under Condition 11.3 (*Dissolution at the Option of the Trustee*), the sole rights of each of the Delegate and, through the Delegate, the Certificateholders of the relevant Series will be against the ICD to pay the Exercise Price in respect of such Series together with any amounts due to the Trustee pursuant to the Guarantee, Master Trust Deed and relevant Supplemental Trust Deed. Certificateholders will otherwise have no recourse to any affiliate of the foregoing entities, or the Delegate or any Agent or any of their respective affiliates, in respect of any shortfall in the expected amounts due under the relevant Trust Assets.

The ICD is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee, and the Delegate will have direct recourse against the ICD to recover such payments due to the Trustee pursuant to the Transaction Documents to which it is a party. Unless the Delegate, having become bound to proceed against the ICD but fails to do so, investors have no direct recourse to the ICD and there is no assurance that the net proceeds of the realisation of any enforcement action with respect to the Trust Assets (which will be by way of enforcing the ICD's and the Trustee's respective obligations under the Transaction Documents to which they are a party) will be sufficient to make all payments due in respect of the relevant Trust Certificates.

After enforcing or realising the rights in respect of the Trust Assets of a Series and distributing the net proceeds of such Trust Assets in accordance with Condition 5.2 (*Application of Trust Assets prior to*

Dissolution) or Condition 5.3 (*Application of Trust Assets on the Dissolution Date*), as applicable, the obligations of the Trustee in respect of the Trust Certificates of the relevant Series shall be satisfied and neither the Delegate nor any Certificateholder may take any further steps against the Trustee to recover any further sums in respect of such Trust 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 except pursuant to the Transaction Documents (which includes the Purchase Undertaking). The sole right of the Trustee, the Delegate and the Certificateholders against the ICD shall be to enforce the obligation of the ICD to perform its obligations under the Transaction Documents to which it is a party.

The Trust Certificates may be subject to early redemption

In the event that the amount payable on the Trust Certificates is required to be increased to include additional amounts in certain circumstances and/or the ICD is required to pay additional amounts pursuant to certain Transaction Documents or Programme Documents, in each case as a result of certain changes affecting taxation in the Kingdom of Saudi Arabia or the Cayman Islands as the case may be, or in each case any political subdivision or any authority thereof or therein having power to tax, the Trustee may redeem all but not some only of the Trust Certificates upon giving notice in accordance with the Terms and Conditions of the Trust Certificates.

Credit ratings

Trust Certificates issued under the Programme may be rated. Where an issue of Trust Certificates is rated, such rating will not necessarily be the same as the rating assigned to other issues of Trust Certificates issued pursuant to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Trust Certificates issued under the Programme.

Price variations in Shares and Sukuk

The market price of the Trust Certificates is expected to be affected by fluctuations in the market price of any Shares and/or Sukuk included among the Portfolio, and it is impossible to predict whether the price of any such Shares and/or Sukuk will rise or fall. Trading prices of the Shares and Sukuk will be influenced by, among other things, the financial position of the issuer of such Shares or Sukuk, the results of its operations and political, economic, financial and other factors. Any decline in the price of such Shares and/or Sukuk may have an adverse effect on the market price of the Trust Certificates.

Notwithstanding the foregoing, on the Dissolution Date of any Series, the Portfolio will be purchased as a single portfolio of assets by the ICD at an aggregate price that is equal to the original sale price of the Portfolio originally sold by the ICD to the Trustee on the Issue Date of the relevant Series.

Risk factors relating to the Portfolio

Liability attaching to owners of assets

In order to comply with the requirements of Shariah, the interests in the constituent assets comprised in the Portfolio will pass to the Trustee under the Master Purchase Agreement, the relevant Supplemental Purchase Agreement and the relevant Additional Portfolio Assets Sale Agreement. The Trustee will declare a trust in respect of the Trust Assets in favour of Certificateholders pursuant to a Supplemental Trust Deed. Accordingly, Certificateholders will have beneficial ownership interests in the relevant constituent assets comprised in the Portfolio unless transfer of such constituent assets comprised in the Portfolio is prohibited by, or ineffective under, any applicable law. However, to the extent that a third party is able to establish a direct claim against the Trustee or any Certificateholders on the basis of a legal or beneficial ownership in any of the constituent assets comprised in the Portfolio, the ICD has agreed in the Master Trust Deed to indemnify the Trustee and Certificateholders against any such liabilities. In the event that the ICD is unable to meet any such claims then Certificateholders may suffer losses in excess of the original nominal amount invested.

The Portfolio

Prior to making the selection of the assets constituent in the Portfolio, the ICD will conduct an assessment of historical data relating to the performance of different classes of assets in general but no investigation or enquiry will be made otherwise and no due diligence will be conducted in respect of any of the constituent assets comprised in the Portfolio. The assets comprised in the Portfolio of each Series of Trust Certificates will be separate and independent from all other assets of the ICD. The constituent assets in the Portfolio shall be selected by the ICD following the adoption of internal resolutions at the ICD to segregate such assets for the purposes of the relevant Series of Trust Certificates and the Certificateholders, the Trustee, the Principal Paying Agent, Registrar, Transfer Agent and Delegate shall have no ability to influence, or take responsibility for, this selection. Only limited representations will be obtained from the ICD in respect of the Portfolio of any Series of Trust Certificates. In particular, the precise terms of any of the constituent assets comprised in the Portfolio will not be known (including whether there are any restrictions on transfer or any further obligations required to be performed by the ICD to give effect to the transfer of any of the relevant constituent assets comprised in the Portfolio). No steps will be taken to perfect any transfer of any of the relevant constituent assets comprised in the Portfolio or otherwise give notice of the transfer to any lessee or obligor in respect thereof. Obligors and lessees may have rights of set off or counterclaim against the ICD in respect of such constituent assets comprised in the Portfolio. There can be no assurance that the actual revenues derived from the Portfolio will be such as to ensure that sufficient funds will be available to the Trustee to make the payment of Periodic Distribution Amounts to Certificateholders in respect of the relevant Series of Trust Certificates. Investors may lose all or a substantial portion of their investment in the Trust Certificates if the Portfolio fails to generate the expected return, the quality of the assets constituting the Portfolio deteriorates and the ICD fails to perform its obligations under the Purchase Undertaking and the Guarantee.

Transfer of the Portfolio

No investigation has been or will be made as to whether any Portfolio or any constituent assets comprised therein may be transferred as a matter of the law governing the contracts underlying such constituent assets, the law of the jurisdiction where such assets are located or even the law where the obligors are situated. No investigation will be made to determine if the Master Purchase Agreement together with the relevant Supplemental Purchase Agreement and the relevant Additional Portfolio Assets Sale Agreement will have the effect of transferring any of the constituent assets comprised in the Portfolio of the relevant Series of Trust Certificates or any Additional Portfolio Assets. Accordingly, no assurance will be given that the relevant Portfolio will actually be transferred to the Trustee.

In order to maintain the economic benefit of the proposed transfer, the Master Purchase Agreement provides that to the extent that the sale and purchase or transfer and assignment of any of the constituent assets comprised in the Portfolio is not effective in any jurisdiction for any reason, the ICD agrees to either replace the relevant constituent assets with additional constituent assets or pay any and all amounts received by it in respect of the Portfolio to the Trustee immediately upon receipt. Further, the ICD has in the Master Purchase Agreement undertaken to hold any constituent assets comprised in the Portfolio (the interests in, legal title or benefit to which has not been effectively transferred to the Trustee) on trust for the Trustee. The ICD (in the Master Purchase Agreement) has provided indemnities for, *inter alia*, any losses suffered as a result of any failure to transfer any Portfolio. Ultimately payments of amounts due in respect of the Trust Certificates will however be dependent on the ICD fulfilling its obligations under the Purchase Undertaking Deed (and relevant ICD Purchase Agreement) and its obligations under the Guarantee and the Master Trust Deed (and relevant Supplemental Trust Deed) to make payments to, and indemnify, the Trustee.

Pronouncement

The ICD Shariah Committee has issued a pronouncement in the Arabic language on 12 October 2015 (the **Pronouncement**) that the structure and mechanism of the Programme Documents and the Transaction Documents are acceptable within the principles of Shariah. However, English courts will not apply the principles of the Shariah when interpreting such documents. Prospective Certificateholders and any prospective third parties distributing the Trust Certificates should understand that they may not rely on the Pronouncement in deciding whether to make an investment in the Trust Certificates and should consult their own Shariah advisers as to whether the proposed

transaction meets their respective Shariah requirements. There can be no assurance as to the Shariah permissibility of the structure or the issue and trading of the Trust Certificates and none of the Dealers, the Trustee, the Agents or the Delegate makes any representation as to the Shariah compliance of the Programme or the Trust Certificates. Investors are reminded that, as with any Shariah views, differences in opinion are possible. Questions as to the Shariah permissibility of the structure or the issue and the trading of the Trust Certificates may limit the liquidity and adversely affect the market value of the Trust Certificates.

At the time of each issue of Trust Certificates under the Programme, the ICD will represent that the then current Pronouncement remains in force. In addition, the ICD has in the Dealer Agreement covenanted that if there is any change in, or if any change is proposed to, the current Pronouncement, it will properly inform the Dealers.

Risk factors relating to payments

Periodic Distribution Amounts

It is expected that the rate of return of the Portfolio of each Series of Trust Certificates will exceed the relevant Periodic Distribution Amounts due in respect of the corresponding Series of Trust Certificates. In that case, any such excess will be paid into the Profit Account and be made available to pay any future Periodic Distribution Amounts or, as the case may be, any Dissolution Amounts in accordance with the Master Service Agency Agreement. It is expected that until the Trust Certificates of the relevant Series are redeemed in full, the Trustee will receive principal collections in respect of the Portfolio and that such amounts will be invested in purchasing Additional Portfolio Assets (comprising (i) tangible assets only, consisting of Leased Assets, Shares and/or Sukuk and Restricted Fund Units, (ii) sub-participation interests of the Trustee (which shall be managed by the ICD for and on behalf of the Trustee) in *Istisna'a*, *Wakala* or *Murabaha* financing activities chosen by the ICD in its absolute discretion and/or (iii) a new Portfolio) or as otherwise specified in the relevant Final Terms or Pricing Supplement, as the case may be.

However, there is no assurance that such principal collections will be so invested nor any assurance that the profit generated by any such Additional Portfolio Assets will be sufficient to ensure that the Trustee will have sufficient profit collections to pay Periodic Distribution Amounts in respect of any Series of Trust Certificates. To mitigate this risk, the ICD has on the date hereof issued in favour of the Trustee a Guarantee pursuant to which the ICD guarantees the punctual performance of any and all payment obligations arising or falling due under or in respect of the assets constituting the Portfolio relating to the relevant Series of Trust Certificates (the **Guaranteed Obligations**). The amounts received by the Trustee in respect of the Guaranteed Obligations, are expected, together with all other amounts received by the Trustee under the Guarantee, to be sufficient to enable the Trustee to make timely payment of Periodic Distribution Amounts (including any additional amounts required to be paid in respect of the Trust Certificates pursuant to Condition 13 (*Taxation*)) to Certificateholders.

Credit Risk

The Trustee is subject to the risk of default in payment by the obligors under each of the Leased Assets, Murabaha Receivables, Wakala Assets, Istisna'a Receivables and/or Sukuk and Restricted Fund Units comprised in any Portfolio and the risk that the issuer of the Shares becomes insolvent. This risk is addressed in respect of the Trust Certificates by the ICD, primarily pursuant to a combination of the Guarantee and the Purchase Undertaking Deed (and the relevant ICD Purchase Agreement). Pursuant to the Guarantee, the ICD has guaranteed the punctual performance of any and all payment obligations arising or falling due under or in respect of the assets constituting the Portfolio relating to the relevant Series of Trust Certificates which, together with all other amounts received by the Trustee under the Guarantee, is expected will enable the Trustee to make timely payment of profit amounts due to Certificateholders under the Trust Certificates (including any additional amounts required to be paid in respect of the Trust Certificates pursuant to Condition 13 (*Taxation*)). To the extent that there is a shortfall between the profit amounts received in respect of the assets constituting the relevant Portfolio and the Periodic Distribution Amounts due to Certificateholders on the relevant Periodic Distribution Date (including any additional amounts required to be paid in respect of the Trust Certificates pursuant to Condition 13 (*Taxation*)), the ICD has undertaken to pay to the Trustee the amount of such shortfall. Furthermore, the Exercise Price payable by the ICD in respect of the

Portfolio under the Purchase Undertaking Deed (and to be specified in the relevant ICD Purchase Agreement) will be based on (a) the Aggregate Nominal Amount (specified in the Final Terms or Pricing Supplement, as the case may be) of the relevant Series of Trust Certificates and (b) the amount of accrued but unpaid Periodic Distribution Amounts on such date (including any additional amounts payable pursuant to Condition 13 (*Taxation*)).

Currency Risk

The payments made by obligors in respect of the constituent assets comprised in the Portfolio may be calculated by reference to a schedule denominated in a variety of currencies, including Islamic Dinars (the **relevant currency**) though the actual payments may be made in a currency selected by the obligor. In addition, the relevant currency applicable to dividend and other payments made on Shares included in any Portfolio may be different from the Specified Currency (as defined in the Final Terms or Pricing Supplement, as the case may be). Accordingly, in the event of changes in the rate of exchange between the Specified Currency of the relevant Series of Trust Certificates and the relevant currency or in the rate between the relevant currency and the currency in which the obligor makes payments, there could be a shortfall in the amounts available to pay principal and profit in respect of the Trust Certificates. To mitigate this risk, the ICD will prepare a schedule of payments in the Specified Currency in respect of the Portfolio relating to the relevant Series of the Trust Certificates. In addition, the ICD has guaranteed the punctual performance of any and all payment obligations arising or falling due under or in respect of the assets constituting the Portfolio relating to the relevant Series of the Trust Certificates to allow timely payment of profit amounts due to Certificateholders under the Trust Certificates (including any additional amounts required to be paid in respect of the Trust Certificates pursuant to Condition 13 (*Taxation*)). To the extent that there is a shortfall between the profit amounts received in respect of the assets constituting the relevant Portfolio and the Periodic Distribution Amounts due to Certificateholders on the relevant Periodic Distribution Date (including any additional amounts required to be paid in respect of the Trust Certificates pursuant to Condition 13 (*Taxation*)), the ICD has undertaken to pay to the Trustee the amount of such shortfall. Furthermore, the Exercise Price payable by the ICD in respect of the Portfolio under the Purchase Undertaking Deed (and to be specified in the relevant ICD Purchase Agreement) will be based on (a) the Aggregate Nominal Amount (specified in the Final Terms or Pricing Supplement, as the case may be) of the relevant Series of Trust Certificates and (b) the amount of accrued but unpaid Periodic Distribution Amounts on such date (including any additional amounts payable pursuant to Condition 13 (*Taxation*)).

Risk factors relating to taxation

Taxation Risks on Payments

Payments made by the ICD to the Trustee under the Transaction Documents or by the Trustee in respect of the Trust Certificates could become subject to taxation. Condition 13 (*Taxation*) provides that the Trustee is required to gross-up for any such withholdings or deductions imposed by the Cayman Islands or any Member Country in certain circumstances (management of the ICD believe that the circumstances in which a Member Country may impose withholding or deductions are rare in view of the tax exempt status accorded to the ICD by its Member Countries in the ICD's Articles of Agreement). In the event that the Trustee fails to gross-up for any such withholding or deduction on payments due in respect of the Trust Certificates to Certificateholders the ICD has, pursuant to the Master Trust Deed and the Guarantee, unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to the Trustee (for the benefit of the Certificateholders) the liabilities of the Trustee in respect of any and all additional amounts required to be paid in respect of the Trust Certificates pursuant to Condition 13 (*Taxation*) in respect of any withholding or deduction in respect of any tax as set out in that Condition.

In the event that any withholding or deduction for or on account of taxes is imposed or is otherwise applicable to payments of principal or profit on the Trust Certificates to Certificateholders the Trustee and the ICD are obliged to pay additional amounts to cover the amounts so deducted to Certificateholders, save in the limited circumstances set out in Condition 13 (*Taxation*). For the avoidance of doubt, neither the Delegate nor the Principal Paying Agent nor any other person is obliged to gross-up or otherwise compensate Certificateholders for any lesser amounts that Certificateholders may receive as a result of such withholding or deduction.

Foreign Account Tax Compliance withholding may affect payments on the Notes

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) impose a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution.

Whilst the Trust Certificates are in global form and held within Euroclear Bank S.A./ N.V. and Clearstream Banking, *societe anonyme* (together, the **ICSDs**), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax advisers to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Trustee's obligations under the Trust Certificates are discharged once it has paid to, or to the order of, the common depositary of the ICSDs (as bearer or registered holder of the Trust Certificates) and the Trustee has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Prospective investors should refer to the section "Taxation – Foreign Account Tax Compliance Act".

Risk factors relating to enforcement

Change of law

The structure of the Programme and of any issue of Trust Certificates under it are based on English law and administrative practice in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible change to English law or administrative practice after the date of this Base Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Trustee to make payments under the Trust Certificates or of the ICD to comply with its obligations under the Programme Documents and the Transaction Documents to which it is a party.

Enforcement Risk

Ultimately, the payments under the Trust Certificates are dependent upon the ICD making payments in the manner contemplated under the Purchase Undertaking Deed (and the relevant ICD Purchase Agreement), providing the Guarantee and making payments as provided in the Master Trust Deed.

If the ICD should fail to do so, it may be necessary to bring an action against the ICD to enforce its obligations which could be time consuming and costly. The ICD has irrevocably agreed to the Transaction Documents and the Programme Documents being governed by English law and that any disputes shall be referred to and finally resolved by arbitration under the London Court of International Arbitration (**LCIA Rules**). Notwithstanding that an arbitration award may be rendered in London, the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the **New York Convention**) in favour of the Certificateholders, such awards may not be enforceable consistently under the laws of all of the ICD's Member Countries. The ICD has also agreed to submit to the jurisdiction of the courts of England (the **English Courts**) at the option of the Delegate, the Certificateholders, the Agents or the Trustee, as the case may be, in respect of any dispute under certain Programme Documents and Transaction Documents. Notwithstanding that a judgment may be obtained in favour of the Certificateholders, there is no assurance that the ICD has or would at the

relevant time have assets in the United Kingdom against which such a judgment could be enforced. Under the laws of some of the ICD's Member Countries (for example, under the laws of the Kingdom of Saudi Arabia) while the parties to any agreement may stipulate the laws of England as the law by which that agreement is to be governed and construed and submit to the jurisdiction of the English courts, the courts of such Member Countries may not be bound by such acceptance or submission. If any actions were instituted before such courts and adjudicatory authorities, such courts and authorities may not apply the relevant foreign law but, rather, would apply local laws which may not recognise the doctrine of conflict of laws.

Furthermore, the ICD's Articles of Agreement provide that all property and assets of the ICD shall, wheresoever located and by whomsoever held, be immune from all forms of judicial seizure, attachment or execution before the delivery of a final judgment against it.

Claims for Specific Performance

In the event that the ICD fails to perform its obligations under the Purchase Undertaking Deed or the relevant ICD Purchase Agreement or the Guarantee or make payments under the Master Trust Deed then the potential remedies available to the Trustee include obtaining an order for specific performance of the ICD's obligations or a claim for damages. There is no assurance that a court will provide an order for specific performance which is a discretionary matter.

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 to mitigate. No assurance is provided on the level of damages which a court may award in the event of a failure by the ICD to perform its obligations set out in the Purchase Undertaking Deed, the Master Trust Deed or the Guarantee.

Additional risks

Reliance on Euroclear and Clearstream, Luxembourg procedures

The Trust Certificates of each Series will be represented on issue by a Global Certificate that will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in each Global Certificate, investors will not be entitled to receive Trust Certificates in individual form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Trust Certificates. While the Trust Certificates of any Series are represented by a Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

While the Trust Certificates of any Series are represented by a Global Certificate, the Trustee will discharge its payment obligation under the relevant Trust Certificates by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the relevant Trust Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Certificate. Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the relevant Trust Certificates. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

The ICD may resign as Service Agent

The ICD may resign or be removed from its role as Service Agent in certain circumstances described in "Summary of the Principal Programme Documents - Master Service Agency Agreement - Termination of Appointment and ICD Events" and clause 7 (Master Service Agent Appointment and ICD Events) of the Master Service Agency Agreement. Any such resignation by the ICD may take place without the consent of the Certificateholders or the Trustee. However, no resignation or removal of the Service Agent will be effective until a successor has been duly appointed pursuant to clause 7 of the Master Service Agency Agreement. However, there can be no assurance that any successor to the ICD as Service Agent upon the resignation or removal of the ICD in such capacity will have the same level of knowledge or skill in performing the obligations of the Service Agent.

Consents to variation of Programme Documents and other matters

The Master Trust Deed contains provisions permitting the Delegate, or Trustee acting on the directions of the Delegate, from time to time and at any time without any consent or sanction of the Certificateholders to make any modification to the Master Trust Deed if in the opinion of the Delegate such modification (a) is of a formal, minor or technical nature, or (b) is made to correct a manifest or proven (to the satisfaction of the Delegate) error, or (c) is proper to make and is not materially prejudicial to the interest of Certificateholders and is other than in respect of a Reserved Matter or any provision referred to in the definition of a Reserved Matter. Unless the Delegate otherwise decides, any such modification shall as soon as practicable thereafter be notified to the Certificateholders and shall in any event be binding upon the Certificateholders.

Emerging markets

Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets, including in some cases significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

TERMS AND CONDITIONS OF THE TRUST CERTIFICATES

The following is the text of the Terms and Conditions of the Trust Certificates, which (subject to modification and except for the text in italics) will be endorsed on each Trust Certificate in individual registered form issued under the Programme and will apply to the Global Trust Certificate. The applicable Final Terms in relation to any series of Trust Certificates complete the following Terms and Conditions for the purpose of such Trust Certificates. The applicable Pricing Supplement in relation to any Series of Trust Certificates which are Exempt Certificates complete the following Terms and Conditions for such Trust Certificates. The Terms and Conditions for any Trust Certificate in global form will differ from these terms and conditions which would apply to a Trust Certificate in individual registered form to the extent described under "Form of Trust Certificates".

Hilal Services Ltd (in its capacity as issuer and as trustee, the **Trustee**) has established a programme (the **Programme**) for the issuance of Trust Certificates.

Trust Certificates issued under the Programme (the **Trust Certificates**) are issued in series (each a **Series**) of Trust Certificates. Each Series is the subject of final terms (**Final Terms**) or in respect of Exempt Certificates, a pricing supplement (**Pricing Supplement**), as the case may be. The Final Terms or Pricing Supplement, as the case may be, for this Trust Certificate (or the relevant provisions thereof) are set out in the Final Terms or Pricing Supplement, as the case may be, attached to or endorsed on this Trust Certificate which complete these Terms and Conditions (**Conditions**). The Conditions applicable to any particular Series of Trust Certificates are these Conditions as completed by the relevant Final Terms or Pricing Supplement, as the case may be. In the event of any inconsistency between these Conditions and the relevant Final Terms or Pricing Supplement, as the case may be, the relevant Final Terms or Pricing Supplement, as the case may be, shall prevail.

In these Conditions, references to: (a) **Trust Certificates** shall be references to Trust Certificates which are subject to the relevant Final Terms or Pricing Supplement, as the case may be; and (b) **Exempt Certificates** are to Trust Certificates for which no prospectus is required to be published under Directive 2003/71/EC (the **Prospectus Directive**).

Each Trust Certificate will represent an undivided beneficial ownership interest in the relevant Trust Assets (as defined herein) held by the Trustee on trust (the **Trust**) for, *inter alia*, the benefit of the registered holders of the Trust Certificates pursuant to: (a) a master trust deed (the **Master Trust Deed**) dated on 21 December 2015 and made between the Trustee, The Islamic Corporation for the Development of the Private Sector (the **ICD**) and The Law Debenture Trust Corporation p.l.c. (the **Delegate**); and (b) the relevant supplemental trust deed (each a **Supplemental Trust Deed** and, together with the Master Trust Deed, the **Trust Deed**) applicable to each Series.

In accordance with the Master Trust Deed, the Trustee will unconditionally and irrevocably appoint the Delegate to be its attorney, to perform certain duties and to exercise certain powers, authorities and discretions vested in the Trustee by certain provisions in Master Trust Deed and in accordance with the terms of the Master Trust Deed at all times. The Delegate is entitled to receive its properly incurred fees, costs, charges and expenses for acting in relation to the Trust Certificates from the distributions of Trust Assets ahead of the distributions to Certificateholders.

Payments relating to the Trust Certificates will be made pursuant to an agency agreement dated 21 December 2015 (the **Agency Agreement**) made between the Trustee, the ICD, the Delegate, HSBC Bank plc as principal paying agent (the **Principal Paying Agent**, which expression shall include any successor agent) and as calculation agent (in such capacity as the **Calculation Agent**) and HSBC Bank plc as registrar (in such capacity the **Registrar**) and as transfer agent (in such capacity, the **Transfer Agent**, and together with the Calculation Agent, the Transfer Agent, the Registrar, the Principal Paying Agent and any other paying agent appointed thereunder, the **Agents**).

Subject as set out below, copies of the following documents are available for inspection and obtainable free of charge during normal business hours at the Specified Office (as defined herein) for the time being of the Principal Paying Agent. The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the documents set out below which are applicable to them:

- (a) a master purchase agreement between the Trustee and the ICD dated on (or about) 21 December 2015 (the **Master Purchase Agreement**);
- (b) any supplemental purchase agreement (each, a **Supplemental Purchase Agreement**) in relation to the corresponding Portfolio (as defined below);
- (c) a master service agency agreement between the Trustee and the ICD as service agent (the **Service Agent**) dated on (or about) 21 December 2015 (the **Master Service Agency Agreement**);
- (d) any supplemental service agency agreement (each, a **Supplemental Service Agency Agreement**) in relation to Trust Certificates which are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system;
- (e) a guarantee issued by the ICD in favour of the Trustee dated 21 December 2015 (the **Guarantee**);
- (f) a purchase undertaking deed dated on (or about) 21 December 2015 (the **Purchase Undertaking Deed**), containing the form of the ICD purchase agreement (the **ICD Purchase Agreement**) to be executed by the ICD and the Trustee on the relevant Dissolution Date of the relevant Series of Trust Certificates;
- (g) a sale undertaking deed executed by the Trustee in favour of the ICD dated on (or about) 21 December 2015, (the **Sale Undertaking Deed**) containing the form of sale or transfer agreement (the **Sale Agreement**) to be executed by the ICD and the Trustee on the relevant Dissolution Date of the Trust Certificate;
- (h) an additional portfolio assets sale undertaking deed executed by the ICD in favour of the Trustee dated on (or about) 21 December 2015, (the **Additional Portfolio Assets Sale Undertaking Deed**) containing the form of the additional portfolio assets sale agreement (the **Additional Portfolio Assets Sale Agreement**) to be executed by the ICD and the Trustee on the Settlement Dates (as specified in the relevant Additional Portfolio Assets Exercise Notice scheduled to the Additional Portfolio Assets Sale Undertaking Deed) of the relevant Series of Trust Certificates;
- (i) the Master Trust Deed (incorporating the provisions regarding the appointment of the Delegate);
- (j) any Supplemental Trust Deed in relation to Trust Certificates which are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system;
- (k) the Agency Agreement;
- (l) the corporate services agreement between Walkers Fiduciary Limited (as provider of corporate services to the Trustee) and the Trustee dated 21 December 2015 (the **Corporate Services Agreement**);
- (m) a share declaration of trust under which Walkers Fiduciary Limited as share trustee holds the shares of the Trustee on trust until the specified termination date (the **Share Declaration of Trust**).
- (n) a dealer agreement between the Trustee, the ICD and the Dealers dated 21 December 2015 (the **Dealer Agreement**);
- (o) any Final Terms or Pricing Supplement, as the case may be, in relation to Trust Certificates which are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system;
- (p) copies of each purchase report (**Purchase Report**) produced on each Report Date by the ICD substantively in the form set out in Schedule 2 (*Purchase Report*) of the Master Purchase

Agreement in respect of any Series of Trust Certificates which are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system; and

- (g) copies of each servicing report (**Servicing Report**) produced by the Service Agent substantively in the form set out in Schedule 1 (*Form of Servicing Report*) of the Master Service Agency Agreement in respect of any Series of Trust Certificates which are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.

Each Servicing Report will set out, in respect of the relevant Series of Trust Certificates the principal and profit collections received in respect of each of the Leased Assets, Murabaha Receivables, Wakala Assets, Istisna'a Receivables and Restricted Fund Units (each as defined herein), as well as dividends and other receivables in respect of Shares and Sukuk (each as defined herein) since the previous Servicing Report. Each Purchase Report will detail, in respect of the relevant Series of Trust Certificates the Leased Assets, Murabaha Receivables, Wakala Assets, Istisna'a Receivables and Restricted Fund Units which have matured, and the Shares and/or Sukuk that have been capitalised, repurchased or redeemed since the previous Purchase Report, any Additional Portfolio Assets purchased during that period and their net asset value as at the date of the report.

Copies of the Supplemental Purchase Agreement, the Supplemental Servicing Agent Agreement, the Supplemental Trust Deed, the Final Terms or Pricing Supplement, as the case may be, any Purchase Report and any Servicing Report in respect of Trust Certificates which are not admitted to listing, trading and/or quotation on any competent authority, stock exchange or quotation system will only be available for inspection and obtainable free of charge by the relevant Certificateholders from the Principal Paying Agent.

Certain provisions of these Conditions are summaries of, and are subject to, detailed provisions of the Master Trust Deed, the relevant Supplemental Trust Deed and the Agency Agreement.

Each initial Certificateholder, by its acquisition and holding of its interest in a Trust Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders: (a) to apply the sums paid by it in respect of its Trust Certificates to purchase the Portfolio from the ICD; and (b) to enter into each Transaction Document to which it is expressed to be a party, subject to the terms and conditions of the Master Trust Deed, as supplemented by the relevant Supplemental Trust Deed and these Conditions.

1 INTERPRETATION

1.1 Definitions

In these Conditions the following expressions have the following meanings:

Additional Business Centre(s) means the city or cities specified as such in the relevant Final Terms or Pricing Supplement, as the case may be;

Additional Financial Centre(s) means the city or cities specified as such in the relevant Final Terms or Pricing Supplement, as the case may be;

Aggregate Nominal Amount has the meaning given in the relevant Final Terms or Pricing Supplement, as the case may be,;

Additional Portfolio Assets means, in respect of each Series:

- (a) the rights, title, interest and benefit of the ICD (as seller) in, to and under tangible assets in the form of Ijara contracts (together with the relevant underlying asset), Disbursing Istisna'a Assets, Shares, Sukuk, Wakala Assets and/or Restricted Fund Units; and/or
- (b) a direct right, interest and benefit of the Trustee (as purchaser) by way of sub-participation (which shall be managed by the ICD for and on behalf of the Trustee (as purchaser)) in, to and

under Istisna'a or *Murabaha* financing activities chosen by the ICD (as seller) in its absolute discretion,

including, without limitation, the right to receive payments of any amounts due in connection with such assets, the right to demand, sue for, recover, receive and give receipts for all amounts payable, or to become payable, under the assets and/or agreements relating to the assets and the benefit of, and the right to sue on, all covenants in favour of the ICD (as seller) and the right to exercise all powers of the ICD (as seller) thereunder, identified in any Purchase Report prepared by the ICD as eligible for sale to the Trustee (as purchaser) on the next following Settlement Date pursuant to the Additional Portfolio Assets Sale Undertaking Deed and which shall, following any sale to the Trustee (as purchaser), become part of the Portfolio for the relevant Series;

Business Day means:

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

Business Day Convention, in relation to any particular date, has the meaning given in the relevant Final Terms or Pricing Supplement, as the case may be, and, if so specified in the relevant Final Terms or Pricing Supplement, as the case may be, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) **Following Business Day Convention** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) **FRN Convention, Floating Rate Convention or Eurodollar Convention** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms or Pricing Supplement, as the case may be, as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that*:
 - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (c) **Modified Following Business Day Convention or Modified Business Day Convention** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (d) **Preceding Business Day Convention** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

Calculation Amount has the meaning given in the relevant Final Terms or Pricing Supplement, as the case may be,;

Calculation Date means, in respect of each Series, the date specified in the relevant Supplemental Purchase Agreement;

Certificateholder Contribution has the meaning given in the relevant Final Terms or Pricing Supplement, as the case may be,;

Closing Date means the date of the relevant Supplemental Purchase Agreement;

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

- (a) if **Actual/Actual (ICMA)** is so specified, means:
 - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (A) the actual number of days in such Regular Period and (B) the number of Regular Periods in any year; and
 - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (b) if **Actual/Actual (ISDA)** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if **Actual/365 (Fixed)** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if **Actual/360** is so specified, means the actual number of days in the Calculation Period divided by 360;

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

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

Day Count Fraction =

where:

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

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

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

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

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

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

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

Day Count Fraction =

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; and

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

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

Day Count Fraction =

where:

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

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

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

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

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

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

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

Disbursing Istisna'a Assets means assets in respect of which: (a) title and possession to such assets (which are in the process of being manufactured or completed) is vested in the ICD; and (b) the ICD is (or is intended to be) the seller of the completed or finally manufactured assets prior to delivery to an underlying purchaser;

Dissolution Amount means, as appropriate, the Final Dissolution Amount, the Early Dissolution Amount (Tax), the Optional Dissolution Amount (Call) or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms or Pricing Supplement, as the case may be;

Dissolution Date means, as the case may be, any of: (a) the Maturity Date; (b) following the occurrence of a Dissolution Event (as defined in Condition 15 (*Dissolution Events*)), the date on which a Series of Trust Certificates are dissolved in accordance with the provisions of Condition 15 (*Dissolution Events*) and (c) the date on which a Series of Trust Certificates are redeemed in accordance with the provisions of Condition 11.2 (*Early Dissolution for Tax Reasons*), and (d) the Optional Dissolution Date (Call) in accordance with the provisions of Condition 11.3 (*Dissolution at the Option of the Trustee*);

Early Dissolution Amount (Tax) means, in respect of any Trust Certificate, its nominal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms or Pricing Supplement, as the case may be;

Extraordinary Resolution has the meaning given in the Schedule 4 (*Provisions for Meetings of Certificateholders*) to the Master Trust Deed;

Final Dissolution Amount means, in respect of any Trust Certificate, its nominal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms or Pricing Supplement, as the case may be;

Fixed Amount has the meaning given in the relevant Final Terms or Pricing Supplement, as the case may be;

Ijara contracts means contracts where a lessor leases property to a lessee in respect of which regular payments are due from the lessee;

Issue Date has the meaning given in the relevant Final Terms or Pricing Supplement, as the case may be;

Istisna'a Receivables means the receivables under a contract (other than in respect of Disbursing Istisna'a Assets) whereby the ICD has sold and delivered to a beneficiary certain assets at a determined price to be paid over an agreed period;

Leased Assets means the underlying assets (whether existing or under construction) which are subject to Ijara contracts where the ICD, as lessor, leases property to a lessee in respect of which regular payments are due from the lessee (and includes any ancillary rights under such Ijara contracts);

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

Margin has the meaning given in the relevant Final Terms or Pricing Supplement, as the case may be;

Master Service Agency Agreement means that Master Service Agency Agreement, together with the relevant Supplemental Service Agency Agreement in relation to the Series of Trust Certificates;

Maturity Date has the meaning given in the relevant Final Terms or Pricing Supplement, as the case may be;

Member Country means a country which, in accordance with the ICD's Articles of Agreement, is or becomes a member of the ICD;

Murabaha Receivables means the receivables under a sale contract whereby the purchase price is determined on a cost plus a predetermined profit basis and such purchase price is payable either by instalments or through a single payment;

Optional Dissolution Amount (Call) means, in respect of any Trust Certificate, its nominal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms or Pricing Supplement, as the case may be;

Optional Dissolution Date (Call) has the meaning given in the relevant Final Terms or Pricing Supplement, as the case may be;

Participating Member State means a Member State of the European Union which adopts the euro as its lawful currency in accordance with the Treaty;

Payment Business Day means:

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

- (i) if the currency of payment is euro, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the principal financial centre of the currency of payment and in each (if any) Additional Financial Centre;

Periodic Distribution Amount means in relation to a Trust Certificate and a Return Accumulation Period, the amount of profit distribution payable in respect of that Trust Certificate for that Return Accumulation Period;

Periodic Distribution Date means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms or Pricing Supplement, as the case may be, and, if a Business Day Convention is specified in the relevant Final Terms or Pricing Supplement, as the case may be:

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

Periodic Distribution Determination Date has the meaning given in the relevant Final Terms or Pricing Supplement, as the case may be;

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

Portfolio means a separate and independent portfolio of assets created by the ICD and comprising of:

- (a) at least 33 per cent. tangible assets comprising of: (1) Leased Assets; (2) Disbursing Istisna'a Assets in respect of which the ICD has title to the corresponding asset and is the seller of the completed or manufactured asset before such asset has been delivered to the ICD by its manufacturer; (3) Shares, Sukuk and/or any Wakala Assets (in respect of which, the ICD acts as principal or *muwakkil*); and (4) Restricted Fund Units; PROVIDED ALWAYS THAT at least 33 per cent. of the underlying assets of all Shares, Sukuk, Wakala Assets and/ or Restricted Fund Units, as applicable, are tangible; AND PROVIDED FURTHER THAT such Shares, Sukuk, Wakala Assets and/ or Restricted Fund Units, as applicable, are considered (by the Shariah Committee of the ICD) to be Shariah compliant (and consequently any borrowing and lending by or on behalf of such assets conducted in a manner that is considered (by the Shariah Committee of the ICD) to be contrary to the principles of Shariah shall not exceed 33 per cent. of the corresponding asset value, and that any income from these assets considered (by the Shariah Committee of the ICD) to be contrary to the principles of Shariah shall not exceed 5 per cent. of the corresponding aggregate revenues); and
- (b) no more than 67 per cent. intangible assets comprising of Istisna'a Receivables, and/or Murabaha Receivables,

(the details of which, on the relevant Closing Date, are set out in Schedule 1 of the Supplemental Purchase Agreement) including, without limitation, the right to receive payment of any amounts due in connection with such assets, the right to demand, sue for, recover, receive and give receipts for all amounts payable, or to become payable, under the assets and/or agreements relating to the assets and the benefit of, and the right to sue on, all covenants in favour of the ICD and the right to exercise

all powers of the ICD thereunder, the constituent elements of which may be supplemented from time to time with Additional Portfolio Assets (as defined in the Master Purchase Agreement);

Portfolio Constituent Assets means Leased Assets, Disbursing Istisna'a Assets, Murabaha Receivables, Istisna'a Receivables, Wakala Assets, Shares, Sukuk and/or Restricted Fund Units (including, without limitation, the right to receive payments of any amounts due thereunder, the right to demand, sue for, recover, receive and give receipts for all amounts payable on or to become payable under such asset and the benefit of and the right to sue on all covenants in favour of the Seller and the right to exercise all powers of the ICD (as seller) thereunder);

Potential Dissolution Event means an event which, with the giving of notice or lapse of time or issue of a certificate, would constitute a Dissolution Event.

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

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

Programme Documents means the Master Purchase Agreement, the Master Servicing Agent Agreement, the Purchase Undertaking Deed, the Master Trust Deed, the Sale Undertaking Deed, the Additional Portfolio Assets Sale Undertaking Deed, the Guarantee and the Agency Agreement;

Rate means the rate or rates (expressed as a percentage per annum) representing a defined share of the profits distributable by the Trustee in respect of the Trust Certificates specified in the relevant Final Terms or Pricing Supplement, as the case may be, or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms or Pricing Supplement, as the case may be;

Record Date means:

- (a) whilst Trust Certificates are represented by a Global Trust Certificate, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date; and
- (b) whilst Trust Certificates are in individual form, as at opening of business (local time in the place of the specified office of the Registrar) on the fifteenth day before the relevant Periodic Distribution Date;

Reference Banks has the meaning given in the relevant Final Terms or Pricing Supplement, as the case may be, as the case may be or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

Reference Rate has the meaning given in the relevant Final Terms or Pricing Supplement, as the case may be;

Regular Period means:

- (a) in the case of Trust Certificates where profit distributions are scheduled to be payable only by means of regular payments, each period from and including the Return Accrual Commencement Date to but excluding the first Periodic Distribution Date and each successive period from and including one Periodic Distribution Date to but excluding the next Periodic Distribution Date;

- (b) in the case of Trust Certificates where, apart from the first Return Accumulation Period, profit distributions are scheduled to be payable only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where Regular Date means the day and month (but not the year) on which any Periodic Distribution Date falls; and
- (c) in the case of Trust Certificates where, apart from one Return Accumulation Period other than the first Return Accumulation Period, profit distributions are scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **Regular Date** means the day and month (but not the year) on which any Periodic Distribution Date falls other than the Periodic Distribution Date falling at the end of the irregular Return Accumulation Period;

Relevant Date means, unless specified in the relevant Final Terms or Pricing Supplement, as the case may be, in relation to any payment the date on which the payment in question first becomes due, but if the full amount of money payable has not been received by the Principal Paying Agent on or prior to such due date, it means (the full amount of money having been so received) the date on which notice to that effect having been duly given to the Certificateholders by the Trustee in accordance with Condition 18 (*Notices*);

Relevant Financial Centre has the meaning given in the relevant Final Terms or Pricing Supplement, as the case may be;

Relevant Jurisdiction means in respect of the Trustee, the Cayman Islands and in respect of the ICD, the Kingdom of Saudi Arabia and, in each case, any political subdivision thereof;

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

Relevant Time has the meaning given in the relevant Final Terms or Pricing Supplement, as the case may be;

Report Date means, for each Series and unless otherwise specified in the relevant Supplemental Purchase Agreement, one day after each Calculation Date (or if such day is not a Business Day, the next following Business Day);

Restricted Fund Units means units which the ICD has acquired in a fund which is established and operates upon the principles of *Mudaraba* or *Wakala* (the **Fund**), is restricted to investing in specific tangible and intangible assets;

Return Accrual Commencement Date means the Issue Date of the Trust Certificates or such other date as may be specified as the Return Accrual Commencement Date in the relevant Final Terms or Pricing Supplement, as the case may be;

Return Accumulation Period means each period beginning on (and including) the Issue Date or any Periodic Distribution Date (as the case may be) and ending on (but excluding) the next Periodic Distribution Date;

Revenue Generating Assets Shortfall means the difference between the Aggregate Nominal Amount of the relevant Series and the net asset value of the Portfolio (less all principal collections received during the period from the closing date or the relevant closing date (as applicable) to but excluding the relevant Report Date) corresponding to such Series, as set out in the relevant Servicing Report on a Report Date;

Shares means any Shariah compliant equity instruments (and the assets underlying those equity instruments);

Specified Currency has the meaning given in the relevant Final Terms or Pricing Supplement, as the case may be;

Specified Denomination(s) has the meaning given in the relevant Final Terms or Pricing Supplement, as the case may be;

Specified Office has the meaning given in the Agency Agreement;

Specified Period has the meaning given in the relevant Final Terms or Pricing Supplement, as the case may be;

Stock Exchange means, in relation to Trust Certificates, the stock exchange or exchanges (if any) on which such Trust Certificates are for the time being quoted, listed and/or admitted to trading;

Sukuk means any *sukuk* certificates (and the assets underlying those *sukuk* certificates);

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

TARGET Settlement Day means any day on which TARGET2 is open for the settlement of payments in Euro;

Taxes means any taxes, levies, imposts, duties, fees, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any Relevant Jurisdiction, and all interest, penalties or similar liabilities with respect thereto;

Transaction Documents means, in respect of each Series of Trust Certificates, any Supplemental Purchase Agreement, any Supplemental Trust Deed, any Supplemental Service Agency Agreement, any Sale Agreement, any ICD Purchase Agreement, any Additional Portfolio Assets Sale Agreement, any Servicing Reports and/or Purchase Reports;

Treaty means the treaty establishing the European Union, as amended;

Trust Assets means the assets, rights, cash or investments described in Condition 5.1 (*Trust Assets*); and

Wakala Assets means any asset derived from a financing provided by the ICD (as *muwakil*) to its customers under an agency (*wakala*) arrangement entered into between the ICD and the relevant customer where funds provided to the agent are invested in tangible (**Tangible Wakala Assets**) and/or intangible assets (**Intangible Wakala Assets**).

1.2 Interpretation

In these Conditions:

- (a) any reference to principal shall be deemed to include the Dissolution Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Trust Certificate and any other amount in the nature of principal payable pursuant to these Conditions;
- (b) any reference to Periodic Distribution Amounts shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of a profit distribution payable pursuant to these Conditions;
- (c) words and expressions defined and rules of construction and interpretation set out in each of the Programme Documents and each Transaction Document shall, unless the context otherwise requires, have the same meanings in these Conditions;

- (d) references to Trust Certificates being outstanding shall be construed in accordance with the Master Trust Deed;
- (e) if an expression is stated in Condition 1.1 (*Definitions*) to have the meaning given in the relevant Final Terms or Pricing Supplement, as the case may be, but the relevant Final Terms or Pricing Supplement, as the case may be, gives no such meaning or specifies that such expression is not applicable then such expression is not applicable to the Trust Certificates; and
- (f) any reference to each Programme Document shall be construed as a reference to that Programme Document as amended and/or supplemented up to and including the Issue Date of the Trust Certificates.

2 FORM, DENOMINATION AND TITLE

2.1 Form and Denomination

The Trust Certificates are issued in registered form in the Specified Denominations and, save as provided by Condition 3.2 (*Delivery of new individual Trust Certificates*) each Trust Certificate shall represent the entire holding of Trust Certificates by the same holder.

In the case of a Series of Trust Certificates with more than one Specified Denomination, Trust Certificates of one Specified Denomination will not be exchangeable for Trust Certificates of another Specified Denomination. The Trust Certificates will be serially numbered.

The Trust Certificates shall not be issued in bearer form.

2.2 Register

The Registrar will maintain a register (the **Register**) of Certificateholders in respect of the Trust Certificates in accordance with the provisions of the Agency Agreement.

In these Conditions, the **Certificateholder** means the person in whose name such Trust Certificate is registered in the Register (or in the case of a joint holding, the first named person). A single individual registered Trust Certificate will be issued to each Certificateholder in respect of its registered holding of Trust Certificates. Each individual registered Trust Certificate will be serially numbered with an identifying number which will be recorded also on the Register.

2.3 Title

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

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

3 TRANSFERS OF TRUST CERTIFICATES AND ISSUE OF CERTIFICATES

3.1 Transfers

Subject to Conditions 3.4 (*Closed Periods*) and 3.5 (*Regulations*), a Trust Certificate may be transferred by depositing the individual Registered Trust Certificate issued in respect of that Trust

Certificate, with the form of transfer on the back duly completed and signed, at the Specified Office of the Transfer Agent.

Transfers of interest in the Trust Certificates represented by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

3.2 Delivery of new individual Trust Certificates

Each new individual registered Trust Certificate to be issued upon transfer of Trust Certificates will, within five business days of receipt by the Registrar or the relevant other Agent of the duly completed form of transfer endorsed on the relevant individual registered Trust Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Trust Certificate to the address specified in the form of transfer. For the purposes of this Condition, **business day** shall mean a day on which banks are open for business in the city in which the Specified Office of the Registrar or the relevant other Agent with whom a individual registered Trust Certificate is deposited in connection with a transfer is located.

Where some but not all of the Trust Certificates in respect of which a individual registered Trust Certificate is issued are to be transferred a new individual registered Trust Certificate in respect of the Trust Certificates not so transferred will, within five business days of receipt by the Registrar or the relevant other Agent of the original individual registered Trust Certificate, be mailed by uninsured mail at the risk of the holder of the Trust Certificates not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

3.3 Formalities free of charge

Registration of transfer of Trust Certificates will be effected without charge by or on behalf of the Trustee, the Registrar or any other Agent but upon payment (or the giving of such indemnity as the Trustee, the Registrar or any other Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

3.4 Closed periods

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

3.5 Regulations

All transfers of Trust Certificates and entries on the Register will be made subject to the detailed regulations concerning the transfer of Trust Certificates scheduled to the Master Trust Deed. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests one.

The Certificateholder shall be entitled to receive, in accordance with Condition 2.2 (*Register*), only one individual registered Trust Certificate in respect of his entire holding of Trust Certificates. In the case of a transfer of a portion of the face amount of the Trust Certificates held, a new individual registered Trust Certificate in respect of the balance of the Trust Certificates not transferred will be issued to the transferor in accordance with Condition 3.2 (*Delivery of new individual Trust Certificates*).

4 STATUS

4.1 Status of the Trust Certificates

The Trust Certificates evidence an undivided beneficial ownership interest in the Trust Assets of the relevant Series of Trust Certificates and consequently the right to receive certain payments in respect thereof, subject to the terms of the Master Trust Deed, the relevant Supplemental Trust Deed, the Purchase Undertaking Deed, the Sale Undertaking Deed, the relevant ICD Purchase Agreement, the relevant Sale Agreement and these Conditions, are limited recourse obligations of the Trustee. The obligations of the Trustee pursuant to the Conditions of each Trust Certificate are direct,

unsubordinated, unsecured and limited recourse obligations of the Trustee and rank *pari passu*, without any preference or priority, among all Trust Certificates of the same Series.

4.2 Status of the ICD's payment obligations under the Programme Documents and Transaction Documents

The payment obligations of the ICD pursuant to the Programme Documents and Transaction Documents are direct, unsubordinated and unsecured obligations of the ICD and (save for certain obligations required to be preferred by law) rank *pari passu*, without any preference or priority, with all other unsecured obligations (other than subordinated obligations, if any) of the ICD from time to time outstanding.

5 THE TRUST

5.1 Trust Assets

The Trustee has agreed to apply, on each occasion on which Trust Certificates are issued and in respect of the relevant Series of Trust Certificates only, the net proceeds of the issue of such Trust Certificates to purchase the Portfolio pursuant to the Master Purchase Agreement. The Portfolio (as defined in the Master Trust Deed) relating to each Series of Trust Certificates will be the subject of and specified in the Supplemental Purchase Agreement and which shall, upon purchase (and as amended from time to time, including by way of acquiring Additional Portfolio Assets) comprise the relevant Portfolio.

The Trustee has appointed the ICD to perform limited actions in order to service the Portfolio of each Series of Trust Certificates pursuant to the Master Service Agency Agreement. The Trustee shall pay the Service Agent a nominal amount of U.S.\$100 as a basic fee on the date of each Supplemental Service Agency Agreement and, if applicable, an Incentive Fee (as defined in the Master Service Agency Agreement).

Profit received in respect of the Portfolio of each Series of Trust Certificates will, after paying the expenses of the Trust (as defined below), be applied to make Periodic Distributions in respect of such Series of Trust Certificates on the relevant Periodic Distribution Date(s), subject to and in accordance with the Conditions.

Principal amounts received in respect of the Portfolio of each Series of Trust Certificates will be reinvested by the Trustee firstly in acquiring from the ICD Additional Portfolio Assets pursuant to the Additional Portfolio Assets Sale Undertaking Deed and secondly, to the extent that the ICD does not have sufficient Additional Portfolio Assets on its balance sheet and at its disposal for sale to the Trustee to enable the Trustee to reinvest the principal amounts in full, by acquiring Shares and/or Sukuk in the open market (through the ICD as its Service Agent). Any such Additional Portfolio Assets, Shares and Sukuk will form part of the Portfolio of the relevant Series of Trust Certificates.

The ICD has undertaken to purchase the outstanding Portfolio relating to each Series of Trust Certificates on the relevant Dissolution Date pursuant to the Purchase Undertaking Deed, to be supplemented, at the time of each such purchase, by the ICD Purchase Agreement containing the specific terms applicable to the relevant purchase. The Trustee has agreed to sell the outstanding Portfolio relating to each Series of Trust Certificates on the relevant Dissolution Date pursuant to the Sale Undertaking Deed, to be supplemented, at the time of each such sale, by the Sale Agreement containing the specific terms applicable to the relevant sale. The purchase price payable by the ICD pursuant to each such ICD Purchase Agreement and the sale price pursuant to each such Sale Agreement will be an amount equal to (a) the Aggregate Nominal Amount (as specified in the relevant Final Terms or Pricing Supplement, as the case may be), of the relevant Series of Trust Certificates and (b) the amount of accrued but unpaid Periodic Distribution Amounts on such date. The Trustee will distribute the proceeds of sale of the Portfolio of the relevant Series of Trust Certificates to Certificateholders of the relevant Series in the amounts required to be paid in respect of the relevant Trust Certificates under the Conditions or as otherwise specified in the Final Terms or Pricing Supplement, as the case may be, applicable to such Series.

Pursuant to the Guarantee, the ICD has guaranteed to the Trustee the punctual performance of any and all payment obligations arising or falling due under or in respect of the assets constituting the Portfolio relating to the relevant Series of Trust Certificates. Further, the ICD has agreed in the Guarantee that if, on a day falling three Business Days prior to a Periodic Distribution Date in respect of the relevant Series of Trust Certificates there is a shortfall between the Periodic Distribution Amounts due on the immediately following Periodic Distribution Date and the Profit Collections received in respect of the Portfolio Constituent Assets comprised in the Portfolio relating to such Series of Trust Certificates (whether due to the maturity of obligations, the early repayment of amounts due or a failure by any person to pay amounts that have become due and payable, in respect of such Portfolio Constituent Assets or for any other reason), such that the Trustee would be unable to pay Periodic Distribution Amounts (including any additional amounts payable under Condition 13 (*Taxation*)) due to Certificateholders on such Periodic Distribution Date in full, the ICD shall immediately pay to the Trustee the amount of such shortfall in the manner and currency prescribed by the Conditions for payment by the Trustee in respect of Trust Certificates. The aggregate amounts recoverable by the Trustee under the Guarantee shall not exceed the sum of all (i) Periodic Distribution Amounts due to Certificateholders on all relevant Periodic Distribution Dates determined on a pro rata basis for the Return Accumulation Period ending on the relevant Periodic Distribution Date and (ii) any such additional amounts as aforesaid.

Unless otherwise specified in the relevant Final Terms or Pricing Supplement, as the case may be, and the relevant Supplemental Trust Deed, the Trust Assets in respect of each Series of Trust Certificates will comprise:

- (a) the Initial Trust Property (as defined in the Master Trust Deed);
- (b) all of the Trustee's rights, title, interest and benefit, present and future, in and to the Portfolio;
- (c) all of the Trustee's rights, title, interest and benefit, present and future, in and to the Programme Documents and Transaction Documents to which it is a party including, for the avoidance of doubt, the Guarantee (excluding any representation given to the Trustee by the ICD pursuant to any of the Programme Documents or Transaction Documents);
- (d) the rights of the Trustee to any Cash (as defined in the Master Trust Deed) in any of its bank accounts (and any profit or income earned on such Cash) and any other amounts held by any agent on its behalf (including, but not limited to, any amount held on its behalf pursuant to the Supplemental Service Agency Agreement), and the rights and interests of the Trustee in any assets held by the ICD on trust for it, which are attributable to, arise from, or are in any way connected with the Trust Certificates;
- (e) any Eligible Investments (as defined in the Master Trust Deed) other than the Portfolio (and any profit or income earned on such Eligible Investments other than the Portfolio) which are attributable to, arise from, or are in any way connected with such Series of Trust Certificates;
- (f) any amount contributed pursuant to Clause 18.2 (*Application of Moneys*) of the Master Trust Deed;
- (g) any other assets, rights, Cash or investments of the Trustee as may be specified in the relevant Final Terms or Pricing Supplement, as the case may be; and
- (h) any proceeds arising from the sale of any of the assets comprised in (a) to (g) and any assets representing the same.

5.2 Application of Trust Assets prior to Dissolution

Prior to the Dissolution Date, payments of Periodic Distribution Amounts in respect of the Trust Certificates will represent (unless otherwise specified in the relevant Final Terms or Pricing Supplement, as the case may be) *inter alia*, distributions from (a) profit collections received by or on behalf of the Trustee from the ICD in its capacity as Service Agent in respect of the Portfolio (and, if applicable, the proceeds of certain indemnities from the ICD) after paying certain fees and expenses of the Trust and (b) if applicable, any amounts advanced to (or otherwise contributed to) the Trust

and/or the Trustee by the ICD pursuant to the Guarantee, the Master Trust Deed and the relevant Supplemental Trust Deed.

Unless otherwise specified in the applicable Final Terms or Pricing Supplement, as the case may be, on each Settlement Date the Service Agent will apply the relevant collections received in the immediately preceding Calculation Period to pay the following amounts on behalf of the Trustee in accordance with the following order of priority:

- (a) FIRST to the Delegate in respect of all amounts owing to it under the Programme Documents and Transaction Documents in its capacity as Delegate 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;
- (b) SECONDLY to pay, pro rata an amount equal to any other sums payable by the Trustee (other than to Certificateholders or as otherwise provided in the third and fourth items (inclusive) below) including rating fees, listing fees, paying agents' fees and corporate administrator fees together with any stamp, issue, registration, documentary and other fees, duties and taxes, including compensation and penalties, payable on or in connection with (i) the execution and delivery of the Master Trust Deed, the relevant Supplemental Trust Deed, the relevant Series and the Conditions and (ii) the constitution and original issue of the relevant Series and (iii) any action taken by or on behalf of the Trustee to enforce, or to resolve any doubt concerning, or for any other purpose in relation to, the Master Trust Deed, the relevant Supplemental Trust Deed, the Trust Certificates and the Conditions each of which such amounts shall have been properly incurred by the Trustee and to pay any remuneration agreed with the Trustee pursuant to such arrangements as the Service Agent, the Delegate or the Trustee shall separately agree;
- (c) THIRDLY, on any Settlement Date in respect of each Periodic Distribution Date, to pay to the Principal Paying Agent any Periodic Distribution Amounts due and payable on such Periodic Distribution Date; and
- (d) FOURTHLY, in respect of each Periodic Distribution Date to pay all remaining amounts into the Profit Account (as defined in the Master Service Agency Agreement).

5.3 Application of Trust Assets on the Dissolution Date

On the Dissolution Date, the Portfolio will be transferred by the Trustee to the ICD pursuant to the Purchase Undertaking Deed and the relevant ICD Purchase Agreement or, as the case may be, pursuant to the Sale Undertaking Deed and the relevant Sale Agreement, and the ICD shall pay a purchase price (to be specified in the relevant ICD Purchase Agreement or Sale Agreement, as the case may be) equal to, (a) the Aggregate Nominal Amount specified in the relevant Final Terms or Pricing Supplement, as the case may be, and (b) the amount of accrued but unpaid Periodic Distribution Amounts on such date (including any additional amounts payable pursuant to Condition 13 (*Taxation*)).

The Trustee will apply the proceeds of such purchase price together with any remaining Trust Assets and, if applicable, any amounts advanced to (or otherwise paid to) the Trustee by the ICD pursuant to the Guarantee, the Master Trust Deed and the relevant Supplemental Trust Deed and any other amounts as may be specified in the relevant Final Terms or Pricing Supplement, as the case may be, to make payments in respect of, *inter alia*, the Trust Certificates in accordance with the following order of priority (or as otherwise specified in the relevant Final Terms or Pricing Supplement, as the case may be):

- (a) FIRST to the Delegate in respect of all amounts owing to it under the Programme Documents and Transaction Documents in its capacity as Delegate 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 Master Trust Deed;
- (b) SECONDLY to pay, pro rata, an amount equal to any other sums payable by the Trustee (other than to Certificateholders or as otherwise provided in the Third and Fourth items (inclusive) below) including rating fees, listing fees, paying agent's fees and corporate

administrator fees together with any stamp, issue, registration, documentary and certain other fees, duties and taxes, including compensation and penalties, payable on or in connection with (i) the execution and delivery of the Master Trust Deed, the relevant Supplemental Trust Deed, the relevant Series of Trust Certificates and the Conditions, (ii) the constitution and original issue of the relevant Series of Trust Certificates and (iii) any action taken by or on behalf of the Trustee to enforce, or to resolve any doubt concerning, or for any other purpose in relation to, the Master Trust Deed or the relevant Supplemental Trust Certificates, the relevant Series of Trust Certificates and the Conditions each of which such amounts shall have been properly incurred by or on behalf of the Trustee and to pay any remuneration agreed with the Trustee pursuant to such arrangements as the ICD, the Delegate and the Trustee shall each separately agree;

- (c) THIRDLY to pay an amount equal to any outstanding sums payable in respect of the relevant Series of Trust Certificates until redeemed in full; and
- (d) FOURTHLY, to pay all remaining amounts to the ICD by way of Incentive Fee (as defined in the Master Service Agency Agreement), for acting as Service Agent.

6 COVENANTS

The Trustee has covenanted in the Master Trust Deed that, *inter alia*, for so long as any Trust Certificate is outstanding, it shall not:

- (a) incur any indebtedness in respect of borrowed money whatsoever, or give any guarantee 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) other than the Trust Certificates issued under the Programme;
- (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, transfer, convey or otherwise dispose of (i) its legal title (apparent ownership) to the Portfolio of the relevant Series or any interest therein except pursuant to (A) the Purchase Undertaking Deed and the relevant ICD Purchase Agreement and (B) the Sale Undertaking Deed and the relevant Sale Agreement or (ii) its interests in any of the other Trust Assets of the relevant Series except pursuant to the Programme Documents, the relevant Supplemental Purchase Agreement, the relevant Additional Portfolio Assets Sale Agreement or the relevant Supplemental Trust Deed;
- (d) use the relevant Certificateholder Contribution for any purpose other than as set out in the Programme Documents, the relevant Supplemental Trust Deed or the relevant Final Terms or Pricing Supplement, as the case may be;
- (e) amend materially or agree to any material amendment of any Programme Document or Transaction Document to which it is a party, or its memorandum and articles of association, or enter into any other agreement, letter or other document in connection with the Trust Certificates without the prior approval of the Certificateholders of the relevant Series by way of Extraordinary Resolution or otherwise in accordance with Clause 15 (*Waiver/Amendments*) of the Trust Deed;
- (f) act as trustee in respect of any trust other than the Trust corresponding to a Series of Trust Certificates issued from time to time pursuant to the Programme;
- (g) have any Subsidiaries or employees;
- (h) redeem any of its shares or pay any dividend or make any other distribution to its shareholders save for an aggregate annual dividend not exceeding £500;

- (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, otherwise than for the purposes of, or pursuant to, an amalgamation, reorganisation or restructuring whilst solvent; and
- (j) enter into any contract, transaction, amendment, obligation or liability other than the Programme Documents or Transaction Documents to which it is a party or as expressly permitted or required thereunder or engage in any business or activity other than:
 - (i) as provided for or permitted in the Programme Documents, relevant Transaction Documents or any Final Terms or Pricing Supplement, as the case may be;
 - (ii) the ownership, management and disposal of Trust Assets as provided in the Programme Documents, relevant Transaction Documents or any Final Terms or Pricing Supplement, as the case may be; and
 - (iii) such other matters which are incidental thereto.

7 FIXED PERIODIC DISTRIBUTION AMOUNT PROVISIONS

7.1 Application

This Condition 7 (*Fixed Periodic Distribution Amount Provisions*) is applicable to the Trust Certificates only if the Fixed Periodic Distribution Amount Provisions are specified in the relevant Final Terms or Pricing Supplement, as the case may be.

7.2 Periodic Distribution Amount

A Periodic Distribution Amount representing a defined share of the profit in respect of the Trust Assets for the relevant Series of Trust Certificates will be payable in respect of the Trust Certificates and be distributable by the Trustee to the Certificateholders in accordance with these Conditions.

7.3 Calculation of Periodic Distribution Amount

The Periodic Distribution Amount payable in respect of each Trust Certificate for any Return Accumulation Period shall be the relevant Fixed Amount (or if so specified in the Final Terms or Pricing Supplement, as the case may be, the Broken Amount so specified) and, if the Trust Certificates are in more than one Specified Denomination, shall be the relevant Fixed Amount (or, as the case may be, Broken Amount) in respect of the relevant Specified Denomination.

The Periodic Distribution Amount payable on any Periodic Distribution Date in respect of each Trust Certificate for any period for which a Fixed Amount is not specified, shall be the amount determined by applying the applicable Rate to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Trust Certificate divided by the Calculation Amount. For this purpose, a **sub-unit** means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7.4 Periodic Distribution Date

Subject to Condition 7.6 (*Cessation of Profit Entitlement*), Condition 11.2 (*Early Dissolution for Tax Reasons*), Condition 11.3 (*Dissolution at the Option of the Trustee*) and Condition 15 (*Dissolution Events*) below, and unless otherwise specified in the relevant Final Terms or Pricing Supplement, as the case may be, each Periodic Distribution Amount will be made in respect of the relevant Trust Certificates in arrears on each Periodic Distribution Date.

7.5 Return Accumulation Period

The Periodic Distribution Amount payable on each Periodic Distribution Date will be in respect of the relevant Return Accumulation Period which, unless otherwise specified in the relevant Final Terms or Pricing Supplement, as the case may be, shall be the period from and including the Return Accrual Commencement Date of the relevant Series of Trust Certificates to but excluding the first Periodic Distribution Date in respect of such Series and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date.

7.6 Cessation of Profit Entitlement

No further amounts will be payable on any Trust Certificate from and including the Dissolution Date unless, upon due presentation, payment of the Dissolution Amount or any part thereof is improperly withheld or refused. In such event, Periodic Distribution Amounts shall continue to be payable as provided in accordance with this Condition 7 (*Fixed Periodic Distribution Amount Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Trust Certificate up to that day are received by or on behalf of the relevant Certificateholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Certificateholders of the relevant Series that it has received all sums due in respect of the Trust Certificates up to such seventh day (except to the extent that there is any subsequent default in payment under these Conditions).

7.7 Notifications, etc. to be final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 7 (*Fixed Periodic Distribution Amount Provisions*), whether by the Calculation Agent or, if applicable, the Trustee or the Delegate, as the case may be, will (in the absence of wilful default, bad faith or manifest or proven error) be binding on the Trustee, the Delegate, the Principal Paying Agent and all Certificateholders of such Series. No liability to the Trustee, the ICD, the Delegate, the Principal Paying Agent or the Certificateholders shall attach to the Calculation Agent or, where applicable, the Trustee or the Delegate, as the case may be, in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition 7 (*Fixed Periodic Distribution Amount Provisions*).

8 FLOATING PERIODIC DISTRIBUTION AMOUNT PROVISIONS

8.1 Application

This Condition 8 (*Floating Periodic Distribution Amount Provisions*) is applicable to the Trust Certificates only if the Floating Periodic Distribution Amount Provisions are specified in the relevant Final Terms or Pricing Supplement, as the case may be.

8.2 Periodic Distribution Amount

A Periodic Distribution Amount representing a defined share of the profit in respect of the Trust Assets for the relevant Series of Trust Certificates will be payable in respect of the Trust Certificates and be distributable by the Trustee to the Certificateholders in accordance with these Conditions.

8.3 Screen Rate Determination

If Screen Rate Determination is specified in the relevant Final Terms or Pricing Supplement, as the case may be, as the manner in which the Rate(s) is/are to be determined, the Rate applicable to the Trust Certificates for each Return Accumulation Period will be determined by the Calculation Agent on the following basis:

- (a) if the Reference Rate specified in the relevant Final Terms or Pricing Supplement, as the case may be, is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Periodic Distribution Determination Date;

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

and the Rate for such Return Accumulation Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Return Accumulation Period, the Rate applicable to the Trust Certificates during such Return Accumulation Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Trust Certificates in respect of a preceding Return Accumulation Period.

In this Condition 8.3, Reference Rate shall be any one of the following as specified in the applicable Final Terms or Pricing Supplement, as the case may be:

- Eurozone interbank offered rate (EURIBOR)
- London interbank bid rate (LIBID)
- London interbank offered rate (LIBOR)
- Shanghai interbank offered rate (SHIBOR)
- Hong Kong interbank offered rate (HIBOR)
- CNH Hong Kong interbank offered rate (CHN HIBOR)
- Singapore interbank offered rate (SIBOR)
- Kuala Lumpur interbank offered rate (KLIBOR)
- Emirates interbank offered rate (EIBOR)
- Saudi Arabia interbank offered rate (SAIBOR)
- Japanese Yen LIBOR (JPY LIBOR)
- Turkish Lira interbank offered rate (TRLIBOR)

8.4 Cessation of Profit Entitlement

No further amounts will be payable on any Trust Certificate from and including the Dissolution Date unless, upon due presentation, payment of the Dissolution Amount or any part thereof is improperly withheld or refused. In such event, Periodic Distribution Amounts shall continue to be payable as provided in accordance with this Condition 8 (*Floating Periodic Distribution Amount Provisions*) (as well after as before judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Trust Certificate up to that day are received by or on behalf of the relevant Certificateholder and (b) the day which is seven days after the Principal Paying Agent has notified the Certificateholders of the relevant Series that it has received all sums due in respect of the Trust Certificates up to such seventh day (except to the extent that there is any subsequent default in payment under these Conditions).

8.5 Calculation of Periodic Distribution Amount

The Calculation Agent will, as soon as practicable after the time at which the Rate is to be determined in relation to each Return Accumulation Period, calculate the Periodic Distribution Amount payable in respect of each Trust Certificate for such Return Accumulation Period. The Periodic Distribution Amount will be calculated by applying the Rate applicable to the relevant Return Accumulation Period to:

- (a) in the case of Trust Certificates that are represented by a Global Certificate, the aggregate face amount outstanding of the Trust Certificate represented by such Global Certificate; or
- (b) in the case of Trust Certificates in individual registered form, the Calculation Amount,

and in each case, multiplying the product by the relevant Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). Where the Specified Denomination of a Trust Certificate in individual registered form is a multiple of the Calculation Amount, the Periodic Distribution Amount payable in respect of such Trust Certificate shall be the product of the amount determined in respect of such Trust Certificate above and the Specified Denomination divided by the Calculation Amount. For this purpose, a **sub-unit** means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

8.6 Return Accumulation Period

The Periodic Distribution Amount payable on each Periodic Distribution Date will be in respect of the relevant Return Accumulation Period which, unless otherwise specified in the relevant Final Terms or Pricing Supplement, as the case may be, shall be the period from and including the Return Accrual Commencement Date of the relevant Series of Trust Certificates to but excluding the first Periodic Distribution Date in respect of such Series and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date.

8.7 Calculation of Other Amounts

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

8.8 Determination by the Trustee

The Trustee or the Delegate, as the case may be, shall, if the Calculation Agent defaults at any time in its obligation to determine the Periodic Distribution Amount in accordance with the above provisions, determine the Periodic Distribution Amount in the manner provided in Conditions 8.5 (*Calculation of Periodic Distribution Amount*) and 8.7 (*Calculation of Other Amounts*) above and any such determination shall be deemed to be a determination by the Calculation Agent.

8.9 Publication

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

8.10 Notifications, etc. to be final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 8 (*Floating Periodic Distribution Amount Provisions*), whether by the Calculation Agent or, if applicable, the Trustee or the Delegate, as the case may be, will be binding on the Trustee, the Delegate, the Principal Paying Agent and all Certificateholders (in the absence of wilful default, bad faith or manifest or proven error). No liability to the Trustee, the ICD, the Delegate, the Principal Paying Agent or the Certificateholders shall attach to the Calculation Agent or, where applicable, the Trustee or the Delegate, as the case may be, in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition 8 (*Floating Periodic Distribution Amount Provisions*).

9 PAYMENT

Payment of Dissolution Amounts and Periodic Distribution Amounts will be made by transfer to the registered account (as defined below) of the Certificateholder or by cheque drawn on a bank that processes payments in the Specified Currency mailed to the registered address of the Certificateholder if it does not have a registered account. Payments of Dissolution Amounts and payments of Periodic Distribution Amounts due otherwise than on a Periodic Distribution Date will only be made against surrender of the relevant Trust Certificate at the Specified Office of any of the Agents. Periodic Distribution Amounts on Trust Certificates due on a Periodic Distribution Date will be paid to the holder shown on the Register on the Record Date.

For the purposes of this Condition 9 (*Payment*), a Certificateholder's registered account means the account in the Specified Currency maintained by or on behalf of such Certificateholder with a bank that processes payments in the Specified Currency, details of which appear on the Register at the close of business, in the case of principal and Periodic Distribution Amounts due otherwise than on a Periodic Distribution Date, on the second Payment Business Day before the due date for payment and, in the case of principal and Periodic Distribution Amounts due on a Periodic Distribution Date, on the relevant Record Date, and a Certificateholder's registered address means its address appearing on the Register at that time.

All such payments will be made 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 in Condition 13 (*Taxation*) 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 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 13 (*Taxation*)) any law implementing an intergovernmental approach thereto).

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be

mailed, on the Payment Business Day preceding the due date for payment or, in the case of a payment of principal or due otherwise than on a Periodic Distribution Date, if later, on the Payment Business Day on which the relevant Trust Certificate is surrendered at the Specified Office of an Agent.

Unless otherwise specified in the relevant Final Terms or Pricing Supplement, as the case may be, Certificateholders will not be entitled to any payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the Certificateholder is late in surrendering its Trust Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

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

10 AGENTS

10.1 Agents of Trustee

In acting under the Agency Agreement and in connection with the Trust Certificates, the Agents act solely as agents of the Trustee and, to the extent provided therein, the Delegate, and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificateholders.

10.2 Specified Offices

The names of the initial Agents and the initial Specified Offices are listed in the Agency Agreement. Each of the Trustee and the ICD reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents *provided, however, that*:

- (a) it will at all times maintain a Principal Paying Agent;
- (b) it will at all times maintain a Registrar;
- (c) if and for so long as any Trust Certificates are admitted to listing, trading and/or quotation on any competent authority, stock exchange and/or quotation system, it will at all times maintain a Principal Paying Agent and/or Transfer Agent having its Specified Office in any place required by such competent authority, stock exchange and/or quotation system; and
- (d) it will at all times maintain a Calculation Agent.

Notice of any termination or appointment and of any changes in Specified Offices will be given to the Certificateholders promptly by the Trustee in accordance with Condition 18 (*Notices*).

11 CAPITAL DISTRIBUTIONS OF TRUST

11.1 Scheduled Dissolution

Unless the Trust Certificates are redeemed earlier, each Series of the Trust Certificates will be redeemed on the relevant Maturity Date at its Final Dissolution Amount together with, for the avoidance of doubt, any accrued but unpaid Periodic Distribution Amounts. Upon payment in full of such amounts and the dissolution of the relevant Trust, the Trust 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.

11.2 Early Dissolution for Tax Reasons

The Trust in respect of a Series of Trust Certificates may be dissolved and the corresponding Trust Certificates redeemed at the option of the Trustee (with the prior written consent of the ICD) in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the

Certificateholders (which notice shall be irrevocable), at their Dissolution Amount, together with Periodic Distribution Amounts accrued but unpaid (if any) to, but excluding, the Dissolution Date:

- (a) at any time (if the Floating Periodic Distribution Amount Provisions are not specified in the relevant Final Terms or Pricing Supplement, as the case may be); or
- (b) on any Periodic Distribution Date (if the Floating Periodic Distribution Amount Provisions are specified in the relevant Final Terms or Pricing Supplement, as the case may be),

on giving not less than 30 nor more than 60 days' notice to the Certificateholders (which notice shall be irrevocable), at their Early Dissolution Amount (Tax), together with Periodic Distribution Amounts accrued but unpaid (if any) to, but excluding, the relevant Dissolution Date, if:

- (i) (1) the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction or, by any authority in or of a Relevant Jurisdiction having a power tax), which change or amendment becomes effective on or after the Issue Date, and (2) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; and
- (ii) the Trustee has received notice from the ICD that: (1) the ICD has or will become obliged to pay additional amounts pursuant to the terms of any of the Programme Documents or Transaction Documents to which it is a party as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction or, by any authority in or of a Relevant Jurisdiction have a power tax), which change or amendment becomes effective on or after the Issue Date; and (2) such obligation cannot be avoided by the ICD taking reasonable measures available to it,

provided, however, that no such notice of dissolution shall be given unless the Trustee has received the relevant exercise notice from the ICD under the Sale Undertaking Deed and no such notice of dissolution shall be given earlier than 90 days prior to the earliest date (in the case of (i) above) on which the Trustee would be obliged to pay such additional amounts if a payment in respect of the Trust Certificates were then due, or (in the case of (ii) above) the ICD would be obliged to pay such additional amounts if payment under the corresponding Programme Document or Transaction Document were then due.

Prior to the publication of any notice of dissolution pursuant to this paragraph, the Trustee shall deliver to the Delegate and the Principal Paying Agent: (a) a certificate signed by two directors of the Trustee (in the case of (i) above) or two authorised signatories of the Trustee (in the case of (ii) above) stating that the Trustee is entitled to effect such redemption and dissolution and setting forth a statement of facts showing that the conditions precedent in (i), or as the case may be, (ii) above to the right of the Trustee so to redeem and dissolve have occurred; and (b) an opinion of independent legal or tax advisors of recognised standing to the effect that the Trustee or the ICD has or will become obliged to pay such additional amounts as a result of such change or amendment. The Delegate shall be entitled to accept (without further investigation) any such certificate and opinion as sufficient evidence thereof, in which case it shall be conclusive and binding on the Certificateholders. Upon the expiry of any such notice as is referred to in this Condition 11.2 (*Early Dissolution for Tax Reasons*), the Trustee shall be bound to redeem the Trust Certificates in accordance with this Condition 11.2 (*Early Dissolution for Tax Reasons*). Upon such redemption and dissolution as aforesaid and the termination of the relevant Trust, the Trust 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.

11.3 Dissolution at the Option of the Trustee

If the Optional Dissolution (Call) option is specified in the relevant Final Terms or Pricing Supplement, as the case may be, as being applicable, the relevant Trust in respect of such Series of Trust Certificates may be dissolved and the Trust Certificates redeemed at the option of the Trustee (with the prior written consent of the ICD) in whole but not in part on any Optional Dissolution Date (Call) at the relevant Optional Dissolution Amount (Call) on the Trustee giving not less than 30 nor more than 60 days' notice to the Certificateholders (which notice shall be irrevocable and shall oblige the Trustee to dissolve the Trust and redeem all of the Trust Certificates of the relevant Series on the relevant Optional Dissolution Date (Call) at the Optional Dissolution Amount (Call) plus Periodic Distribution Amounts (if any) to such date). Upon payment in full of such amounts accrued but unpaid and the termination of the relevant Trust, the Trust 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.

11.4 No Other Optional Early Dissolution

The Trustee shall not be entitled to redeem any Series of Trust Certificates and the Trustee shall not be entitled to dissolve the Trust created in respect of such Series at its option otherwise than as provided in Conditions 11.1 (*Scheduled Dissolution*), 11.2 (*Early Dissolution for Tax Reasons*) and 11.3 (*Dissolution at the Option of the Trustee*).

11.5 Cancellation

All Trust Certificates which are redeemed will forthwith be cancelled and accordingly may not be held, reissued or resold.

12 PURCHASE OF TRUST CERTIFICATES

The ICD may at any time purchase Trust Certificates at any price in the open market or otherwise. Following any purchase of Trust Certificates pursuant to this Condition 12, the ICD may exercise its rights under the Sale Undertaking and deliver a Cancellation Notice to the Trustee. Following receipt of a Cancellation Notice, the Trustee shall transfer, assign and convey the Trust Assets relating to the corresponding Trust in respect of the Trust Certificates with a total Net Asset Value (as defined in the Master Purchase Agreement) that is not greater than the aggregate face amount of the Trust Certificates so purchased in return for the delivery of such Trust Certificates to the Principal Paying Agent for cancellation as described below.

Any transfer, assignment, conveyance and release of the Trust Assets to the ICD pursuant to this Condition 12 and delivery of Trust Certificates to the Principal Paying Agent for cancellation as described below may only take place on a Periodic Distribution Date, and any Trust Assets to be so transferred, assigned, conveyed and released must be transferred, assigned, conveyed and released in full and there may not be any transfer of such Trust Assets in part only.

Following any purchase of Trust Certificates by the ICD pursuant to this Condition 12, such Trust Certificates shall be delivered by the ICD to the Principal Paying Agent for cancellation on the immediately following Periodic Distribution Date and accordingly may not be held, reissued or resold.

13 TAXATION

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

- (a) who is liable for such Taxes in respect of such Trust Certificate by reason of having some connection with any Relevant Jurisdiction other than the mere holding of such Trust Certificate; or
- (b) where (in the case of principal or Periodic Distribution Amounts on dissolution) the relevant Trust Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Certificateholder would have been entitled to such additional amount if it had surrendered the relevant Trust Certificate on the last day of such period of 30 days.

In these Conditions, references to Final Dissolution Amount, Early Dissolution Amount (Tax), Optional Dissolution Amount (Call) and Periodic Distribution Amount shall be deemed to include any additional amounts payable under this Condition 13.

14 PRESCRIPTION

The rights to receive distributions in respect of the Trust Certificates will be forfeited unless presented for payment within periods of ten years (in the case of Dissolution Amounts) and a period of five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof.

15 DISSOLUTION EVENTS

If any of the following events occurs and is continuing (each, a **Dissolution Event**):

- (a) default is made in the payment of any Dissolution Amount in respect of the relevant Series of Trust Certificates on the date fixed for payment thereof, or default is made in the payment of any Periodic Distribution Amount in respect of any Trust Certificate on the due date for payment thereof, and in the case of any Periodic Distribution Amount only, such default continues for a period of seven days; or
- (b) the Trustee fails duly to perform or comply with any of the obligations expressed to be assumed by it in the Programme Documents or Transaction Documents to which it is a party and such failure or breach remains unremedied for 30 days after the Delegate has given written notice thereof to the Trustee; or
- (c) an ICD Event occurs under the Master Service Agency Agreement; or
- (d) the Trustee fails to exercise the rights that it has under the Additional Portfolio Assets Sale Undertaking or fails to enter into any relevant Additional Portfolio Assets Sale Agreement in the event that a Servicing Report in respect of the Portfolio of the relevant Series identifies the Tangibility of the relevant Portfolio as being less than 33 per cent. or identifies a Revenue Generating Assets Shortfall in respect of that Portfolio and such rights are capable of being exercised and such exercise is not restricted as a result of non-availability of any Additional Portfolio Assets on the ICD's balance sheet; or
- (e) the Trustee repudiates any Programme Document or Transaction Document to which it is a party, any Supplemental Purchase Agreement, any Additional Portfolio Assets Sale Agreement or any Supplemental Trust Deed or does or causes to be done any act or thing evidencing an intention to repudiate any Programme Document or Transaction Document to which it is a party, any Supplemental Purchase Agreement, any Additional Portfolio Assets Sale Agreement or any Supplemental Trust Deed; or
- (f) at any time it is or will become unlawful for the Trustee (by way of insolvency or otherwise) to perform or comply with any of its obligations under the Programme Documents or Transaction Documents, any Supplemental Purchase Agreement, any Additional Portfolio Assets Sale Agreement or any Supplemental Trust Deed or any of the obligations of the Trustee under the Programme Documents or Transaction Documents, any Supplemental Purchase Agreement, any Additional Portfolio Assets Sale Agreement or any Supplemental Trust Deed are not or cease to be legal, valid, binding and enforceable;

then the Delegate at its discretion may, and if so requested in writing by the Certificateholders representing not less than one-fifth in face amount of the Trust Certificates of the relevant Series for the time being outstanding or if so directed by an Extraordinary Resolution (each a **Dissolution Request**), and subject to being indemnified and/or secured and/or prefunded to its satisfaction and to the provisions of Condition 16.2 (*Enforcement by the Delegate*) shall, give notice to the Trustee and the ICD (delivered to the Trustee and the ICD or to the Specified Office of the Principal Paying Agent) that the Trust Certificates of the relevant Series are to be redeemed (whereupon they shall become immediately due and payable at their Dissolution Amount together with accrued Periodic Distribution Amounts (if any)) and the Trust in respect of the relevant Series of Trust Certificates shall be dissolved on the day after the last outstanding Trust Certificate has been redeemed. Any such notice shall promptly be given to the Certificateholders of the relevant Series in accordance with Condition 18 (*Notices*). Upon payment in full of such amounts, the Trust 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.

Unless otherwise specified in the relevant Final Terms or Pricing Supplement, as the case may be, the Return Accumulation Period during which a Dissolution Event occurs will be adjusted to represent the period from and including the immediately preceding Periodic Distribution Date (or the Issue Date, as the case may be) to but excluding the Dissolution Date (or, if later, the date on which the applicable Periodic Distribution Amount is actually paid), and the corresponding Periodic Distribution Amount shall be adjusted accordingly and paid on such Dissolution Date (or, if later, the date on which the applicable Periodic Distribution Amount is actually paid).

For the purpose of (a) above, amounts shall be considered due in respect of the Trust Certificates (including for the avoidance of doubt any amounts calculated as being payable under Condition 7 (*Fixed Periodic Distribution Amount Provisions*), Condition 8 (*Floating Periodic Distribution Amount Provisions*) and Condition 11 (*Capital Distributions of Trust*)) notwithstanding that the Trustee has at the relevant time insufficient funds or Trust Assets to pay such amounts.

The Trustee and/or the ICD shall notify the Delegate promptly following the occurrence of a Dissolution Event.

*Under the Master Service Agency Agreement, **ICD Event** is defined to mean:*

- (i) The ICD fails to pay any amount which is due and payable under this Agreement, the Guarantee, the Purchase Undertaking Deed or any other Transaction Document to which it is a party and such failure to pay remains unremedied for 7 days;*
- (ii) The ICD fails to perform or observe any of its covenants and/or obligations or is in breach of any of its representations and warranties under this Agreement or under any other Programme Document or Transaction Document to which it is a party and such failure or breach remains unremedied for 30 days after the Delegate has given written notice thereof to the ICD;*
- (iii) The ICD repudiates any Programme Document or Transaction Document to which it is a party or does or causes to be done any act or thing evidencing an intention to repudiate any Programme Document or Transaction Document to which it is a party;*
- (iv) At any time it is or will become unlawful or contrary to its Articles of Agreement for the ICD to perform or comply with any or all of its obligations under the Programme Document or Transaction Documents or any of the obligations of the ICD under the Programme Documents or Transaction Documents are not or cease to be legal, valid, binding and enforceable;*
- (v) The ICD temporarily suspends or temporarily terminates its operations or intends to temporarily suspend or temporarily terminate its operations;*

- (vi) *There occurs any distribution of the assets of the ICD contrary to its Articles of Agreement;*
- (vii) *The General Assembly of the ICD passes a resolution to terminate the operations of the ICD;*
- (viii) *An order is made or an effective resolution passed for winding up the ICD (unless the order is made for the purpose of a reorganisation while solvent of the ICD); or*
- (ix) *The ICD ceases to carry on its business or a substantial part of its business or stops payment of any amounts due to its creditors generally or becomes unable to pay its debts as they fall due or otherwise becomes insolvent (unless it does so for the purpose of a reorganisation, the terms of which have been approved in writing by the Trustee and where the ICD demonstrates to the satisfaction of the Trustee that it is solvent).*

16 ENFORCEMENT AND EXERCISE OF RIGHTS

16.1 Enforcement

Upon the occurrence of a Dissolution Event or a Potential Dissolution Event, the Delegate shall (subject to Condition 16.2) take one or more of the following steps:

- (a) enforce the provisions of any of the Trust Certificates, the Programme Documents or the Transaction Documents in respect of a relevant Series; and
- (b) take such proceedings and/or other steps as it may think fit against or in relation to each of the Trustee and/or the ICD to realise Trust Assets and to recover amounts due to Certificateholders.

Following the enforcement, realisation and ultimate distribution of the net proceeds of the relevant Trust Assets in respect of the Trust Certificates to the Certificateholders in accordance with these Conditions and the Trust Deed, the Trustee shall not be liable for any further sums and, accordingly, Certificateholders may not take any action against the Trustee or any other person (including the ICD) to recover any such sum in respect of the Trust Certificates or the relevant Trust Assets.

16.2 Enforcement by the Delegate

The Delegate shall not be bound in any circumstances to take any action, step or proceeding to enforce or to realise the Trust Assets or take any action, steps or proceedings against the Trustee and/or the ICD under any of the Programme Documents or the Transaction Documents to which the Trustee or the ICD is a party unless directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by the Certificateholders holding at least one-fifth in face amount of the Trust Certificates then outstanding and in either case then only if it shall be indemnified and/or pre-funded and/or secured to its satisfaction against all Liabilities to which it may render itself liable or which it may incur by so doing.

16.3 No direct enforcement by Certificateholders

No Certificateholder shall be entitled to proceed directly against the Trustee or the ICD unless (a) the Delegate, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing, and (b) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against any of the Trustee or the ICD, as the case may be) holds at least twenty per cent. (20%) of the then outstanding Aggregate Nominal Amount of the relevant Series of Trust Certificates. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than to the ICD pursuant to the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and the ICD shall be to enforce their respective obligations under the Programme Documents and Transaction Documents.

The foregoing paragraphs in Condition 16 (*Enforcement and Exercise of Rights*) are subject to this paragraph. After enforcing or realising the relevant Trust Assets and distributing the net proceeds of the relevant Trust Assets in accordance with Condition 5.2 (*Application of Trust Assets prior to Dissolution*) and, as the case may be, Condition 5.3 (*Application of Trust Assets on the Dissolution Date*), the obligations of the Trustee in respect of the Trust Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee to recover any further sums in respect of the Trust Certificates and the right to receive any such sums 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 or the Delegate.

16.4 Limited recourse

Notwithstanding anything to the contrary contained herein or in any other Programme Document or Transaction Document, no payment of any amount whatsoever shall be made in respect of the Trust Certificates or by the Trustee (and/or its shareholders, officers, directors or corporate services providers in their capacity as such) or any agents thereof except to the extent that funds are available thereof from the Trust Assets of the relevant Series of Trust Certificates.

Certificateholders, by subscribing for or acquiring Trust Certificates, acknowledge that no recourse may be had in respect of any shortfall in the amounts due in respect of any Trust Certificates against the Delegate, in any circumstances whatsoever, or against the Trustee (and/or its shareholders, officers, directors or corporate services providers in their capacity as such) or the Trust to the extent that the Trust Assets have been exhausted, following which all obligations of the Delegate, the Trustee and the Trust shall be extinguished.

In addition, no Certificateholder will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Trustee, the Trust, the Delegate or any of their affiliates as a consequence of such shortfall or otherwise.

The proceeds of the relevant Trust Assets are the sole source of payment on the Trust Certificates of such Series and the net proceeds of the realisation of, or enforcement with respect to the relevant Trust Certificates may not be sufficient to make all payments due in respect of the Trust Certificates. Certificateholders will have no recourse to any assets of the Trustee (and/or its shareholders, officers, directors or corporate services providers in their capacity as such) (other than Trust Assets of the relevant Series of Trust Certificates), or the ICD, to the extent it fulfils its obligations under the Programme Documents and Transaction Documents to which it is a party, the Agents or any of their affiliates 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 the obligations of the Trustee shall be extinguished. In addition, Certificateholders shall not be entitled to claim or exercise any right of set-off or counterclaim in respect of any sums due under the Trust Certificates or claim any lien or other rights over any property held by the Trustee on behalf of the Certificateholders. The Delegate will, as delegate to the Trustee for the Certificateholders, have direct recourse against the ICD to recover payments due to the Trustee from the ICD pursuant to such Programme Documents and Transaction Documents.

17 REPLACEMENT OF TRUST CERTIFICATES

Should any Trust Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the Specified Office of the Transfer Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Trustee may reasonably require. Mutilated or defaced Trust Certificates must be surrendered before replacements will be issued.

18 NOTICES

All notices regarding the Trust Certificates will be deemed to be validly given if mailed to the Certificateholders at their respective addresses on the Register and, if the Trust Certificates are admitted to trading on the Regulated Market of the London Stock Exchange (or any other Stock Exchange (and when the rules of such Stock Exchange so require)), if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or in

either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe (or published in a daily newspaper of general circulation in the jurisdiction of such Stock Exchange in the case of Trust Certificates admitted to trading on any other Stock Exchange). The Principal Paying Agent (acting on behalf of the Trustee) shall also ensure that notices are duly published in a manner which complies with the rules of any competent authority, stock exchange and/or quotation system on which any Trust Certificates are from time to time admitted to listing, trading and/or quotation.

Any such notice will be deemed to have been given on the seventh day after being so mailed or, if required to be published, on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. Notices to be given by any Certificateholders shall be in writing and given by lodging the same, together with the relevant Certificate of Registration or Certificates of Registration, with the Registrar.

19 MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION AND REPLACEMENT OF DELEGATE

The Master Trust Deed contains provisions for the Trustee and/or Delegate and/or the ICD to convene meetings of Certificateholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions, any of the provisions of the Master Trust Deed, or any other Programme Document or Transaction Document, provided that the ICD shall not be entitled to be included in any quorum or vote at any such meeting. The quorum at any meeting for passing an Extraordinary Resolution will be one or more Certificateholders, proxies or representatives holding or representing in the aggregate more than fifty per cent. (50%) in face amount of the relevant Series of the Trust Certificates for the time being outstanding, or at any adjourned meeting one or more Certificateholders, proxies or representatives present whatever the face amount of the Trust Certificates held or represented by him or them, except that any meeting the business of which includes the modification of certain provisions of the Trust Certificates (including modifying the Maturity Date or any other date for payment in respect of the Trust Certificates, reducing or cancelling any amount payable in respect of the Trust Certificates or altering the currency of payment of Trust Certificates or amending the terms of Condition 5 (*The Trust*), Condition 7.1 (*Periodic Distribution Amount*) 7.2 (*Periodic Distribution Date*), Condition 15 (*Dissolution Events*), amending certain covenants in the Master Trust Deed or the Purchase Undertaking Deed or amending the Guarantee in any way), the quorum shall be one or more Certificateholders, proxies or representatives holding or representing in aggregate not less than seventy five per cent. (75%) in face amount of the Trust Certificates for the time being outstanding, or at any adjourned meeting, the quorum shall be one or more Certificateholders, proxies or representatives holding or representing in aggregate not less than twenty five per cent. (25%) in face amount of the Trust Certificates for the time being outstanding. To be passed, an Extraordinary Resolution requires a majority in favour consisting of not less than seventy five per cent. (75%) of the persons voting on a show of hands or, if a poll is duly demanded, a majority of not less than seventy five per cent. (75%) of the votes cast on such poll and, if duly passed, will be binding on all holders of the relevant Series of the Trust Certificates, whether or not they are present at the meeting and whether or not voting.

In addition, a resolution in writing signed by or on behalf of seventy five per cent. (75%) of Certificateholders who for the time being are entitled to receive notice of a meeting of Certificateholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders.

The Delegate may from time to time and at any time without any consent or sanction of the Certificateholders agree and require the Trustee to agree to any modification to these Conditions, the Master Trust Deed, or any other Programme Document or any Transaction Document if in its opinion such modification (i) is of a formal, minor or technical nature; (ii) is made to correct a manifest or proven (to the satisfaction to the Delegate) error; or (iii) is proper to make and is not materially prejudicial to the interests of the Certificateholders and is other than in respect of a Reserved Matter or any provision referred to in the definition of Reserved Matter. In addition, other than in respect of a Reserved Matter or any provision referred to in the definition of Reserved Matter, the Delegate may from time to time and at any time without any consent or sanction of the Certificateholders and on any such terms and conditions as seem expedient to it (i) agree to the waiver or authorisation of any

breach or proposed breach of, any of these Conditions, any provisions of the Master Trust Deed, any Programme Document or any other Transaction Document or (ii) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, which is not, in each case, in the opinion of the Delegate, materially prejudicial to the interests of the Certificateholders, provided that the Delegate shall not exercise any such powers in contravention of any express direction by Extraordinary Resolution or of a request in writing made by Certificateholders representing not less than one-fifth in face amount of Trust Certificates of the relevant Series for the time being outstanding (but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made).

In connection with the exercise by it of any of the powers, trusts, authorities and discretions vested in it by the Master Trust Deed, the Trust Certificates, the Conditions, the other Programme Documents or any Transaction Documents (including, without limitation, any modification, waiver, authorisation or determination), the Trustee and, where applicable, the Delegate shall have regard to the general interests of the Certificateholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof) and neither the Trustee nor the Delegate shall be entitled to require, nor shall any Certificateholder be entitled to claim from the Trustee, the Delegate or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders except to the extent provided in Condition 13 (*Taxation*).

Any modification, abrogation, waiver, authorisation or determination shall be binding on all the Certificateholders and, unless the Delegate otherwise decides, the Trustee shall be required to notify the Certificateholders of any modification, abrogation, waiver, authorisation or determination as soon as practicable thereafter in accordance with Condition 18 (*Notices*).

The Master Trust Deed also contains provisions regarding (i) the removal of the Delegate in respect of a Series of Trust Certificates pursuant to an Extraordinary Resolution of Certificateholders of the relevant Series of Trust Certificates, and (ii) the retirement of the Delegate upon not less than three months' notice in writing to the ICD and the Certificateholders of Trust Certificates then outstanding, provided that no such removal or retirement may become effective until a successor Delegate is appointed.

20 INDEMNIFICATION AND LIABILITY OF THE TRUSTEE AND THE DELEGATE

The Master Trust Deed contains provisions for the indemnification of each of the Trustee and the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving the Trustee or the Delegate from taking action unless indemnified, pre-funded and/or secured to its satisfaction.

The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of either the Trustee under the Transaction Documents or the ICD under the Guarantee 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 either the Trustee or the ICD but are not so paid and shall not in any circumstances have any liability arising from the Trust Assets.

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

The Master Trust Deed contains provisions pursuant to which no director or officer of the Delegate or of any holding, affiliated or associated company of the Delegate shall be precluded from subscribing

for the Trust Certificates issued under the Programme, with or without a commission or other remuneration, or from purchasing or otherwise acquiring, holding, dealing in or disposing of any notes, bonds, debentures, shares or securities whatsoever or from being interested in any contract or transaction or from accepting and holding the office of trustee or administrator for the holders of any other securities, and in any such case neither the Delegate nor any director or officer of the Delegate shall be liable to the Certificateholders for any profit made by it or him thereby or in connection therewith.

21 CURRENCY INDEMNITY

All payments made in respect of the Trust Certificates shall be made in the Specified Currency irrespective of the currency of the Trust Assets. Certificateholders shall accordingly be indemnified from the Trust Assets against:

- (a) any Liability incurred by any of them arising from the non-payment in respect of the Trust Certificates or of any other amount due to the Certificateholders under these Conditions by reason of any variation in the rates of exchange between those used for the purposes of calculating the amount due under a judgment or order in respect thereof and those prevailing at the date of actual payment; and
- (b) any deficiency arising or resulting from any variation in rates of exchange between (i) the date as of which the local currency equivalent of the amounts due or contingently due under the Conditions is calculated for the purposes of any bankruptcy, insolvency or liquidation of the Trust, the Trustee or the ICD and (ii) the final date for ascertaining the amount of claims in such bankruptcy, insolvency or liquidation. The amount of such deficiency shall be deemed not to be reduced by any variation in rates of exchange occurring between the said final date and the date of any distribution of assets in connection with any such bankruptcy, insolvency or liquidation.

The above indemnities apply irrespective of any indulgence granted by the Delegate or the Certificateholders from time to time and shall continue in full force and effect notwithstanding the judgment or filing of any proof or proofs in any bankruptcy, insolvency or liquidation of the Trust, the Trustee or the ICD for a liquidated sum or sums in respect of amounts due under the Conditions. Any such deficiency as aforesaid shall be deemed to constitute a loss suffered by the Certificateholders and no proof or evidence of any actual loss shall be required by the Trustee or the liquidator or liquidators of the Trust.

22 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

23 GOVERNING LAW AND DISPUTE RESOLUTION

23.1 Governing Law

Each of the Master Trust Deed, the Trust Certificates, the Guarantee, the Agency Agreement, the Purchase Undertaking Deed, the other Transaction Documents and Programme Documents (other than the Corporate Services Agreement and the Share Declaration of Trust) and each Transaction Document, and any non-contractual obligations arising out of or in connection with any of them (other than the Corporate Services Agreement and the Share Declaration of Trust) is governed by English law.

23.2 Agreement to arbitrate

Subject to Condition 23.3 (*Option to litigate*), any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Trust Deed, the Trust Certificates and these Conditions (including any dispute as to the existence, validity, interpretation, performance, breach or

termination of Trust Deed, the Trust Certificates and these Conditions or the consequences of the nullity of any of them or any dispute relating to any non contractual obligations arising out of or in connection with them) (a **Dispute**) shall be referred to and finally resolved by arbitration under the London Court of International Arbitration (**LCIA**) Arbitration Rules (the **Rules**), which Rules (as amended from time to time) are incorporated by reference into this Condition 23. For these purposes:

- (a) the place of arbitration shall be London;
- (b) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator in the Request for Arbitration or Response (as the case may be) and both arbitrators in turn shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. If one party or both fails to nominate an arbitrator in accordance with this Condition), such arbitrator(s) shall be appointed by the LCIA. If 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; and
- (c) the language of the arbitration shall be English.

23.3 Option to litigate

Notwithstanding Condition 23.2 (*Agreement to arbitrate*) above, the Delegate (or, but only where permitted to take action in accordance with the terms of the Trust Deed and these Conditions, any Certificateholder) may, in the alternative, and at its sole discretion, by notice in writing to the Trustee and the ICD:

- (a) within 28 days of service of a Request for Arbitration (as defined in the Rules); or
- (b) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If the Delegate or, as the case may be, a Certificateholder, gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 23.4 (*Effect of exercise of option to litigate*) and, subject as provided below, any arbitration commenced under Condition 23.2 (*Agreement to arbitrate*) in respect of that Dispute will be terminated. With the exception of the Delegate (whose costs will be borne by the ICD), each of the parties to the terminated arbitration will bear its own costs in relation thereto.

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the Delegate or, as the case may be, a Certificateholder, must also promptly give notice to the LCIA and to any Tribunal (as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

- (a) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
- (b) the arbitrator's entitlement to be paid his proper fees and disbursements; and
- (c) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

23.4 Effect of exercise of option to litigate

In the event that a notice pursuant to Condition 23.3 (*Option to litigate*) is issued, the following provisions shall apply:

- (a) subject to paragraph (c) below, the courts of England at the option of the Delegate or, as the case may be, at the option of the Certificateholders shall have exclusive jurisdiction to settle any Dispute and each of the Trustee and the ICD submits to the exclusive jurisdiction of such courts;
- (b) each of the Trustee and the ICD agrees that the courts of England are the most appropriate and convenient courts to settle and Dispute and, accordingly, that it will not argue to the contrary; and
- (c) this Condition 23.4 is for the benefit of the Delegate and Certificateholders only. As a result, and notwithstanding paragraph (a) above, the Delegate and any Certificateholder (where permitted to do so) may take proceedings relating to a Dispute (**Proceedings**) in any other courts with jurisdiction. To the extent allowed by law, the Delegate and the Certificateholders may take concurrent Proceedings in any number of jurisdictions.

23.5 **Process agent**

The Trustee has in the Master Trust Deed appointed Norose Notices Limited at its registered office 3 More London Riverside, SE1 2AQ, United Kingdom as its agent for service of process and has undertaken that, in the event of Norose Notices Limited ceasing so to act or ceasing to be registered in England, it will appoint another person approved by the ICD and/or the Delegate, as the case may be, as its agent for service of process in respect of any Proceedings and Disputes. Nothing herein shall affect the right to serve proceedings in any manner permitted by law.

23.6 **Waiver of immunity**

The ICD has, in each of the Programme Documents to which it is a party, represented and warranted that it has entered into such Agreement/Deed and the other Programme Documents to which it is a party in connection with the exercise of its powers to raise money and, accordingly, that it is not entitled to claim for itself or any of its assets immunity from legal process in actions taken in relation to such Agreement/Deed or any other Programme Documents and brought against it in a court of competent jurisdiction by the Trustee and/or the Delegate irrespective of the identity of the holders of beneficial interests in the Trust Certificates provided, however, that, in respect of any action brought against the ICD, no form of seizure, attachment or execution may be exercised against the property and assets of the ICD wheresoever located and by whomsoever held before delivery of final judgment against the ICD.

23.7 **Waiver of interest**

The parties to each of the Programme Documents have acknowledged and agreed that, notwithstanding any other provisions of such Programme Document, the principle of payment of interest is repugnant to the principles of Shariah and to the extent that any law or provision would impose (whether by contract or statute) an obligation to pay interest to the other party in relation to such Programme Document, the parties expressly waive and reject the entitlement to recover interest from the other party.

FORM OF FINAL TERMS

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

[Date]

HILAL SERVICES LTD Issue of [Aggregate Nominal Amount][Title of Trust Certificates]

with, *inter alia*, the benefit of a Guarantee (in respect of the payment obligations arising under the Portfolio of the relevant Series of Trust Certificates) provided by

THE ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR under the Trust Certificate Issuance Programme

[This Base Prospectus referred to below (as completed by the Final Terms) has been prepared on the basis that any offer of Trust Certificates in any Member State of the European Economic Area (each, a **Relevant Member State**), each of which has implemented the Prospectus Directive (2003/71/EC) as amended (which includes the amendments made by Directive 2010/73/EU) (the **Prospectus Directive**), will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Trust Certificates. Accordingly any person making or intending to make an offer in that Relevant Member State of the Trust Certificates may only do so in circumstances in which no obligation arises for the Trustee or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Trustee, the ICD nor any Dealer has authorised, nor do they authorise, the making of any offer of Trust Certificates in any other circumstances.]

Part A - Contractual Terms

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the **Conditions**) set forth in this Base Prospectus dated 21 December 2015 [and the supplemental Base Prospectus dated [●] [●]] which [together] constitute[s] a base prospectus (this **Base Prospectus**) for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Trust Certificates described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Trust Certificates and must be read in conjunction with such Base Prospectus [and supplements to it dated [●]].

Full information on the Trustee, the ICD and the offer of the Trust Certificates described herein is only available on the basis of the combination of these Final Terms and this Base Prospectus [as so supplemented]. This Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing on the London Stock Exchange's website at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> and during normal business hours at the specified office of the Principal Paying Agent set out in this Base Prospectus.

- | | | |
|---|---|---|
| 1 | (i) Issuer, Trustee: | Hilal Services Ltd |
| | (ii) Guarantor (in respect of payment obligations under the Portfolio): | The Islamic Corporation for the Development of the Private Sector (the ICD) |
| 2 | Series Number: | [●] |
| 3 | Specified Currency or Currencies: | [●] |
| 4 | Aggregate Nominal Amount of Series: | [●] |

5	Issue Price:	[●] per cent. of the Aggregate Nominal Amount
6	(i) Specified Denominations: (<i>this means the minimum integral amount in which Transfer can be made</i>).	[●]
	(ii) Calculation Amount:	[●]
7	(i) Issue Date:	[●]
	(ii) Return Accrual Commencement Date:	[The Issue Date]/[●]
8	Maturity Date:	[●]
9	Periodic Distribution Amount Basis:	[[●] per cent. Fixed Periodic Distribution Amount]/ [[●] +/-][●] per cent. Floating Periodic Distribution Amount] [Screen Rate Determination] (<i>further particulars specified below</i>)
10	Dissolution Basis:	[Dissolution at par]/[●]
11	Change of Periodic Distribution Amount or Dissolution Basis:	[●]/[Not Applicable]
12	(i) Call Options:	[Not Applicable]/[Optional Dissolution Call] [<i>further particulars specified below</i>]
	(ii) [Date of Trustee Board approval for issuance of Trust Certificates obtained:]	[●]
	(iii) [Date of ICD Board approval for issuance of Trust Certificates obtained:]	[●]
13	Method of distribution:	[Syndicated]/[Non-syndicated]

PROVISIONS RELATING TO PERIODIC DISTRIBUTION AMOUNTS (IF ANY) PAYABLE

14	Fixed Periodic Distribution Amount Provisions	[Applicable]/[Not Applicable]
	(i) [Fixed Amount:	[●] per Calculation Amount]
	(ii) Periodic Distribution Date(s):	[●] in each year [adjusted in accordance with [●]]
	(iii) Rate(s):	[●] per cent. per annum [payable [annually]/[semi-annually]/[quarterly]/[monthly] in arrear]
	(iv) Return Accumulation Period:	[Condition 7.5 (<i>Return Accumulation Period</i>) applies]/[●]
	(v) Broken Amount(s):	[●] per Calculation Amount, payable on the Period Distribution Date falling [in]/[on] [●]
	(vi) Day Count Fraction:	[Actual/Actual (ICMA)] [Actual/Actual (ISDA)] [Actual/365 (Fixed)]

			[Actual/360] [30/360] [30E/360]/[Eurobond Basis] [30E/360 (ISDA)]
	(vii) Business Day Convention:		[FRN Convention]/[Floating Rate Convention]/ [Eurodollar Convention] [Following Business Day Convention] [Modified Following Business Day Convention]/[Modified Business Day Convention] [Preceding Business Day Convention]
15	Floating Periodic Distribution Amount Provisions		[Applicable]/[Not Applicable]
	(i) Specified Periodic Distribution Dates:		[•]
	(ii) Specified Period:		[•]
	(iii) Business Day Convention:		[FRN Convention]/[Floating Rate Convention]/ [Eurodollar Convention] [Following Business Day Convention] [Modified Following Business Day Convention]/[Modified Business Day Convention] [Preceding Business Day Convention]
	(iv) Additional Business Centre(s):		[Not Applicable]/[•]
	(v) Manner in which the Rate(s) is/are to be determined:		[Screen Rate Determination (Condition 8.3 (<i>Screen Rate Determination</i>) applies)]
	(vi) Party responsible for calculating the Rate(s) and/or Periodic Distribution Amount(s) (if not the Principal Paying Agent):		[Not Applicable]/[<i>Name</i>] shall be the Calculation Agent]
	(vii) Screen Rate Determination:		[Applicable]/[Not Applicable]
	– Reference Rate:		[EURIBOR] [LIBID] [LIBOR] [SHIBOR] [HIBOR] [CHN HIBOR] [SIBOR] [KLIBOR] [EIBOR] [SAIBOR] [JPY LIBOR] [TRLIBOR]
	– Periodic Distribution Determination Dates(s):		[•]
	– Relevant Screen Page:		[•]
	– Relevant Time:		[•]

- Relevant Financial Centre: [●]
- Reference Banks: [●]
- (viii) Margin(s): [Not Applicable]/[+/-][●] per cent. per annum]
- (ix) Day Count Fraction: [Actual/Actual (ICMA)]
[Actual/Actual (ISDA)]
[Actual/365 (Fixed)]
[Actual/360]
[30/360]
[30E/360]/[Eurobond Basis]
[30E/360 (ISDA)]

PROVISIONS RELATING TO DISSOLUTION

- 16 Optional Dissolution (Call) [Applicable]/[Not Applicable]
- (i) Optional Dissolution Amount (Call) [Final Dissolution Amount]/[[●] per Calculation Amount]
- (ii) Optional Dissolution Date (Call) [Any Periodic Distribution Date]/[●]
- (iii) Notice period: [●]
- 17 Final Dissolution Amount [●] per Calculation Amount/[●]
- 18 Early Dissolution Amount (Tax): [Final Dissolution Amount]/[[●] per Calculation Amount]
- 19 Dissolution Event As listed in sub-paragraphs [(a) to (f)] inclusive of Condition 15 (*Dissolution Events*)

GENERAL PROVISIONS APPLICABLE TO THE TRUST CERTIFICATES

- 20 Additional Financial Centre(s) or other special provisions relating to Periodic Distribution Dates: [Not Applicable]/[●]
- 21 Other terms or special conditions [Not Applicable]/[●]

DISTRIBUTION

- 22 (i) If syndicated, names of Managers: [Not Applicable]/[●]
- (ii) Stabilising Manager(s) (if any): [Not Applicable]/[●]
- 23 If non-syndicated, name of Dealer: [Not Applicable]/[●]
- 24 Additional selling restrictions: [Not Applicable]/[See Schedule [●] of the [subscription] agreement dated [●]]

PROVISIONS IN RESPECT OF THE PORTFOLIO

- 25 Portfolio: The Portfolio as scheduled to the Supplemental Purchase Agreement dated [●] between the Trustee and

		the ICD
26	Trust Assets:	Condition 5.1 (<i>Trust Assets</i>) applies
27	Application of Trust Assets (Prior to Dissolution):	As specified in Condition 5.2 (<i>Application of Trust Assets prior to Dissolution</i>)
28	Application of Trust Assets (Following a Dissolution):	As specified in Condition 5.3 (<i>Application of Trust Assets on Dissolution Date</i>)

[RESPONSIBILITY

[*Relevant third party information*] has been extracted from [*specify source*]. Each of the Trustee and the ICD 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*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of **Hilal Services Ltd:**

By:.....

Duly authorised

Signed on behalf of **The Islamic Corporation for the Development of the Private Sector:**

By:

Duly authorised

Part B– Other Information

1 LISTING

- (i) Listing [London]/[London and NASDAQ Dubai]
- (ii) Admission to trading [Application has been made by the Trustee (or on its behalf) for the Trust Certificates to be admitted to trading on the Regulated Market of the London Stock Exchange with effect from [●].]/[Application is expected to be made by the Trustee (or on its behalf) for the Trust Certificates to be admitted to trading on Regulated Market of the London Stock Exchange with effect from [●].]

2 RATINGS

Ratings: [The Trust Certificates to be issued have been rated:

[[S&P] : [●]]

[[Moody's] : [●]]

[[Fitch] : [●]]

[Other] : [●]]

[[●] is established in the European Union and has applied for registration under Regulation (EC) No 1060/2009 (as amended) (the **CRA Regulation**)]

[[●] is established in the European Union and is registered under Regulation (EC) No 1060/2009 (as amended) (the **CRA Regulation**)]

[[●] is not established in the European Union and is not registered under Regulation (EC) No 1060/2009 (as amended) (the **CRA Regulation**)]

[Not Applicable]

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

[Save for any fees payable to the [Manager/Dealers] and save as discussed in "*Subscription and Sale*" of This Base Prospectus, so far as the Trustee or the ICD is aware, no person involved in the offer of the Trust Certificates has an interest material to the offer. The [Manager/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Trustee or the ICD and their affiliates in the ordinary course of business for which they may receive fees.]

4 ESTIMATED TOTAL EXPENSES

Estimated total expenses related to the admission to trading: [●]

5 [Fixed Periodic Distribution Amount Trust Certificates only – YIELD]

Indication of yield: [●]

Calculated as [●] on the Issue Date.

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 [Floating Periodic Distribution Amount Trust Certificates only – HISTORIC RATES]

Details of historic [LIBOR/EURIBOR/*other*] rates can be obtained from [Reuters].]

The Trustee [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

7 OPERATIONAL INFORMATION

(i) ISIN Code: [●]

(ii) Common Code: [●]

(iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking Société Anonyme and the relevant identification number(s): [Not Applicable]/[●]

(iv) Delivery: Delivery [against/free of] payment

(v) Names and addresses of initial paying agent(s): [●]

(vi) Names and addresses of additional paying agent(s) (if any): [●]

FORM OF PRICING SUPPLEMENT

EXEMPT CERTIFICATES OF ANY DENOMINATION

[Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Certificates, whatever the denomination of those Certificates, issued under the Programme.]

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC, AS AMENDED (THE PROSPECTUS DIRECTIVE) FOR THE ISSUE OF CERTIFICATES DESCRIBED BELOW AND THE EXEMPT CERTIFICATES ARE NOT COMPLIANT WITH THE PROSPECTUS DIRECTIVE. THE UK LISTING AUTHORITY HAS NEITHER APPROVED NOR REVIEWED THIS PRICING SUPPLEMENT.

Dated [●]

HILAL SERVICES LTD

Issue of [*Aggregate Nominal Amount*][*Title of Trust Certificates*]

with, *inter alia*, the benefit of a Guarantee (in respect of the payment obligations arising under the Portfolio of the relevant Series of Trust Certificates) provided by

THE ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

under the

Trust Certificate Issuance Programme

PART A — CONTRACTUAL TERMS

This document constitutes the Pricing Supplement for the Trust Certificates described herein. This document must be read in conjunction with the Base Prospectus dated 21 December 2015 [as supplemented by the supplement[s] dated [*date[s]*]] (the **Base Prospectus**). Full information on the Trustee [, the Guarantor] and the offer of the Certificates is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. Copies of the Base Prospectus may be obtained from [*address*].

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Base Prospectus [dated [*original date*]] which are incorporated by reference in the Base Prospectus.

[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]

- | | | |
|---|---|---|
| 1 | (i) Issuer, Trustee : | Hilal Services Ltd |
| | (ii) Guarantor (in respect of payment obligations under the Portfolio): | The Islamic Corporation for the Development of the Private Sector (the ICD) |
| 2 | Series Number: | [●] |
| 3 | Specified Currency or Currencies: | [●] |
| 4 | Aggregate Nominal Amount of Series: | [●] |

- 5 Issue Price: [●] per cent. of the Aggregate Nominal Amount
- 6 (iii) Specified Denominations: [●]
(*this means the minimum integral amount in which Transfer can be made*).
- (iv) Calculation Amount: [●]
- 7 (iii) Issue Date: [●]
- (iv) Return Accrual Commencement Date: [The Issue Date]/[●]
- 8 Maturity Date: [●]
- 9 Periodic Distribution Amount Basis: [[●] per cent. Fixed Periodic Distribution Amount]/[[●] +/-][●] per cent. Floating Periodic Distribution Amount]
[Screen Rate Determination] (*further particulars specified below*)
- 10 Dissolution Basis: [Dissolution at par]/[●]
- 11 Change of Periodic Distribution Amount or Dissolution Basis: [●]/[Not Applicable]
- 12 (iv) Call Options: [Not Applicable]/[Optional Dissolution Call] (*further particulars specified below*)
- (v) [Date of Trustee Board approval for issuance of Trust Certificates obtained:] [●]
- (vi) [Date of ICD Board approval for issuance of Trust Certificates obtained:] [●]
- 13 Method of distribution: [Syndicated]/[Non-syndicated]

PROVISIONS RELATING TO PERIODIC DISTRIBUTION AMOUNTS (IF ANY) PAYABLE

- 14 Fixed Periodic Distribution Amount Provisions [Applicable]/[Not Applicable]
- (i) [Fixed Amount: [●] per Calculation Amount]
- (ii) Periodic Distribution Date(s): [●] in each year [adjusted in accordance with [●]]
- (iii) Rate(s): [●] per cent. per annum [payable [annually]/[semi-annually]/[quarterly]/[monthly] in arrear]
- (iv) Return Accumulation Period: [Condition 7.5 (*Return Accumulation Period*) applies]/[●]
- (v) Broken Amount(s): [●] per Calculation Amount, payable on the Period Distribution Date falling [in]/[on]/[●]

	(vi) Day Count Fraction:	[Actual/Actual (ICMA)] [Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/360] [30/360] [30E/360]/[Eurobond Basis] [30E/360 (ISDA)]
	(vii) Business Day Convention:	[FRN Convention]/[Floating Rate Convention]/ [Eurodollar Convention] [Following Business Day Convention] [Modified Following Business Day Convention]/[Modified Business Day Convention] [Preceding Business Day Convention]
15	Floating Periodic Distribution Amount Provisions	[Applicable]/[Not Applicable]
	(i) Specified Periodic Distribution Dates:	[•]
	(ii) Specified Period:	[•]
	(iii) Business Day Convention:	[FRN Convention]/[Floating Rate Convention]/[Eurodollar Convention] [Following Business Day Convention] [Modified Following Business Day Convention]/[Modified Business Day Convention] [Preceding Business Day Convention]
	(iv) Additional Business Centre(s):	[Not Applicable]/[•]
	(v) Manner in which the Rate(s) is/are to be determined:	[Screen Rate Determination (Condition 8.3 (<i>Screen Rate Determination</i>) applies)]
	(vi) Party responsible for calculating the Rate(s) and/or Periodic Distribution Amount(s) (if not the Principal Paying Agent):	[Not Applicable]/[<i>Name</i>] shall be the Calculation Agent]
	(vii) Screen Rate Determination:	[Applicable]/[Not Applicable]
	– Reference Rate:	[EURIBOR] [LIBID] [LIBOR] [SHIBOR] [HIBOR] [CHN HIBOR] [SIBOR] [KLIBOR] [EIBOR] [SAIBOR] [JPY LIBOR] [TRLIBOR]
	– Periodic Distribution Determination Dates(s):	[•]

- Relevant Screen Page: [●]
 - Relevant Time: [●]
 - Relevant Financial Centre: [●]
 - Reference Banks: [●]
- (viii) Margin(s): [Not Applicable]/[+/-][●] per cent. per annum
- (ix) Day Count Fraction: [Actual/Actual (ICMA)]
 [Actual/Actual (ISDA)]
 [Actual/365 (Fixed)]
 [Actual/360]
 [30/360]
 [30E/360]/[Eurobond Basis]
 [30E/360 (ISDA)]

PROVISIONS RELATING TO DISSOLUTION

- 16 Optional Dissolution (Call) [Applicable]/[Not Applicable]
- (a) Optional Dissolution Amount (Call) [Final Dissolution Amount]/[[●] per Calculation Amount]
- (b) Optional Dissolution Date (Call) [Any Periodic Distribution Date]/[●]
- (c) Notice period: [●]
- 17 Final Dissolution Amount [●] per Calculation Amount/[●]
- 18 Early Dissolution Amount (Tax): [Final Dissolution Amount]/[[●] per Calculation Amount]
- 19 Dissolution Event As listed in sub-paragraphs [(a) to (f)] inclusive of Condition 15 (*Dissolution Events*)

GENERAL PROVISIONS APPLICABLE TO THE TRUST CERTIFICATES

- 20 Additional Financial Centre(s) or other special provisions relating to Periodic Distribution Dates: [Not Applicable]/[●]
- 21 Other terms or special conditions [Not Applicable]/[●]

DISTRIBUTION

- 22 (i) If syndicated, names of Managers: [Not Applicable]/[●]
- (ii) Stabilising Manager(s) (if any): [Not Applicable]/[●]
- 23 If non-syndicated, name of Dealer: [Not Applicable]/[●]
- 24 Additional selling restrictions: [Not Applicable]/[See Schedule [●] of the [subscription] agreement dated [●]]

PROVISIONS IN RESPECT OF THE PORTFOLIO

25	Portfolio:	The Portfolio as scheduled to the Supplemental Purchase Agreement dated [●] between the Trustee and the ICD
26	Trust Assets:	Condition 5.1 (<i>Trust Assets</i>) applies
27	Application of Trust Assets (Prior to Dissolution):	As specified in Condition 5.2 (<i>Application of Trust Assets prior to Dissolution</i>)
28	Application of Trust Assets (Following a Dissolution):	As specified in Condition 5.3 (<i>Application of Trust Assets on Dissolution Date</i>)

[RESPONSIBILITY

[*Relevant third party information*] has been extracted from [*specify source*]. Each of the Trustee and the ICD 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*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of **Hilal Services Ltd:**

By:.....

Duly authorised

Signed on behalf of **The Islamic Corporation for the Development of the Private Sector:**

By:

Duly authorised

Part B– Other Information

1 LISTING

- (i) Listing [NASDAQ Dubai]/[Other]/[None]
- (ii) Admission to trading [Application has been made by the Trustee (or on its behalf) for the Trust Certificates to be admitted to trading on the [NASDAQ Dubai/ Other] with effect from [].]/[Application is expected to be made by the Trustee (or on its behalf) for the Trust Certificates to be admitted to trading on [NASDAQ Dubai/ Other] with effect from [•].] [Not Applicable]

2 RATINGS

Ratings: [The Trust Certificates to be issued have been rated:

[[S&P] : [•]]

[[Moody's] : [•]]

[[Fitch] : [•]]

[Other : [•]]

[[•] is established in the European Union and has applied for registration under Regulation (EC) No 1060/2009 (as amended) (the **CRA Regulation**)]

[[•] is established in the European Union and is registered under Regulation (EC) No 1060/2009 (as amended) (the **CRA Regulation**)]

[[•] is not established in the European Union and is not registered under Regulation (EC) No 1060/2009 (as amended) (the **CRA Regulation**)]

[Not Applicable]

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

[Save for any fees payable to the [Manager/Dealers] and save as discussed in "*Subscription and Sale*" of This Base Prospectus, so far as the Trustee or the ICD is aware, no person involved in the offer of the Trust Certificates has an interest material to the offer. The [Manager/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Trustee or the ICD and their affiliates in the ordinary course of business for which they may receive fees.]

4 ESTIMATED TOTAL EXPENSES

Estimated total expenses related to the admission to trading: [•]

5 [Fixed Periodic Distribution Amount Trust Certificates only – YIELD

Indication of yield: [●]

Calculated as [●] on the Issue Date.

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 [Floating Periodic Distribution Amount Trust Certificates only – HISTORIC RATES

Details of historic [LIBOR/EURIBOR/*other*] rates can be obtained from [Reuters].]

The Trustee [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

7 OPERATIONAL INFORMATION

(vii) ISIN Code: [●]

(viii) Common Code: [●]

(ix) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking Société Anonyme and the relevant identification number(s): [Not Applicable]/[●]

(x) Delivery: Delivery [against/free of] payment

(xi) Names and addresses of initial paying agent(s): [●]

(xii) Names and addresses of additional paying agent(s) (if any): [●]

FORM OF TRUST CERTIFICATES

Trust Certificates issued under the Programme will only be issued in registered form. Trust Certificates will be issued outside the United States in reliance on Regulation S under the Securities Act.

Global Trust Certificates

Each Series of Trust Certificates will be evidenced by a permanent global trust certificate (the **Global Trust Certificate**) which will be deposited with, and registered in the name of a nominee for, a common depository for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). Only in the exceptional circumstances outlined below will individual registered trust certificates (**Individual Registered Trust Certificates**) evidencing holdings of Trust Certificates to be issued in exchange for the Global Trust Certificate relating to the relevant Series.

Holders

For so long as any of the Trust Certificates is represented by a Global Trust Certificate held on behalf of Euroclear and/or Clearstream Luxembourg, the registered holder of the Global Trust Certificate shall, except as ordered by a court of competent jurisdiction or as required by law, be treated as the holder thereof (the **Registered Holder**). Each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as entitled to a particular face amount of such Trust Certificates (in which regard, any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the face amount of such Trust Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error or proven error) shall be treated as the holder of such face amount of such Trust Certificates for all purposes (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Certificateholders) other than with respect to the payment of any amount payable on the face amount of any such Trust Certificates, for which purpose the Registered Holder of this Global Trust Certificate shall be deemed to be the holder of such face amount of the Trust Certificates in accordance with and subject to the terms of this Global Trust Certificate and the expressions **Certificateholder** and **holder** in relation to any Trust Certificates and related expressions shall be construed accordingly.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or Pricing Supplement, as the case may be,.

Each Global Trust Certificate will be in registered form and registered in the name of a nominee for, and deposited on or about the relevant Issue Date with, a common depository for Euroclear and Clearstream, Luxembourg. Upon confirmation from the common depository that it holds the relevant Global Trust Certificate, Euroclear or Clearstream, Luxembourg, as the case may be, will record book-entry interests in the beneficial owner's account or the participant account through which the beneficial owner holds its interests in such Global Trust Certificate. These book-entry interests will represent the beneficial owner's beneficial interest in the relevant Global Trust Certificate. Beneficial interests in a Global Trust Certificate will be shown on, and the transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their participants.

Exchange for Individual Registered Certificates

Unless otherwise specified in the relevant Final Terms or Pricing Supplement, as the case may be, each Global Trust Certificate will become exchangeable in whole, but not in part, for Individual Registered Trust Certificates only in the limited circumstances specified in the relevant Global Trust Certificate. Beneficial owners of interests in a Global Trust Certificate will only be entitled to receive Individual Registered Trust Certificates under the following limited circumstances:

- (a) if either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system

satisfactory to the Trustee acting on the instructions of the ICD and (if so directed by the Certificateholders) the Delegate is available; or

- (b) if any of the circumstances described in Condition 15 (*Dissolution Events*) occurs; or
- (c) if otherwise specified in the relevant Final Terms or Pricing Supplement, as the case may be.

Thereupon the registered holder of the Global Trust Certificate or the Delegate may present the relevant Global Trust Certificate on any day (other than a Saturday or Sunday) on which banks are open for business in the city in which the Registrar has its office for exchange for the corresponding Individual Registered Trust Certificates.

In no event will Individual Registered Trust Certificates in bearer form be issued. Any Individual Registered Trust Certificate will be issued in registered form in the denominations specified in the relevant Final Terms or Pricing Supplement, as the case may be.

Whenever a Global Trust Certificate is to be exchanged for Individual Registered Trust Certificates, such Individual Registered Trust Certificates will be issued in an aggregate face amount equal to the face amount of such Global Trust Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Trust Certificate, Euroclear, Clearstream, Luxembourg, and/or any other relevant clearing system to the Registrar of such information as is required to complete and deliver such Individual Registered Trust Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Registered Trust Certificates are to be registered and the face amount of each such person's holding) against the surrender of the Global Trust Certificate at the specified office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Global Trust Certificates in Schedule 3 (*Register and Transfer of Individual Registered Trust Certificates*) to the Master Trust Deed and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Payments

Whilst any Trust Certificates are represented by a Global Trust Certificate, Dissolution Amount and Periodic Distribution Amount payments on the Trust Certificates will be made to the Principal Paying Agent (as defined in the Conditions) and then credited by the Principal Paying Agent to the cash accounts of Euroclear, Clearstream, Luxembourg or their nominee or their common depository as the registered holder of the relevant Trust Certificates. After receipt of any payment from the Principal Paying Agent to the common depository, Euroclear or Clearstream, Luxembourg as the case may be, will credit their respective participants' accounts in proportion to those participants' holdings as shown in the records of Euroclear and Clearstream, Luxembourg, respectively. Payments by participants in Euroclear or Clearstream, Luxembourg to the beneficial owners of the relevant Trust Certificates will be governed by standing instructions, customary practice and any statutory or regulatory requirements as may be in effect from time to time. These payments will be the responsibility of the relevant participant and not of Euroclear, Clearstream, Luxembourg, the Principal Paying Agent or the Trustee.

Notices

In addition, each Global Trust Certificate may contain provisions which modify the terms and conditions of the Trust Certificates as they apply to the Trust Certificates evidenced by the Global Trust Certificate. Notwithstanding Condition 18 (*Notices*), so long as any Global Trust Certificate is held on behalf of or for Euroclear, Clearstream, Luxembourg or any other clearing system (an **alternative clearing system**), notices to the holders of the Trust Certificates represented by such Global Trust Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg. Any notice delivered to Euroclear, Clearstream, Luxembourg or (as the case may be) such alternative clearing system shall be deemed to have been given on the day of delivery.

Meetings

It is a condition of the Trust Certificates that the Trustee is entitled to rely and bound to act only on the instructions of the Delegate acting on directions of the Certificateholders. It is a term of the Trust Certificates that whilst the Trust Certificates are in global form, for the purposes of convening meetings of Certificateholders and obtaining instructions from Certificateholders and exercising discretions on their behalf, the Delegate (but not the Trustee) shall treat the Accountholders as if they were Certificateholders.

The ICD will be entitled to convene and attend at meetings of Certificateholders but will not be entitled to vote at any such meetings.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for their Accountholders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective Accountholders.

Euroclear and Clearstream, Luxembourg each provides various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deals with domestic securities markets in several countries through established depositary and custodial relationships. The respective systems of Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective Accountholders may settle trades with each other.

Accountholders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

An Accountholder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective accountholders and have no record of or relationship with persons holding through their respective accountholders.

USE OF PROCEEDS

The net proceeds of each Series of the Trust Certificates issued under the Programme will be applied by the Trustee for the purchase of the Portfolio of the relevant Series by the Trustee from the ICD. The net proceeds that the ICD receives from the sale of the Portfolio will be used by it for general corporate purposes.

DESCRIPTION OF HILAL SERVICES LTD

General

Hilal Services Ltd, an exempted company incorporated in the Cayman Islands with limited liability, was incorporated on 30 June 2015 under the Companies Law (as amended) of the Cayman Islands with company registration number 301555. The Trustee has been established as an exempted company for the sole purposes of issuing the Certificates and entering into the transactions contemplated by the Programme Documents and the Transaction Documents. The registered office of the Trustee is at the offices of Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands, telephone number +1 345 814 7600.

The authorised share capital of the Trustee is U.S.\$50,000 divided into 50,000 ordinary shares of U.S.\$1.00 each, 250 of which have been issued at the date of this Base Prospectus. All of the issued shares (the **Shares**) are fully-paid and are held by Walkers Fiduciary Limited as share trustee (in such capacity, the **Share Trustee**) under the terms of a declaration of trust (the **Share Declaration of Trust**) under which the Share Trustee holds the Shares on trust until the Termination Date (as defined in the Share Declaration of Trust) and may only dispose or otherwise deal with the Shares in accordance with the Share Declaration of Trust. Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has power to benefit one or more Charities (as defined in the Share Declaration of Trust). It is not anticipated that any distribution will be made whilst any Certificates are outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to Charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

The Business of the Trustee

The Trustee has no prior operating history or prior business and will not have any substantial assets or liabilities other than in connection with the Certificates.

So long as any of the Certificates remain outstanding, the Trustee shall not incur any other indebtedness in respect of financed, borrowed or raised money whatsoever or engage in any business or activity (other than acquiring and holding assets in connection with the Certificates, issuing the Certificates and entering into related agreements and transactions as provided for in the Transaction Documents), or, inter alia, redeem any of its shares or pay any dividends or make any other distribution to its shareholders, have any subsidiaries or employees, purchase, own, lease, or otherwise acquire any real property (including office premises or like facilities), consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entity to any person (otherwise than as contemplated in the Transaction Documents) or issue any shares (other than such Shares as were in issue on the date hereof or as contemplated in the Transaction Documents).

The Trustee has, and will have, no significant assets other than the sum of U.S.\$250 representing the issued and paid-up share capital, such fees (as agreed) payable to it in connection with the issue of the Certificates and the acquisition of assets in connection with the Certificates, the bank account into which such paid-up share capital and fees are deposited and the Trust Assets. Save in respect of fees generated in connection with the issue of the Certificates any related profits and proceeds of any deposits and investments made from such fees or from amounts representing the Trustee's issued and paid-up share capital, the Trustee does not expect to accumulate any surpluses.

The Certificates are not the obligations of the Share Trustee. Furthermore, they are not the obligations of, or guaranteed in any way by Walkers Fiduciary Limited or any other party.

Financial Statements

Since the date of incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditor.

Directors

The board of directors of the Trustee and their other principal activities at the date hereof are as follows:

Director	Principal Occupation
Nadine Watler	Vice President, Walkers Fiduciary Limited
Steven Manning	Director, Walkers Fiduciary Limited

The business address of each member of the board of directors is c/o Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

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

The Administrator

Walkers Fiduciary Limited also acts as the administrator of the Trustee (in such capacity, the **Trustee Administrator**). The office of the Trustee Administrator serves as the general business office of the Trustee. Through the office, and pursuant to the terms of the Corporate Services Agreement entered into between the Trustee and the Trustee Administrator, the Trustee Administrator has agreed to perform in the Cayman Islands and/or such other jurisdiction as may be agreed by the parties from time to time various management functions on behalf of the Trustee, and to provide certain clerical, administrative and other services to the Trustee until termination of the Corporate Services Agreement. In consideration of the foregoing, the Trustee Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement provide that either the Trustee or the Trustee Administrator may terminate such agreements upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Corporate Services Agreement provide that either party shall be entitled to terminate such agreements by giving at least one months' notice in writing to the other party.

The Trustee Administrator will be subject to the overview of the Trustee's Board of Directors.

The Trustee Administrator's principal office is c/o Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Directors of the Trustee are all employees or officers of the Trustee Administrator or an affiliate thereof. The Trustee has no employees and is not expected to have any employees in the future.

DESCRIPTION OF THE ICD

Introduction

The Islamic Corporation for the Development of the Private Sector (the **ICD**) is a multilateral development financial institution and is part of the IDB Group (being the Islamic Development Bank (the **IDB**), the ICD, the Islamic Corporation for Insurance of Investment and Export Credits (ICIEC), the International Islamic Trade Finance Corporation (ITFC), the Islamic Research Training Institute (IRTI) and funds managed by the IDB, the **IDB Group**). It is also one of the leading private sector development institutions in the Muslim world. Headquartered in Jeddah in the Kingdom of Saudi Arabia, the ICD was established in Rajab 1420H (November 1999) pursuant to the articles of agreement (**Articles of Agreement**) among its founding member countries and the IDB. The ICD began its operations following the inaugural meeting of its General Assembly (as described below) on 6 Rabi Thani, 1421H (8 July 2000). The ICD's shareholders consist of the IDB, the 52 member countries (the **Member Countries**) and five public financial institutions (together with IDB and the Member Countries, the **Members** and each, a **Member**) as described further below.

The ICD's vision is to become a premier Islamic multilateral financial institution for the development of the private sector and to complement the IDB by developing the private sector as a vehicle for economic growth and prosperity in Member Countries. Its mission is to support the economic development of its Member Countries by providing financial assistance to private sector projects in accordance with the principles of Shariah (Islamic law) aimed at creating employment opportunities and to enhance the export potential of its Member Countries. In addition, the ICD has a mandate to mobilise additional resources and funding for projects and to encourage the development of Islamic finance in its Member Countries. The ICD also encourages and facilitates the channelling of foreign investment into Member Countries and provides advice to governments and private enterprises when needed. However the ICD does not provide financial assistance directly to individuals in its Member Countries.

The principal office of the ICD is located at King Khalid Street, P.O. Box 54069, Jeddah 21514, Kingdom of Saudi Arabia. The ICD has, at the date of this Base Prospectus, representatives based in the IDB's regional offices in Kuala Lumpur (**Malaysia**), Almaty (**Kazakhstan**) and Dakar (**Senegal**) and is expected to place its representatives in selected Group Country Gateway offices (**CGOs**) established by the IDB in Turkey (Istanbul), Indonesia, Egypt, Nigeria and Bangladesh. On 13 Dhul Qai'dah 1434H (19 September 2013), the Ankara CGO was officially inaugurated by the president of the Republic of Turkey. The establishment of these regional offices has enabled the ICD to enhance its presence in these Member Countries and provides it with greater local reach to promote its Islamic finance products and services. The ICD's financial year is the lunar Hijrah year, which is approximately 11 days shorter than the solar Gregorian year. As at the date of this Base Prospectus, the most recent financial years of the ICD ended on 29 Dhul Hijjah 1434H (3 November 2013) and ended on 30 Dhul Hijjah 1435H (24 October 2014).

Strategy

Four-Pillar Strategy

To further its vision and mission, in 2011 (1432H) the ICD developed a "four-pillar" strategy which focuses on the following with the aim of effectively accomplishing its core mandate of boosting private sector development in Member Countries:

- *Islamic Financial Channels* – establishing new Islamic financial institutions and innovative financial products and to mobilise resources in order to provide small to medium enterprises (**SMEs**) with greater access to finance;
- *Direct Financing Activities* – providing finance for projects in specific sectors including but not limited to agriculture, energy, infrastructure, health and education;
- *Enabling Environment* – providing advisory services for establishing Islamic financial institutions, Islamic finance windows in financial institutions, issuance of sukuk, privatisation and the structuring of project finance transactions; and

- *Partnerships* - acting in partnership with other entities to set up and co-manage private equity and other specialist funds and to strengthen its partnership with other global financial institutions to mobilise resources via syndication or co-financing.

The ICD has a systematic approach to developing its strategy through the Strategy and Policy Department (**SPD**). The SPD sets the strategic direction for the ICD's business segments, and ensures that the objectives of each business segment are aligned with the ICD's overall strategic direction. This provides the ICD with an important framework for measuring performance and developing an integrated framework.

Based on the "four-pillar" strategy, the ICD prepared a 3-Year Medium Term Business Plan (**3-Year Plan**) and a 10-Year Long Term Business Plan (**10-Year Plan**). The 3-Year Plan and the 10-Year Plan provide a strategic roadmap for the ICD, and set out principal operational and financial targets for a 3-year and 10-year period, respectively.

3-Year Plan

The ICD prepared the 3-Year Plan for the period of 1435H-1437H (2014-2016), which was approved by a Board Meeting held on 28 Dhul Hijjah 1435H (22 October 2014). The 3-Year Plan envisioned:

- allocating more than half of the new investment commitments of the ICD for financial institutions and funds for the development of Islamic Finance channels;
- prioritising the development of high-impact industries such as energy, infrastructure and manufacturing for new real sector investments;
- providing advisory services in order to build an enabling environment in Member Countries with a focus on infrastructure projects, Islamic finance institution advisory, Sukuk advisory and industry and business support advisory; and
- strengthening partnerships with other multilateral development banks and private sector financial institutions and leveraging this network to develop business opportunities and to mobilise and channel additional resources to Member Countries.

10-Year Plan

The ICD prepared the 10-Year Plan for the period of 1436H-1445H (2015 -2025), which was approved by a Board Meeting held on 8 Raby` al-awal 1436H (30 December 2014).

According to the 10-Year Plan, the ICD will:

- expedite project execution and improve its disbursement/approval ratio by (i) improving overall interdepartmental communication/efficiency such that delays between the approval/disbursement stages are reduced, and (ii) by further refining due diligence procedures in relation to new projects;
- improve its portfolio quality, by increasing the ICD's involvement in line of finance products to financial institutions instead of directly to SMEs (as outlined above), developing a plan to recover some of its non-performing projects, and further developing the capacity of its equity investment and follow-up divisions;
- seek to move from a project-based to a program-based approach by expanding its sectoral and thematic programs such as the financial institutions development program and the sukuk program (see "*Sukuk Program*" below);
- put in place strict measures and KPIs to monitor the progress, and empowers the ICD's Internal Audit Department to be actively engaged in assessing the conformity of the ICD's activities with its rules and regulations; and

- accelerate its efforts to roll out the Development Impact Monitoring System in order to measure the results of its strategy implementation and business operations.

These strategies are aimed at supporting the strategies outlined in relation to the 3-Year Plan and the "four-pillar" strategy.

Key performance indicators

The ICD has prepared detailed Key Performance Indicators (**KPIs**), which relate to:

- development impact (measured by number of Member Countries covered etc.);
- financial sustainability (to be measured by reference to the ICD's return on equity, cost income ratio and annual growth rate); and
- maintaining a favourable credit rating of 'AA' or higher.

It is also important to highlight key interdependencies within these key areas. For example, maintaining a 'AA' rating is a pre-requisite for achieving the KPIs on development impact and financial sustainability. Specifically, a favourable rating for the ICD would facilitate resource mobilisation from the market at cost effective rates and by increasing the ICD's access to funding, the ICD would be able to achieve its revenue generation and profitability targets (financial sustainability) as well as expand its operations to cover all Member Countries (development impact). On the other hand, should the ICD lose its 'AA' rating, it would be unable to fund its growth in a financially sustainable way. This would hamper the ICD's ability to reach out to SMEs with funding and generate new jobs in Member Countries. Therefore, the ICD considers maintaining a favourable rating as a key part of its strategy to achieve its financial sustainability and development impact KPIs.

The targets for each of its KPIs are based on the ICD's vision, strategy and business plan. In particular, the KPIs related to development impact are derived from the ICD's vision and long-term strategy, and they aim at job creation, establishing an adequate numbers of SMEs, and supporting Member Countries. The ICD aims to work with all of its Member Countries and up to 10,000 of their SMEs, alongside creating 400,000 jobs over the next 10 years.

The third key area of the ICD's business focuses on maintaining and enhancing the ICD's 'AA' credit rating, which includes abiding by the Liquidity Policy and Capital Adequacy Policy, as approved by the Board in 1435H (2014). In accordance with the Capital Adequacy Policy, the ICD is required to maintain a prudential capital adequacy ratio (**CAR**) of 35%, or higher.

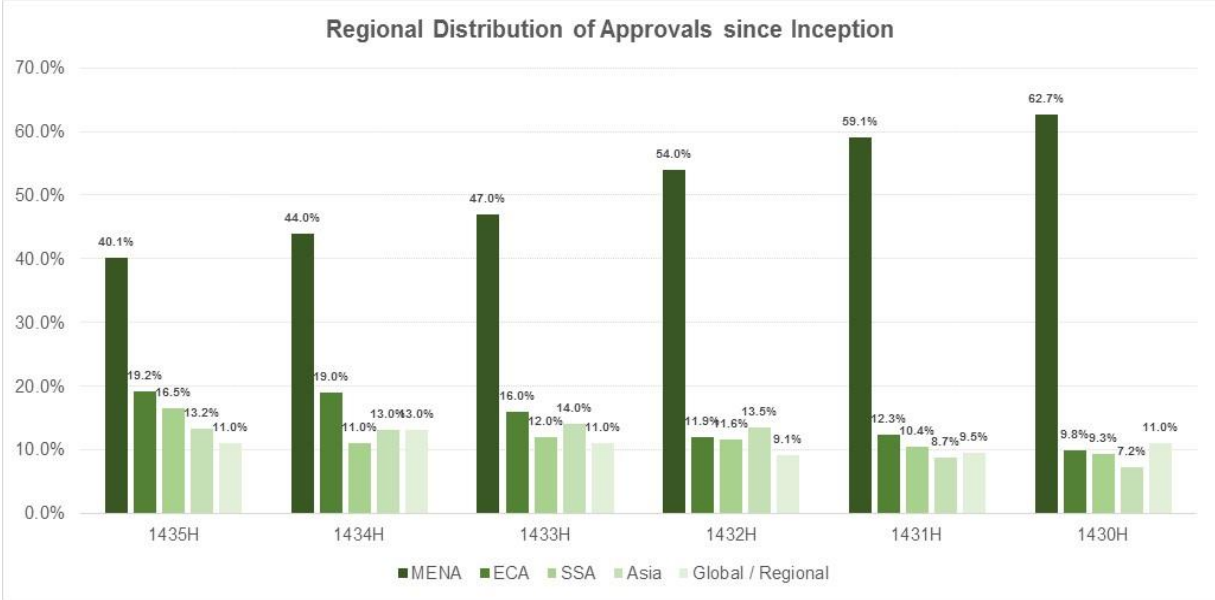
Please refer to the "*Risk Management*" section below for further information on the ICD's Liquidity Policy and Capital Adequacy Policy.

Diversification

Expanding the ICD's operational terrain into new regions is an important part of the ICD's strategy, both in terms of boosting private sector development across its Member Countries, and diversifying the ICD's portfolio of investments to reduce exposure to the economic conditions of particular regions or countries.

The sharp drop in oil prices from Sha`baan 2094 (June 2014) onwards as well as socio-political tensions and regional conflicts have had mixed implications on the economies of some Member Countries in the Middle East and North Africa region (**MENA**), historically the base for the majority of the ICD's investments. Conversely, lower oil prices have had a positive effect on many countries in Asia which, coupled with strong performing agriculture and tourism sectors, resulted in strong growth figures for the region. In 1435H (2014) the Malaysian economy grew by 5.9 per cent. while in the same year the Indonesian economy recorded growth of 5.2 per cent. The changing economic landscape is one of the driving forces behind the ICD's efforts to continue to diversify the allocation of its investment commitments amongst Member Countries around the world.

By the end of 1435H (2014), the ICD's operational footprint covered 42 countries, including ten regional projects that incorporate several Member Countries. 40.1% of the ICD's approvals were allocated to projects in the MENA region, followed by 19.2% in Europe and Central Asia, 16.5% in Sub-Saharan Africa, 13.2% in Asia and 11% of approvals being for global/regional projects. The below graph depicts the ICD's continuing efforts to diversify the regional distribution of approvals since 1430H (2009).



Source: ICD Annual Reports

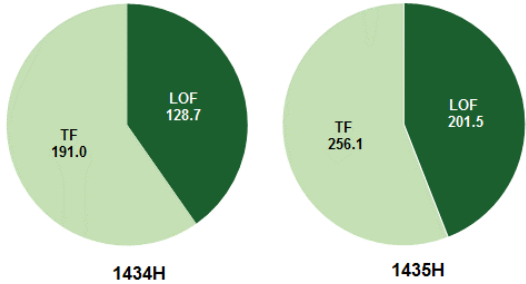
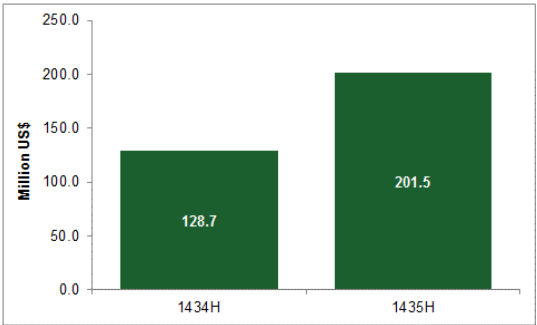
Note: the ICD's regional distribution between Member Countries is as follows:

- MENA – Algeria, Bahrain, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, UAE, Yemen
- Europe & Central Asia (ECA) – Albania, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkey, Turkmenistan, Uzbekistan
- Sub-Saharan Africa – Benin, Burkina Faso, Cameroon, Chad, Comoros, Cote d'Ivoire, Djibouti, Gabon, Gambia, Guinea, Guinea Bissau, Mali, Mauritania, Mozambique, Niger, Nigeria, Senegal, Sierra Leone, Uganda
- Asia – Bangladesh, Brunei, Indonesia, Malaysia, Maldives, Pakistan

Strategies to Reduce Non-Performing Loans

The ICD is in the process of implementing (and has already implemented aspects of) the following strategies aimed at reducing its exposure to non-performing loans (NPL):

- Focus on increasing the ICD's involvement in line of finance products to financial institutions instead of directly to SMEs. Lines of finance products with financial institutions have historically had minimal NPLs. The following graphs illustrate the increase in the ICDs involvement in line of finance transactions in 1435H (2014).



TF: Term Finance; LOF: Lines of Finance
Figures in US\$ million

Source: ICD's Internal Figures

- Implementing a more rigorous and conservative credit risk exposure management policy which includes prudential limits on country, sector, and single borrower.
- Implemented a new credit approval process in 1435H (2014) which includes a 3-stage review by the Investment Committee and the continuous involvement of the risk and legal departments in the credit approval process. Prior to the implementation of this new credit approval process, there was a 2-stage review by the Investment Committee which involved the risk and legal departments only after the first approval of the Investment Committee.

Credit Ratings

In Muharram 1436H (November 2014), the ICD reached a key milestone by obtaining a long term issuer rating of 'AA' with a stable outlook and a short term issuer rating of 'F1+' with a stable outlook from Fitch Ratings, Inc. (**Fitch**). These were the ICD's first ever credit ratings from a major international rating agency and were reaffirmed by Fitch in November 2015. In April 2015, Moody's Investors Service, Inc. (**Moody's**) assigned a long term issuer rating of 'Aa3' with a stable outlook and a short-term issuer rating of 'P-1' with a stable outlook to the ICD. Most recently in December 2015, Standard & Poor's Credit Market Services Europe Limited (**S&P**) assigned a 'AA' foreign currency long term issuer credit rating to the ICD, also with a stable outlook. These ratings reflect the expectation that balance sheet expansion will be accompanied by continued capital increases and improving asset quality and that ICD's liquidity and funding profile will continue to improve.

The ratings above from Fitch, Moody's and S&P reflect strong support from the ICD's key shareholders, consisting of the IDB, with 44.7 per cent. shareholding, and the Kingdom of Saudi Arabia (KSA), with 17.8 per cent. The IDB and KSA are currently rated by Fitch as 'AAA' (stable outlook) and 'AA' (negative outlook) respectively, by Moody's as 'Aaa' (stable outlook) and 'Aa3' (stable outlook) respectively, and by S&P as 'AAA' (stable outlook) and 'A+' (negative outlook), respectively.

Business Operations

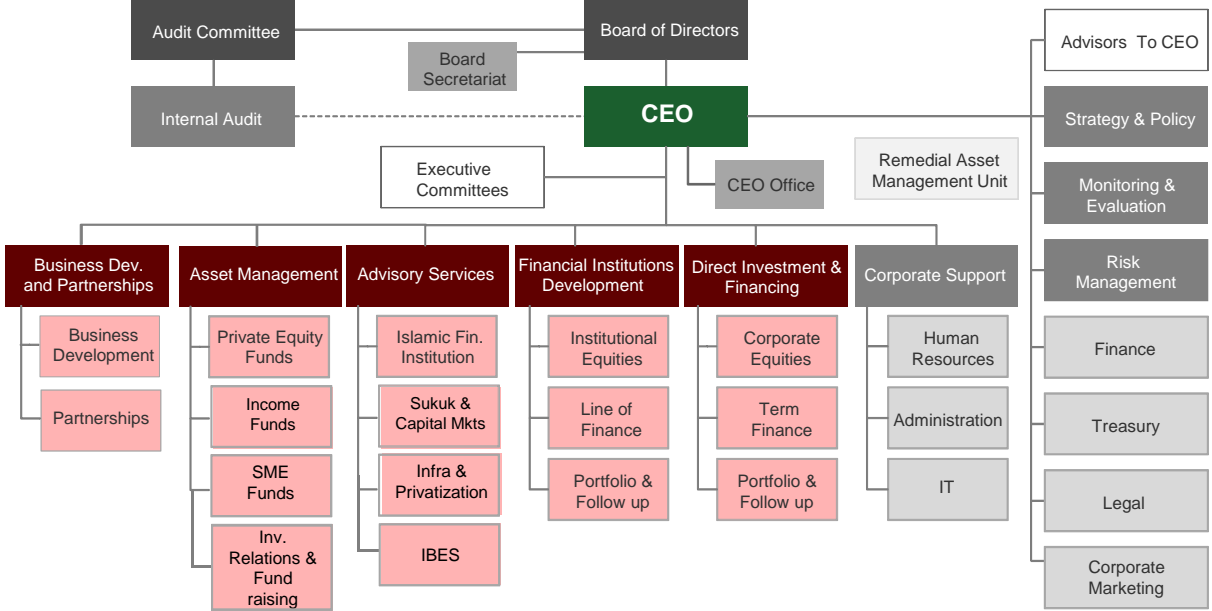
The operations of the ICD comprise four core business segments namely:

- Providing lines of financing to, and equity investments in, financial institutions (Financial Institutions Development Department or **FIDD**);
- Direct investments, in the form of term finance and equity investments for projects, ventures or corporates (Direct Investments and Financing Department or **DIFD**);
- Advisory services to governments and private entities in Member Countries particularly in the areas of infrastructure and privatisation, to advise on sukuk issuances by governments, quasi-government entities and eligible private sector companies, and to assist in the development of Islamic financial institutions and special economic zones (**Advisory Services**); and
- Asset management, comprising the establishment, mobilisation and management of funds to support SMEs as well as specific development projects (**Asset Management**).

The four core business segments are supported by the Business Development and Partnerships Department (the **BDPD**), which is responsible for sourcing and originating opportunities for each business segment and managing and establishing relationships with corporates and financial institutions. In addition, the BDPD is also responsible for arranging the syndication of financing by the ICD in order to raise additional funding from other financial institutions for projects and ventures to which the ICD is itself financing in order to supplement the ICD's direct investments (see "*Direct investments, in the form of term finance and equity investments for projects, ventures or corporates, operated by the DIFD*" below). Each individual business segment is also supported by its own department which coordinates with the BDPD to source and execute transactions.

The Financial Institutions Development Department is responsible for lines of financing and equity investments in financial institutions. The Direct Investments and Financing Department is responsible for term finance and equity financing in specific projects, ventures or corporates and the Advisory

Department and Asset Management Department are responsible for advisory services and asset management respectively. These departments are supported by other units within the ICD, including the Risk Management Department, the Remedial Asset Management Unit, Strategy & Policy Department, the Legal Division and the Internal Audit Department each as described further below. Each department reports to the Chief Executive Officer (the **CEO**), who in turn reports to the Board of Directors. The organisational structure of the ICD is set out in the table below:



Legal status

The ICD is an international organisation and derives its legal personality from public international law. It has full juridical personality with capacity to enter into contracts, acquire and dispose of property and take legal action. The Articles of Agreement establishing the ICD have been signed and ratified or accepted by each of the ICD’s Member Countries, the IDB and its other Members.

As a supranational institution, the ICD is not subject to national banking regulation and is not supervised by any external regulatory authority. However, it is closely supervised by its general assembly (the **General Assembly**), its board of directors (the **Board of Directors**) and its executive committee appointed by the Board of Directors (the **Executive Committee**) (see “*Organisation, Management and Employment*” below).

The ICD has been granted certain immunities and privileges by the governments of its Member Countries. Pursuant to its Articles of Agreement, actions may only be brought against the ICD in a court of competent jurisdiction in a Member Country in which the ICD has an office, has appointed an agent for the purpose of accepting service or notice of process or where the ICD has issued or guaranteed securities. Moreover, the property and assets of the ICD shall, wherever so located, be immune from all forms of judicial seizure, attachment or execution before delivery of a final judgment against the ICD and shall also be immune from search, requisition, confiscation, expropriation or any form of seizure through executive or legislative action by any government of a Member Country. Further, no action shall be brought against the ICD by Members or persons acting or deriving claims from Members nor in respect of any personnel matters.

In each Member Country, the ICD has been granted an exemption from all taxes and tariffs on assets, property income and its operations and transactions authorised by the Articles of Agreement or from any liability involving payment, withholding or collection of any taxes. However, funds received by or payable by the ICD in respect of investments or financings in any Member Country will not necessarily be free from generally applicable foreign exchange restrictions, regulations and controls which may be in force in its Member Countries from time to time. The ICD is also currently in discussions with Member Countries to obtain specific exemptions on these matters.

The ICD is required to carry out its activities in accordance with the principles of Shariah. The fundamental principle underlying the Shariah approach to financial matters is that to earn a profit, it is always necessary to take a measured risk. The concept of a bank deposit or bank loan that earns interest and whose principal must be repaid in full does correlate with this underlying principle. In practice, this means that all Islamic finance transactions must be asset based.

The principles of Shariah are regularly clarified by the Islamic Fiqh Academy (the **Fiqh Academy**), an institution established by the Organisation of the Islamic Cooperation (the **OIC**) to interpret and develop Islamic jurisprudence. The ICD had established its own Shariah committee on 5 Jumad Awwal 1421H (5 August 2000) which was subsequently unified with the Shariah Committee of the IDB in Shawwal 1432H (September 2011) to form the IDB Group Shariah Committee (the **Shariah Committee**). The Shariah Committee gives its opinion on matters on which the *Fiqh* Academy has not yet made any pronouncement. In particular, the ICD submits proposals for transactions, investments and products which are being used by it for the first time to its Shariah Committee for a ruling on the conformity of such proposals with the principles of Shariah.

Recent Developments

From 1434H (2013) up until the date of this Base Prospectus, the ICD increased its operational financing capability by securing the following facilities:

- a 3-year U.S.\$100 million Islamic Murabaha financing facility from Bank of Tokyo-Mitsubishi UFJ in Dhul Qai`dah 1435H (September 2014); and
- a 13-month U.S.\$300 million Islamic Murabaha financing facility from the Dubai Islamic Bank, First Gulf Bank, Mizuho Bank (Malaysia) Berhad and Mizuho Bank Nederland in SHa`baan 1436H (June 2015).

In 1436H (2015) the ICD has been increasingly active in the Sukuk markets having been appointed in an advisory capacity in connection with two debut sovereign Sukuk issuances including the government of Jordan's planned debut domestic Sukuk offering and the government of Côte d'Ivoire's planned Sukuk programme to be established during 2015-2020, both for the purpose of financing local developmental projects. These mandates follow the ICD's recent success advising as a Joint Lead Manager (alongside Citibank) in connection with the Government of Senegal's landmark first Sukuk issuance amounting to CFA100 billion (U.S.\$200 million) during the year 1435H (2014). This was the first issuance of its kind in the Sub-Saharan Africa region and the ICD's involvement was aimed at, amongst other things, promoting Islamic finance as an alternative financing instrument for the economies of countries in Sub-Saharan Africa.

The successful implementation of the ICD's core mandate of boosting private sector development in Member Countries is aided by forging new and effective collaborations with partners around the world. So far during 1436H (2015), the ICD has signed three separate collaboration agreements including with:

- the African-Export-Import Bank (Afreximbank) to cooperate in the development of the private sector in ICD Member Countries in Africa;
- the Industrial and Commercial Bank of China (ICBC) (the leasing arm of the largest bank in the world), for the purposes of encouraging and implementing co-financing deals for eligible private sector projects; and
- the Banco Nacional de Investimento (BNI) in relation to cooperating in private sector development in Mozambique, specifically in relation to collaborating in joint operations, expanding financial products and exchanging information on modalities for enhanced and efficient interventions for private sector development in Mozambique.

Strengths

The ICD has a number of core strengths:

Focus on development of Islamic finance in the private sector

The ICD has the unique position as the only multilateral bank to date which offers Shariah compliant products and services to the private sector. Its business strategy of supporting and financing Islamic financial institutions in its Member Countries, as well as sourcing Islamic funds for specific projects, enables it to enhance economic progress in its Member Countries through the development of infrastructure and social services. This strategy also enables the ICD to improve private sector employment opportunities in Member Countries.

Shariah compliance strategy

The ICD maintains a highly reputed Shariah Committee. The ICD aims for high levels of Shariah compliance by offering all its products and services in strict conformity with the parameters approved by the Shariah Committee. This helps to ensure that the ICD's reputation as a premier Islamic bank is maintained at all times.

Diverse and innovative range of products

The ICD provides a wide range of products and services to its customers, ranging from *murabaha* placements to term and equity financing, as well as advisory and asset management services. The diversification of its products and services ensures that its operations are not dependent on specific areas of business.

Knowledgeable and experienced management

The majority of the ICD's senior management, including its Board of Directors and Executive Committee members also hold positions at the IDB as well as other regional public institutions. Many members of senior management are highly experienced in the areas of Islamic finance, development and infrastructure and have been based in or worked in a variety of Member Countries. The breadth and depth of local knowledge provided by senior management assists the ICD's business segments in assessing the economic environment of its Member Countries and the institutions and projects which the ICD considers investing in.

Capital structure and ownership

Upon its establishment, the ICD's authorised share capital was U.S.\$1 billion comprising 100,000 shares having a par value of U.S.\$10,000 each, out of which U.S.\$500 million was available for subscription. At a meeting of its General Assembly in Ashgabad, Turkmenistan on 9 Jumada Al-Thani 1430H (3 June 2009), the ICD's authorised share capital was increased to U.S.\$2 billion comprising 200,000 shares of U.S.\$10,000 each, out of which U.S.\$1 billion was allocated as issued share capital (i.e. capital which is available for subscription). The objective of the capital increase was to obtain additional capital to support the growth of the ICD's business in its Member Countries. As at 30 Dhul Hijjah 1435H (24 October 2014), the ICD's subscribed share capital was U.S.\$838,960,000 out of which U.S.\$798,998,280 was paid up.

During the ICD's 2015 Annual Meeting held on 24 Sha'baan 1436H (11 June 2015) in Maputo, Mozambique, the General Assembly approved the increase of the ICD's authorised capital to U.S.\$4 billion and paid-up capital to U.S.\$2 billion. The purpose of the capital increase is to enable the ICD to abide by its Capital Adequacy Policy and maintain at least a 'AA' credit rating which, in turn, will assist it in meeting its KPIs on development impact and financial sustainability. The 100% capital increase will also enable the ICD to respond to the challenges faced by the private sector in Member Countries in accessing finance, especially in the aftermath of global financial uncertainties and social turmoil in some Member Countries. The proposed volume of the capital increase adequately takes into account the requirements of Member Countries, as well as the future role and operational agenda of the ICD as it continues to pursue its vision and strategic targets, whilst not overlooking the resource constraints of its Member Countries. Members are irrevocably committed to pay their portion of the subscribed capital in question, which is paid in instalments and the payments must be made in US Dollars. Shares held in the ICD cannot be pledged or encumbered and cannot be transferred to any other party other than the ICD unless the General Assembly approves a transfer between Members by a majority representing two thirds of the total votes of the Members.

The founding Members of the ICD were the IDB and certain Member Countries and public financial institutions which signed up to the ICD's Articles of Agreement prior to 30 Dhul Hijjah 1420 (5 April 2000). The Articles of Agreement also permit other institutions of which a Member Country or the IDB have majority control to accede to the Articles of Agreement on such conditions as may be imposed by the General Assembly. Under the Articles of Agreement, the General Assembly may also open the membership of the ICD to private sector institutions on such terms and conditions as it may determine.

The basic conditions applicable to Member Countries of the ICD are as follows:

- each country must be a Member Country of the IDB,
- each country must sign and ratify the ICD's Articles of Agreement; and
- each country must pay its contribution to the capital of the ICD.

As at the date of this Base Prospectus, the ICD is comprised of 52 Member Countries. In addition, four countries (i.e. Afghanistan, Sultanate of Oman, Republic of Togo and Republic of Somalia) have been issued with shares but are not officially Member Countries as a result of still being in the process of ratifying the Articles of Agreement.

As at 30 Dhul Hijjah 1435H (24 October 2014), the share capital of the ICD was held as follows:

No.	Shareholder	% of Shareholding
1	IDB	44.70%
2	Saudi Arabia	17.88%
3	Libya	4.81%
4	Iran Foreign Investment Co. (IFIC)	4.77%
5	Kuwait	4.53%
6	Saudi Public Investment Fund (SPIF)	3.58%
7	Iran	3.19%
8	UAE	2.58%
9	Qatar	2.38%
10	Nigeria	1.79%
11	Turkey	1.40%
12	Indonesia	1.13%
13	Egypt	1.03%
14	Malaysia	0.72%
15	Bank Keshavarzi (Iran)	0.72%
16	Bangladesh	0.57%
17	Algeria	0.57%
18	Pakistan	0.57%
19	Iraq	0.29%
20	Bank Melli Iran	0.24%
21	Jordan	0.18%
22	Cote d'Ivoire	0.16%
23	Sudan	0.15%
24	Sierra Leone	0.13%
25	Kazakhstan	0.12%
26	Azerbaijan	0.12%
27	National Bank de Algeria	0.12%
28	Burkina Faso	0.11%
29	Morocco	0.11%
30	Yemen	0.11%
31	Senegal	0.11%
32	Cameroon	0.10%
33	Tunisia	0.09%

34	Mali	0.07%
35	Oman	0.06%
36	Palestine	0.06%
37	Gabon	0.06%
38	Uganda	0.06%
39	Gambia	0.06%
40	Brunei Darussalam	0.06%
41	Guinea Republic	0.06%
42	Syria	0.05%
43	Bahrain	0.05%
44	Niger	0.05%
45	Benin	0.04%
46	Maldives	0.04%
47	Mauritania	0.04%
48	Mozambique	0.03%
49	Lebanon	0.02%
50	Afghanistan	0.02%
51	Somalia	0.02%
52	Albania	0.02%
53	Guinea Bissau	0.02%
54	Chad	0.01%
55	Djibouti	0.01%
56	Suriname	0.01%
57	Uzbekistan	0.01%
58	Turkmenistan	0.01%
59	Comoros	0.004%
60	Kyrgyz Republic	0.003%
61	Tajikistan	0.003%
62	Togo	0.003%
	TOTAL	100.00%

As at 30 Dhul Hijjah 1435H (24 October 2014), the 5 largest shareholders of the ICD, by country were as follows:

No.	Country / Shareholder	% of Shareholding as of 30 Dhul Hijjah 1435H	% of Shareholding prior to 2009 Capital Increase
1	IDB	44.7%	56.5%
2	Saudi Arabia*	21.5%	12.0%
3	Iran**	8.9%	8.4%
4	Libya	4.8%	4.5%
5	Kuwait	4.5%	4.3%

* Comprised of Saudi Arabia and the Saudi Public Investment Fund (SPIF)

** Comprised of Iran, Iran Foreign Investment Co. (IFIC), Bank Mellī Iran and Bank Keshavarzi (Iran)

Organisation, management and employment

General Assembly

All powers of the ICD are vested in the General Assembly. The General Assembly is the highest authority of the ICD. Pursuant to the ICD's Articles of Agreement, each Member appoints one representative to serve on the General Assembly. Each Member holds one vote for each share that it has subscribed and paid for via the Members representative in the General Assembly. Generally, decisions are taken by the General Assembly based on a majority of the voting power represented at a meeting for which a quorum (constituting not less than two thirds of the total voting power of the Members) is present. The General Assembly meets at least once a year in conjunction with the annual

meeting held by the Board of Governors of the IDB. The General Assembly designates a chairman from amongst its representatives who will hold the seat until his successor is elected at the next meeting of the General Assembly.

The General Assembly creates the policies governing the work and general supervision of the ICD, but may delegate certain powers to the Board of Directors. Some of the powers which the General Assembly may not delegate to the Board of Directors include: admission or suspension of Member Countries, changes in the authorised share capital, election of the Board of Directors, approving the auditor's report and financial statements, as well as determining the reserves and distribution of net income. Pursuant to the Articles of Agreement, the General Assembly may also adopt such additional rules and regulations to conduct the business of the ICD including rules and regulations relating to personnel, pensions and other benefits. The General Assembly may also meet on other occasions as the General Assembly deems necessary or if called by the Board of Directors.

Board of Directors

The Board of Directors is mainly responsible for the adoption of policies, strategy, budgets and the general operations of the ICD within the limits of the powers delegated to it by the General Assembly. Its powers include preparing the work of the General Assembly, taking decisions concerning the business of the ICD and its operations, approving the budget and submitting the accounts of each financial year for the approval of the General Assembly at each annual meeting.

Under the Articles of Agreement, the Board of Directors shall consist of not less than six and not more than ten members (**Directors**) in addition to the Chairman of the Board of Directors (the **Chairman**) and the General Manager (as described below). The IDB shall appoint at least one Director whom, together with the Chairman and the General Manager, shall constitute at least half of the Board of Directors. One Director shall be appointed by the Member Country holding the largest number of shares in the ICD (currently the Kingdom of Saudi Arabia) while the remaining Directors shall be elected by the other Member Countries. As at the date of this Base Prospectus, the Board of Directors consists of ten directors and is chaired by the President of the IDB. Other directors include the Chief Executive Officer of the ICD, a permanent member from the Kingdom of Saudi Arabia and representatives from Member Country groups from Africa, Asia, Arab Asia and public financial institutions.

Each Director holds office for three years and may be reappointed. Elected members of the Board of Directors may be re-elected for not more than two consecutive terms. Generally, all matters before the Board of Directors shall be decided by a majority of the voting power represented at a meeting of the Board of Directors. A Director may not simultaneously serve as a representative on the General Assembly.

The table below indicates the current composition of the Board of Directors as at the date of this Base Prospectus, who were elected during the ICD's Annual Meeting held in Mozambique on 24 SHa'baan 1436H (11 June 2015).

Board of Directors

Name	Nationality	Members Represented
Hon. Ahmad Mohamed Ali	Saudi	Chairman of the Board
Hon. Khaled Mohamed Al-Aboodi	Saudi	CEO & General Manager
Hon. Bader Abdullah Abuaziza	Libyan	IDB
Hon. Mohammad Parizi	Iranian	IDB
Hon. Abdirahman Sharif	Somalian	IDB
Hon. Dr. Abdulhamid Alkhalifa	Saudi	Kingdom of Saudi Arabia

Name	Nationality	Members Represented
Hon. Abdullah Mohammed Abdullah Al Zaabi	Emirati	Arab Group
Hon. Abdourahmane Cisse	Ivorian	Africa Group
Hon. Mohammad Nizam bin Haji Ismi	Bruneian	Asia Group
Hon. Omar Ahmad Al-Somali	Saudi	Public Financial Institutions Group

The Executive Committee

The Board of Directors appoints an Executive Committee from amongst its members to serve as an expeditious decision making body. The Executive Committee has the power to approve all financing and investment operations and all other powers delegated to it by the Board of Directors. Under the Articles of Agreement, at least three seats are allocated permanently to the Chairman of the Board of Directors, the Chief Executive Officer and General Manager and the representative on the Board of Directors from the Member Country having the largest number of shares (currently the Kingdom of Saudi Arabia). The remainder of the Executive Committee shall consist of not less than two and not more than four other members from the Board of Directors. Following the formation of the new Board of Directors in Sha`baan 1436H (June 2015), the new members of the Executive Committee will be determined at the meeting of the Board of Directors in Dhul Qai`dah 1436H (September 2015).

The Executive Directors are rotated on an annual basis to enable all Directors to serve on the Executive Committee. The Chairman of the Board of Directors, and in his absence, the Chief Executive Officer (the **CEO**) and General Manager shall preside over the meetings of the Executive Committee and shall have no vote when chairing the meeting except for a casting vote in the event of a tie. The Executive Committee can approve financing and investments in Member Countries by the ICD. If financing and investments in Member Countries are above U.S.\$10 million per project they require the approval by a vote of the majority of the Executive Committee participating in the vote.

The Chairman

The President of the IDB shall be the ex- officio Chairman of the Board of Directors. He shall preside over the meetings of the Board of Directors but without the right to vote except in the event of a tie. He shall also participate at the meetings of the General Assembly but shall not vote at the meetings.

As at the date of this Base Prospectus, the Chairman of the Board of Directors of the ICD is Dr Ahmad Mohammed Ali, a citizen of the Kingdom of Saudi Arabia, whose term of office was renewed at the 39th annual meeting of the IDB Group in Jeddah, Saudi Arabia in Sha`ban 1435H (June 2014). Dr. Ahmad Mohamed Ali does not perform any activities outside the ICD other than as the President of the IDB and Chairman of the Board of Directors of other entities within the IDB Group. He also provides certain services to the Higher Education Councils of five universities and as a board member at the Saudi Fund for Development.

Dr. Ahmad Mohamed Ali is the first Chairman of the Board of Directors of the ICD and has held this position since its establishment. Dr. Ahmad Mohamed Ali was born in Al-Madinah Al-Munawarah in the Kingdom of Saudi Arabia in 1934, where he completed his early education. He holds a B.A. degree in Commerce and a degree in Law from Cairo University, Egypt. He earned M.A. and Ph.D. degrees, both in Public Administration, from the University of Michigan, Ann Arbor and the State University of New York (SUNY), Albany, United States of America, respectively in 1381H (1962) and 1386H (1967).

Dr. Ahmad Mohamed Ali began his career in education and manpower development with his appointment as Director, Scientific and Islamic Institute, Aden, Yemen, during 1377H-1388H (1958-59). Subsequently, he returned to the Kingdom of Saudi Arabia and continued in the same path with his appointment as the Acting Rector of King Abdulaziz University from 1386H (1967) to 1391H (1972). His contribution to the development of the people was recognised by the government of the Kingdom

of Saudi Arabia and in 1391H (1972) he was selected to serve as Deputy Minister of Education and served for three years. He has also been contributing to the welfare of the community in the Kingdom of Saudi Arabia.

CEO and General Manager

The CEO also serves as the General Manager and conducts the day to day business and operations of the ICD under the supervision of the Chairman of the Board of Directors. The CEO is also responsible for the organisation, appointment and dismissal of the officers and staff of the ICD. To the extent that he is authorised by the Board of Directors, the General Manager may also approve financings and investments by the ICD.

As at the date of this Base Prospectus, the CEO and General Manager of the ICD is Mr Khaled Mohammed Al-Aboodi, a citizen of the Kingdom of Saudi Arabia, who is serving a renewable three-year term from 10 Ramadhan 1434H (18 July 2013). Mr. Khaled Al-Aboodi served as the Deputy CEO of the ICD prior to being appointed as the CEO and General Manager.

Mr. Al-Aboodi has over 30 years of experience in the development of the finance industry in the Middle East and the United States of America. He started his tenure with the Ministry of Finance & National Economy of Saudi Arabia in 1402H (1982) as an Economic Researcher and served as the Director of the Environment Unit and Acting Director of the International Financial Institutions Department.

In 1416H (1995) Mr. Al-Aboodi moved to Washington DC to serve as Assistant to the Saudi Executive Director at the World Bank and was later appointed Alternate Executive Director for Saudi Arabia at the World Bank Board until 1421H (2000). Later that year, he joined the Saudi Public Investment Fund (Ministry of Finance) as Senior Economist where he was in charge of several privatisation operations.

Mr. Khaled Al-Aboodi holds a Bachelor's Degree in Economics from King Saud University, Riyadh 1402H (1982), and a Master's Degree in Economics from Northeastern University, Boston, United States of America 1407H (1987).

Advisory Board

The ICD has an advisory board (the **Advisory Board**), consisting of five internationally renowned experts of different nationalities, who provide views and opinions on any matter submitted to it by the General Assembly, the Board of Directors, the Executive Committee, the Chairman or by the CEO and General Manager. As at the date of this Base Prospectus, the Advisory Board consists of the following members:

<u>Name</u>	<u>Nationality</u>
Hon. Assaad Joseph Alexandre Jabre	Lebanese
Hon. Aliko Dangote	Nigerian
Hon. Hamad Saud Al-Sayari	Saudi
Hon. Abdul Rashid Hussain	Malaysian
Hon. Dr. Abdul Hafeez Shaikh	Pakistani

Audit Committee

The Board of Directors appoints from among its members an audit committee (the **Audit Committee**) which is responsible for overseeing the financial and internal control aspects of the ICD as well as its compliance with its purposes and objectives and reports its findings to the Board of Directors. Following the formation of the new Board of Directors in Sha`baan 1435H (June 2015), it has been determined that the new members of the Audit Committee will be determined at the meeting of the Board of Directors in Dhul Qai`dah 1436H (September 2015).

The Investment Committee

The Investment Committee acts as the ICD's highest decision-making body on credit approval, advisory service approval, credit monitoring and administration, and remedial asset management. It approves or endorses to the CEO any new financing, equity investment, or advisory service transaction as well as significant credit changes relating to individual transactions in the portfolio and workout strategies and proposals. The Investment Committee ensures that all credit decisions are duly processed and approved in accordance with the ICD's credit process.

The Investment Committee of the ICD is made up of ten members of which eight are voting members and two are non-voting members. The voting members are the CEO and General Manager (as chairman), the Director of the Strategy and Policy Department, the Director of the Remedial Asset Management Unit, the Director of the Financial Institutions Development Department, the Director of the Direct Investment and Financing Department, the Director of the Asset Management Department, the Director of the Business Development and Partnerships Department and the Director of the Risk Management Department. The non-voting members are the Head of the Legal Division, the Head of the Finance Division and the director of the relevant business department who is leading the transaction. All financing and investment decisions of less than U.S.\$10 million require only the approval of the CEO following endorsement by the Investment Committee without requiring any further approval from the Executive Committee.

The main scope of work of the Investment Committee is as follows:

- Evaluate and approve concept review papers relating to new financing, equity investment, or advisory service transactions, particularly focusing on:
 - i. general compliance with the developmental, lending, financial, procurement, safeguard, and risk management principles and policies of the ICD;
 - ii. key issues to be addressed during due diligence relating to the transaction structure, profitability and cost recovery, security, and risk concerns; and
 - iii. terms and conditions of the transaction as outlined in the relevant indicative term sheet.
- Authorises business departments to commence due diligence processes;
- Evaluates and endorses new transactions at a final review stage, particularly focusing on resolving those issues identified at the concept review stage, significant changes which occurred during the transaction review, and confirming the final terms and conditions as per the signed term sheet;
- Evaluates and endorses workout strategies and proposals, particularly focusing on reasonableness and viability of the strategies and proposals, potential reputational issues and financial impact on the ICD, and consistency with the ICD's developmental principles and objectives;
- Evaluates and endorses the report on impaired transactions, which is prepared by the relevant business department and Remedial Asset Management Unit (**RAMU**) on a bi-weekly basis;
- Evaluates and endorses major consents, waivers, amendments to loan covenants or terms and conditions as well as changes in security arrangements; and
- Evaluates and endorses proposals on disposal of equity investments, particularly focusing on achievement of development impact, valuation and internal rate of return, and reasonableness and viability of the exit options and execution.

Asset Liability Management Committee

The ICD's Asset and Liability Management Committee (**ALCO**) was established for the purpose of mitigating, measuring and controlling a range of risks relating to the ICD's assets. The key responsibilities of the ALCO relate to four principal areas:

Liquidity Risk Management

In relation to Liquidity Risk Management, the ALCO has the responsibility of (amongst other things):

- Ensuring adequate liquidity and efficient management of liquid funds in line with the ICD's Liquid Fund Management Policy Guideline;
- Reviewing and formulating actions to be taken in relation to the ICD's funding profile and considering the diversification, cost and the robustness of funding sources, funding needs and current and future funding structures;
- Analyzing refinancing risk;
- Reviewing asset liquidity ratios; and
- Considering the ICD's structural exposures, including the evaluation of appropriate stress scenarios.

Market Risk Management

In relation to Market Risk Management, the ALCO's key responsibilities include (amongst other things):

- Measuring and keeping the profit rate risk within the relevant parameters;
- Reviewing the ICD's net profit margin;
- Assisting the ICD's investment departments with investment pricing; and
- Reviewing the ICD's overall exposure to Foreign Exchange risk.

Treasury Credit Risk Management

The ALCO's key responsibilities in relation to Treasury Credit Risk Management include (amongst other things):

- Reviewing prospective counterparties and engaging the relevant internal divisions (such as Legal) to conduct due diligence, and prepare relevant agreements;
- Reviewing the geographical distribution of limits approved on counterparties and assess risks associated therein to take corrective actions if necessary; and
- Reviewing the limits on the authorised list of treasury investment counterparties annually or more regularly where market conditions require by engaging the Risk Management Division.

Capital

In relation to Capital, the ALCO's key responsibilities include (amongst other things):

- Considering, if appropriate, the composition of the ICD's capital structure, taking account of internal regulatory requirements and rating agency views (if any), and formulating appropriate actions where required;

- Considering the capital needs of the ICD and the process for the raising of capital;
- Endorsing the Capital Adequacy Policy; and
- Evaluating the appropriate stress scenarios relating to the ICD's capital position and formulating appropriate actions.

The ALCO has the authority to intervene in any other function/department/division of the ICD to mitigate the risk factors described above, and in addition, the ALCO may decide on the long term structure of the ICD's balance sheet, including whether or not the ICD should issue or invest in debt capital instruments and other investment instruments.

The membership of the ALCO is determined by the Chairman of the Management Committee of the ICD. The current members are the Chief Executive Officer (Chairman), the Director of Risk Management, the Director of the Financial Institution Development Department, the Director of the Advisory and Asset Management Department, the Head of Finance and the Head of Treasury.

Provisioning Committee

The ICD's Provisioning Committee meets to discuss and evaluate the ICD's portfolio of projects in line with the adopted provisioning policy and provides a quarterly report to the Management Committee for their consideration.

Currently, the Provisioning Committee is chaired by the Director of Strategy and Policy Department. There are 6 members of the Committee that represent the Direct Investment and Financing Department, Financial Institutions Development Department, Remedial Asset Management Unit, Legal Division and Finance Division.

The ICD Human Resources Management Committee

The ICD's Human Resources Management Committee (**IHRMC**) was established for the purpose of providing advice and guidance on human resources management issues and policies, and facilitating the implementation of human resources management policies and activities across the ICD. By doing this, the IHRMC has the objective of ensuring that:

- The ICD is resourced with highly qualified, motivated staff that are properly rewarded and motivated to stay with the ICD for the maximum possible time; and
- Human resources management policies and activities are integrated with the ICD's broader vision and strategy.

The IHRMC is chaired by the CEO and has a membership body comprising the Director of Corporate Support, the Director of Direct Investment, the Director of Remedial Assets Management and the Director of Advisory Services and Assets Management. The IHRMC meets once per month (or as often as is required) and often invites advisers and other staff from within the ICD whose participation will add value and help the IHRMC in its decision making processes.

The principal functions of the IHRMC include (amongst other things):

- Approving all the ICD's human resources management policies;
- Giving direction and guidance in regards to pay and benefits for staff, work environment and other human resource management activities;
- Determining overall staffing levels, the mix of skills and the talent that should be available within the ICD;
- Reviewing and approving recommendations for the review and adjustment of the ICD's salary structure;

- Establishing a theme to guide the annual performance management processes;
- Reviewing and approving succession planning and career development plans; and
- Providing a forum for staff to appeal against decisions that affect their employment or benefits.

Risk Management

The ICD's investments are exposed to the full range of commercial, political, and potential reputational risks and managing these risks is therefore a priority. The primary objective of the ICD's risk management framework is to identify, measure, monitor, and control these risks. The framework comprises risk governance, policies, methodologies, and processes.

Risk Governance

The Board of Directors and Board Committees provide the highest level of oversight on the major risks in the ICD's operations. The ICD's Management Committee, under the Chairman and General Manager, oversees corporate wide risk issues and endorses all risk policies and guidelines for approval by the CEO and Board of Directors. The Investment Committee is the highest decision-making body for all investment decisions within the ICD, covering new and existing transactions as well as workouts. The ALCO oversees the risks in the ICD's balance sheet as well as in liquid asset management and funding operations. The Risk Management Department has the overall responsibility for managing the ICD's integrity, financial, and operational risks.

Risk Policies and Guidelines

The Risk Management Department is responsible for developing and maintaining the ICD's risk policies and guidelines. The Board of Directors approves all risk policies following endorsement by various board and management committees, including the Audit Committee of the Board, Management Committee, Group Risk Management Committee, and ALCO. The key risk policies and guidelines are summarised as follows:

- *Capital Adequacy Policy:* A prudential minimum level of capital is required to cover all risk assets in the ICD's operations. The ICD's capital adequacy ratio (CAR) is defined as total members equity (paid-in capital plus reserves) divided by risk-weighted assets. The policy requires the ICD to maintain this ratio at 35% or higher at all times.

As a multilateral institution, the ICD is not obliged to comply with the requirements of the Basel Committee on Banking Supervision (the **Basel Committee**) nor of any other regulatory body. However, the ICD develops and implements its own prudential financial and risk management policies, as approved by the Board of Directors, which take into account international best practices. For example, the ICD is currently implementing a risk sensitive capital adequacy framework in accordance with the Basel Committee on Banking Supervision and Islamic Financial Services Board capital adequacy standards.

The table below provides the breakdown of the ICD's risk-weighted assets and capital adequacy ratio at year-end 1435H (2014). The CAR has become 42% at year-end 1435H (2014).

**The ICD's Risk-Weighted Assets and Capital Adequacy Ratio
At Year-End 1435H
(U.S.\$ million)**

Asset Class	Asset Amount	Risk Weighted Assets
Equity Investments	724	1,489
Term Financing	300	697
Liquid Assets	284	94

Total Risk Weighted Assets (TRWA)	2,280
ICD's Equity (E)	970
Capital Adequacy Ratio (E/ TRWA)	42%

- *Liquidity Policy:* A prudential minimum liquidity level equivalent to a 1-year net cash requirement is to be maintained at all times to ensure that the ICD can meet all its financial obligations without additional funding over the next 12 months. The net cash requirement is defined as cash inflows (loan repayments, capital payments, and net income) minus cash outflows (disbursements and redemption). The size of the prudential minimum liquidity level for 1436H (2015) was previously estimated at approximately U.S.\$800 million.
- *Treasury Risk Management Policy:* The ICD manages its liquidity portfolio in accordance with Board approved limits on market risk, credit risk, concentration risk, and liquidity risk. The key metric for market risk is duration, which is capped at 3 years. The ICD is required to maintain the average credit rating of the liquidity portfolio at 'A-/A3'.
- *Asset and Liability Management Policy:* The ICD is required to match the currency and profit rate of its assets and liabilities. Accordingly, the ICD funds its floating rate assets with floating rate liabilities and vice versa for fixed rate assets. The ICD funds its equity investments strictly using equity capital. To ensure flexibility in its funding operations, the ICD uses derivatives on a fully hedged basis to convert the currency and profit rate basis of its liabilities to match those of its assets.
- *Credit Risk Exposure Management Policy:* Concentration risk in the operations portfolio is managed through a variety of prudential limits, including on asset class, country, sector, single obligor, and group company.
- *Anti-Money Laundering and Countering Terrorist Financing Policy:* The ICD manages this risk of being used as a conduit for money laundering and terrorist financing activities by establishing the essential standards in line with unbiased and non-political best practices and implementing safeguards designed to prevent such activities. The objective is to ensure the utmost regularity, transparency and legality in all aspects of the ICD's activities.
- *Anti-Bribery Policy:* The ICD combats fraud and corruption (including bribery) through a sanctions process (**Sanctions Process**) aimed at firms or individuals that have engaged in fraud, corruption, coercion, collusion or obstruction with respect to any of the ICD's financings/investment and advisory services projects. The Sanctions Process applies to any ICD counterparty, which would in general include the ICD's borrowers - companies in which the ICD makes an investment (both direct and indirect), companies who borrow with the support of ICD guarantees, sponsors, Advisory Services recipients, and Advisory Services' consultants and service providers. Allegations that a firm or individual has engaged in sanctionable practices are investigated by the IDB Group's Compliance Office. ICD counterparties who engage in sanctionable practices may be "debarred" which makes the offending party ineligible to do business with the IDB Group for a period of time. Suspected fraud and corruption in the ICD-financed projects, as well as allegations regarding misconduct of ICD officials, employees or consultants can be reported by submitting a written report. Anybody, within or outside the ICD, may report fraud, corruption and misconduct.

Credit and Equity Risk

Credit risk is the risk of loss if a borrower or counterparty fails to fulfill its financial obligations to the ICD. Equity risk is the risk of loss arising from changes in fair valuation of the ICD's equity investments. Such valuation is sensitive to a variety of factors, including macroeconomic developments, management performance, demand/supply dynamic, political risk, and exchange rate movements. The ICD is required to assign an internal credit rating to each financing transaction as well as to each

treasury counterparty when a public rating from one of the major international rating agencies is not available. The ICD uses an internally developed credit rating methodology that is broadly aligned with that of the major international rating agencies. The methodology comprises four templates for rating exposures to sovereign, corporate, financial institution, and project finance. The ICD's internal credit rating scale comprises 21 categories that are mapped to those of international rating agencies. The table below provides the major credit and equity risks in the ICD's operations.

**The ICD's Credit & Equity Risk Exposures
At Year-End 1435H**

Transaction Type	Exposure	
	(U.S.\$ million)	% Total Exposure
Line of Financing to Banks	201.5	14.0%
Term Financing	256.1	17.9%
Treasury	242.1	16.9%
Sub-total: Credit Risk Exposure	699.7	48.8%
Equity Investments	498.7	34.8%
Funds	236.2	16.5%
Sub-total: Equity Risk Exposure	734.9	51.2%
Total	1,434.6	100.0%

Credit and Equity Risks in the Operations Portfolio

All new financing and equity investment transactions are subject to the ICD's Credit Approval Process, which entails two rounds of review involving the risk management department and Investment Committee (IC): Concept Review and Final Review. At the Concept Review stage, the primary objective of the assessment is to ensure that the transaction generally complies with the ICD's developmental, operational, financial, integrity, and risk management strategies and principles. Following the IC's concept review clearance, detailed due diligence is undertaken and the results are presented to the Investment Committee for final review. All transactions exceeding U.S.\$10 million are submitted to the Executive Committee of the Board for approval.

Following approval, monitoring of exposures is undertaken in accordance with the ICD's Credit Administration and Monitoring Process. All transactions are reviewed annually or in the case of watch list and impaired transactions, quarterly or monthly. The responsibility for monitoring transactions rests with the operations department with oversight by the risk department and IC. In this review, the ICD assesses the implementation progress, development impact, and key risk factors as well as updates the credit rating, equity valuation, and provisions as appropriate.

The tables below provide detailed information on material credit risk in the operations portfolio by country, sector, and risk rating category.

**Material Credit Risk in Operations Portfolio by Country
As of Year-End 1435H**

Country	Exposure	
	(U.S.\$ million)	% of Total Exposure
Saudi Arabia	182.1	15.3%

Bahrain	168.3	14.1%
Uzbekistan	82.7	6.9%
Mauritania	90.2	7.6%
Turkey	65.4	5.5%
Malaysia	62.8	5.3%
Senegal	71.3	6.0%
Nigeria	61.8	5.2%
Azerbaijan	53.1	4.4%
Pakistan	56.1	4.7%
Sudan	36.7	3.1%
Yemen	43.2	3.6%
Egypt	23.2	1.9%
Bangladesh	31.5	2.6%
Indonesia	18.5	1.6%
UAE	26.9	2.3%
Others	118.9	10.0%
Total	1,192.5	100.0%

**The ICD's Operations Portfolio by Sector
As of Year-End 1435H**

Sector	Exposure	
	(U.S.\$ million)	% of Total Exposure
Financial Services	459.6	38.5%
Industrial & Mining	206.0	17.3%
Micro & SME finance	201.5	16.9%
Real Estate	191.5	16.1%
Trade	42.7	3.6%
Agriculture	37.8	3.2%
Aviation	22.6	1.9%
Pharmaceuticals & Healthcare	18.5	1.5%

Technology	12.4	1.0%
Total	1,192.5	100%

**Credit Risk in Term Financing Portfolio by Rating Category
As of Year-End 1435H**

Rating	Category	Exposure (U.S.\$ million)
AAA to BBB-	Low risk	21.9
BB+ to BB-	Moderate risk	155.2
B+ to B-	High risk	184.8
CCC+ and below	Very High risk	95.7
Total		457.6
WARR		B+/B1

- **Financing portfolio.** The ICD's financing portfolio totaled U.S.\$457.6 million at year-end 1435H (2014) comprising exposures to banks (44%) and term financing (56%). The weighted average risk rating (WARR) of the financing portfolio stood at 'B+' at year-end 1435H (2014).
- **Direct equity investment portfolio.** The direct equity investment portfolio totaled U.S.\$498.7 million at year-end 1435H (2014) comprising 44 transactions in various sectors including financial institutions (45%), real estate (36%), aviation (4.5%), Industrial (4.4%) Pharmaceuticals (3%) and others (7.3%).
- **Fund investment portfolio.** The fund investment portfolio totaled U.S.\$236.2 million at year-end 1435H (2014) comprising the following funds: Unit Investment Fund (U.S.\$150.7 million), Money Market Fund (U.S.\$52.3 million), Saudi SME Fund (U.S.\$26.3 million), Theemar Investment Fund (U.S.\$3.9 million) and Libya Fund (U.S.\$3 million).

Credit Risk in Treasury Operations

The ICD invests funds held in its liquidity portfolio in accordance with the primary objective of safety and liquidity. The size of the liquidity portfolio was U.S.\$284.4 million at year-end 1435H (2014) comprising bank placements with an average maturity of 3.9 year (94%) and Sukuk bonds with an average maturity of 6.1 years (6%). The weighted average risk rating of the liquidity portfolio was BBB- at year-end 1435H (2014). In line with the treasury risk management policy, which was approved by the Board in July 2014 (Ramadhaan 1435H), such risk rating needs to be improved to 'A-/A3' or better by July 2016 (Shawwal 1436H). The tables below provide detailed information on the ICD's liquidity portfolio at year-end 1435H (2014) by country as well as projected liquidity portfolio at year-end 1436H (2015) by portfolio type. The projection reflects the requirements spelled out in the Liquidity Policy, which was approved by the Board in July 2014 (Ramadhaan 1435H).

**The ICD's Liquidity Portfolio by Country
As of Year-End 1435H**

<u>Country</u>	<u>Sovereign Rating</u>	<u>Exposure</u>	
		<u>(U.S.\$ million)</u>	<u>% of Total</u>
Turkey	BBB-	113	39.9%
Azerbaijan	BBB-	68	23.8%
Bahrain	BBB	30	10.5%
UK	AAA	25	8.7%
Sudan	NR	24	8.4%
Senegal	B+	14	4.9%
Saudi Arabia	AA-	11	3.8%
Total		284	100%

**The ICD's Projected Liquidity Portfolio by Portfolio Type
As of Year-End 1436H**

<u>Liquidity Portfolios</u>	<u>Funding Source</u>	<u>Amount</u>	
		<u>(U.S.\$ million)</u>	<u>Benchmark</u>
Core Liquidity Portfolio	Equity & Debt	570	Composite Sukuk Index
Discretionary Liquidity Portfolio	Debt	100	6-month LIBOR
Operational Portfolio	Debt	30	1-month LIBOR
Ad-Hoc Portfolio	Debt	78	TBA
Total		778	

Single country exposure is restricted at 20% of the ICD's total liquidity portfolio, while single counterparty exposure limit is set at 7.5% of the ICD's total liquidity portfolio.

Derivatives

The ICD currently does not have any exposure to derivatives counterparties as its funding sources comprise mainly equity capital and short-term borrowings. However, the ICD plans to increase its market borrowings over the medium term to fund both its operations assets and liquidity portfolio. As such borrowings entail medium to long term maturities, exposures to derivatives counterparties are expected to increase over the medium term. To manage such exposures, all eligible derivative counterparties shall have a minimum credit rating of 'A-/A3'.

Market Risk

Market risk relates to the potential loss on the ICD's risk exposures arising from movements in market prices or changes in fair valuation. The major sources of market risk in the ICD's operations include market rate risk, exchange rate risk, and equity risk.

Market risk in operations portfolio

The Board approved Asset and Liability Management policy requires that the ICD follow the matched-funding principle in managing its assets and liabilities. Thus, the ICD ensures that the market rate basis and currencies of all debt-funded assets match those of the underlying liabilities. Such approach ensures that the ICD's market income spread remains largely constant regardless of market rate and exchange rate movements. The entire term finance portfolio and debt funded liquidity portfolios are currently in compliance with the matched-funding principle.

Market risk in treasury portfolio

The major source of market risk in the ICD's treasury portfolio relates to those liquid assets funded by equity funds. Such assets are primarily exposed to market rate risk as open currency positions are not allowed under the Asset Liability Management policy. The ICD manages such market rate risk by establishing conservative duration limit of 2 years. Aside from monitoring the duration of the treasury portfolio, the ICD also calculates the market rate value-at-risk (VaR) as well as undertake scenario analysis.

Property

As at year end 1435H (2014), the ICD owned property comprising furniture, fixtures, computers, motor vehicles and other equipment carrying a total net value of U.S.\$1.5 million (compared to U.S.\$1.8 million in 1434H (2013)).

IT

The ICD's information technology (IT) division is focused on utilising IT systems to help facilitate the ICD's business interactions with clients around the world. The ICD considers the role of IT to be significant in ensuring that the ICD is able to conduct its business in a responsive, flexible and efficient way in the environments within which it operates.

Insurance

The ICD has various insurance policies in place, including directors and officers insurance, third party liability insurance and insurances covering its property and equipment. The ICD believe these insurance policies provide it with comprehensive insurance coverage against various risks to which the ICD may be exposed.

Litigation

Except for a recent claim that has been brought by a shareholder in one of the ICD's investee companies in Yemen against the ICD (with a potential liability of approximately U.S.\$50 million) and a counterclaim brought by a private sector client in the UAE in an action instituted against the client by the ICD to recover outstanding unpaid amount (with potential liability of U.S.\$26 million), there is no material litigation, governmental proceeding, administrative action or arbitration, pending or threatened against the ICD or any of its principal officers. The ICD is in the process of contesting these cases.

Employees

As at the date of this Base Prospectus, the ICD employed 180 full time staff. The ICD has no history of industrial disputes and considers its relationship with its employees as good.

Potential conflicts of interest

As at the date of this Base Prospectus, there are no potential conflicts between any duties owed to the ICD by any of the persons referred to above and their private interests and/or duties.

SUMMARY FINANCIAL INFORMATION

The following tables set out in summary form the financial information relating to the ICD. Such information is derived from the audited financial statements of the ICD as at and for the years ended 29 Dhul Hijjah 1434H (3 November 2013) and 30 Dhul Hijjah 1435H (24 October 2014) and shows the statement of the financial position, income and cash flows of the ICD as at 29 Dhul Hijjah 1434H (3 November 2013) and 30 Dhul Hijjah 1435H (24 October 2014). Such information should be read in conjunction with “*Presentation of Financial and other information*” section and the audited financial statements of the ICD as at and for the years ended 30 Dhul Hijjah 1435H (24 October 2014) and 29 Dhul Hijjah 1434H (3 November 2013) and the notes hereto, appearing elsewhere in the Base Prospectus.

STATEMENT OF FINANCIAL POSITION

As of 30 Dhul Hijjah 1435H (24 October 2014) and 29 Dhul Hijjah 1434H (3 November 2013)
(All amounts in United States Dollars unless otherwise stated)

	1435H	1434H
<u>ASSETS:</u>		
Cash and cash equivalents	147,625,799	122,491,659
Commodity placements through financial institutions	188,009,961	84,613,501
Murabaha financing	65,262,314	56,563,550
Accrued income and other assets	150,141,747	134,985,621
Instalment sales financing	152,858,054	117,506,933
Investments	741,696,887	635,476,848
Ijarah Muntahia Bittamleek	74,948,755	64,040,552
Property and equipment	1,527,205	1,769,032
TOTAL ASSETS	1,522,070,722	1,217,447,696
 <u>LIABILITIES AND MEMBERS' EQUITY:</u>		
<u>Liabilities:</u>		
Wakala borrowings	509,665,780	208,207,268
Accruals and other liabilities	42,600,744	115,376,252
Amounts due to the ICD Solidarity Fund	890,486	402,454
TOTAL LIABILITIES	553,157,010	323,985,974
 <u>Members' equity:</u>		
Share capital	798,998,280	749,806,110
Reserves	169,915,432	143,655,612
Total members' equity	968,913,712	893,461,722
TOTAL LIABILITIES AND MEMBERS' EQUITY	1,522,070,722	1,217,447,696

STATEMENT OF INCOME

For the years ended 30 Dhul Hijjah 1435H (24 October 2014) and 29 Dhul Hijjah 1434H (3 November 2013) (All amounts in United States Dollars unless otherwise stated)

	1435H	1434H
<u>Income:</u>		
Commodity placements through financial institutions	10,719,645	10,016,286
Murabaha financing	3,926,692	1,699,165
Instalment sales financing	11,695,281	11,062,395
Investments	48,411,687	26,211,408
Ijarah Muntahia Bittamleek	24,446,776	32,694,589
Istisna'a assets	-	19,443
Administrative fees	4,550,885	4,280,364

Advisory fee	5,031,208	861,150
Mudarib fees	1,317,702	477,920
Total Shariah compliant income	110,099,876	87,322,720
Depreciation on assets under Ijarah Muntahia Bittamleek	(18,040,229)	(26,214,925)
	92,059,647	61,107,795
Income from non-Shariah compliant placements	584,614	10,352
Transferred to the ICD Solidarity Fund	(584,614)	(10,352)
Total operating income	92,059,647	61,107,795
Expenses:		
Staff cost	(23,180,204)	(18,841,574)
Other administrative expenses	(10,965,420)	(7,849,198)
Depreciation of property and equipment	(667,317)	(643,317)
Financing costs	(6,428,295)	(3,019,980)
Total expenses	(41,241,236)	(30,354,069)
Foreign exchange loss	(593,851)	(259,316)
Fair values gains on derivatives	1,171,182	-
Income before provision for impairment of financial assets	51,395,742	30,494,410
Provision for impairment of financial assets, net	(25,135,922)	(6,244,042)
Net income for the year	26,259,820	24,250,368

STATEMENT OF CASH FLOWS

For the years ended 30 Dhul Hijjah 1435H (24 October 2014) and 29 Dhul Hijjah 1434H (3 November 2013)

(All amounts in United States Dollars unless otherwise stated)

	1435H	1434H
Cash flows from operating activities		
Net income for the year	26,259,820	24,250,368
<u>Adjustments to reconcile net income/(loss) to net cash utilised in operating activities:</u>		
Depreciation	18,707,546	26,858,242
Provision for impairment of financial assets, net	25,135,922	6,244,042
Unrealised fair value gain	(43,751,424)	(25,449,172)
Profit on disposal of vehicles	(19,449)	-
Fair value gains on derivatives	(1,171,182)	-
<u>Changes in operating assets and liabilities:</u>		
Commodity placements through financial institutions	(103,396,460)	2,077,412
Accrued income and other assets	(18,578,381)	(6,981,235)
Accruals and other liabilities	(72,775,508)	85,362,021
The ICD Solidarity Fund	488,032	(261,655)
Investments	(71,509,670)	(230,493,964)
Ijarah Muntahia Bittamleek	(38,991,174)	(10,629,405)
Istisna'a assets	-	1,666,737
Murabaha financing	(7,867,122)	(38,759,632)
Instalment sales financing	(37,641,451)	(24,124,196)
Net cash utilised in operating activities	(325,110,501)	(190,240,437)
Cash flows from investing activities		
Purchase of property and equipment	(439,015)	(131,682)

Proceed from disposal of motor vehicles	32,974	-
Net cash utilized in investing activities	(406,041)	(131,682)
Cash flows from financing activities		
Share capital contribution	49,192,170	98,976,896
Repayments against Wakala borrowings	(635,321,135)	(188,200,000)
Proceeds from Wakala borrowings	936,779,647	208,207,268
Cash generated from financing activities	350,650,682	118,984,164
Net change in cash and cash equivalents	25,134,140	(71,387,955)
Cash and cash equivalents at the beginning of the year	122,491,659	193,879,614
Cash and cash equivalent at the end of the year	147,625,799	122,491,659

Financial Standards

The financial statements of the ICD are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisations for Islamic Financial Institutions (AAOIFI) and the Shariah rules and principles as determined by the Shariah Committee. For matters for which no AAOIFI standards exist, the ICD uses the relevant standards issued or adopted by the International Accounting Standards Board (the IASB) and the relevant interpretation issued by the International Financial Reporting Interpretations Committee of the IASB. For an explanation of the differences between AAOIFI and IFRS see "*Principal Differences between Accounting Principles of the Accounting and Auditing Organisation for Islamic Financial Institutions and International Financial Reporting Standards*". Such financial statements, together with the reports of PricewaterhouseCoopers and the accompanying notes, are included in this Base Prospectus. The financial information presented above should be read in conjunction with such financial statements, reports and the notes thereto which are available at www.icd-idb.org.

1435H (2014) in review

In general, the financial performance of the ICD for the year ended 30 Dhul Hijjah 1435H (24 October 2014) improved significantly compared to the year ended 29 Dhul Hijjah 1434H (3 November 2013).

The ICD's total operating income in 1435H (2014) amounted to U.S.\$92.1 million, an increase of more than 50 per cent. The increase occurred in respect of all revenue line items and in particular, its income from equity investments increased from U.S.\$26.21 million in 1434H (2013) to U.S.\$48.41 million in 1435H (2014), an increase of 85 per cent. The increase is a result of amendments issued to IFRS 10 "Consolidated Financial Statements" by the IASB, which allowed the ICD to fair value controlled investments rather than having to consolidate them. This revaluation accounted for the highest proportion of the increase in income from equity investments. Dividends received on the equity investments also contributed to the increase in equity investment income. The increase in the fair value for the equity portfolio is attributable to the strong diversification inherent in the equity portfolio. The real estate and financial institutions sectors continued to out-perform other sectors such as the industrial sectors.

The revenue was also generated from its various modes of financing (see "*Modes of Finance*" below) comprising *Ijarah*, instalment sale receivables, *murabaha*, *Istisna'a* and equity investments. Income from other services such as administrative services, advisory services and mudarib fees also recorded an increase from U.S.\$5.62 million in 1434H (2013) to U.S.\$10.90 million in 1435H (2014), an increase of 93.9 per cent.

Total operating expenses of the ICD also increased in 1435H (2014), from U.S.\$30.35 million in 1434H (2013) to U.S.\$41.24 million in 1435H (2014), an increase of 35.9 per cent. Staff costs and other administrative expenses increased by 23.0 per cent. and 39.7 per cent. respectively in 1435H (2014) in comparison with 1434H (2013).

The ICD's net income (before provisions and impairments) increased to U.S.\$51.40 million in 1435H (2014) from U.S.\$30.49 million in 1434H (2013), an increase of 68.6 per cent.

In terms of its balance sheet, the ICD's total assets increased by 25.02 per cent. from U.S.\$1,217 million in 1434H (2013) to U.S.\$1,522 million in 1435H (2014). This increase is mainly attributed to the increase in almost all the asset classes as provided in the Statement of Financial Position above.

Provisions for impairment of assets

Historically, the ICD's impairments on its financial assets have been low despite the large proportion of funding to borrowers in relatively high risk countries. This reflects in part the fact the ICD has generally received preferred creditor treatment from its customers or obligors. The provision for impairment of financial assets increased from U.S.\$6.24 million (representing 10.2 per cent. of the total operating income in 1434H (2013)) to U.S.\$25.14 million in 1435H (2014) (representing 27.3% of the total operating income), an increase of over 300.0 per cent. This amount represents total impairments recorded under term financing, receivables and equity. Term financing impairments recorded a net increase of U.S.\$11.21 million from seven transactions (compared to U.S.\$0.3 million from 5 transactions in 1434H (2013)), receivables impairments recorded a net increase of U.S.\$1.30 million from two debtors (compared to U.S.\$3.3 million from 19 debtors in 1434H (2013)), and equity investments impairments a net increase of U.S.\$6.38 million from nine transactions (compared to U.S.\$2.7 million from 4 transactions in 1434H)). Please refer to the "*Strategies to Reduce Non-Performing Loans*" section above in relation to strategies that the ICD is implementing to reduce impairments on its financial assets.

The provision for term finance and receivables increased as the impairment review revealed evidence of certain assets being impaired due to non-settlement for a prolonged period. The impairment review for equity investments showed that there were significant or prolonged declines in the value of the investments prolonged thus making provision necessary.

Policies on impairments/provisions

Impairment of financial assets

Investments in equity-type instruments

An assessment is made at each balance sheet date to determine whether there is objective evidence that an investment in equity-type instruments may be impaired. In case of investments carried at fair value through equity, a significant or prolonged decline in fair value of the investment below the cost is considered in determining whether the assets are impaired. If any evidence exists of significant impairment for the investment carried at fair value through equity, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the investment in equity previously recognised in the members' equity) is removed from equity and recognised in the statement of income. Impairment losses on equity investments previously recognised in the statement of income are not subsequently reversed through the statement of income.

Other financial assets

The ICD determines the provision for impairment losses on other financial assets based on an assessment of incurred losses. An assessment is made at each statement of income date to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired. The impairment loss results from the difference between the carrying amount of the asset and the net present value of the expected future cash flows discounted at the implicit rate of return from the financial asset. The impairment provision is periodically adjusted based on a review of the prevailing circumstances.

Impairment losses are adjusted through the use of an allowance account. When a financial asset is not considered recoverable, it is written off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to the statement of income.

As of the year ended 1435H (2014), the ageing of the ICD's financial assets which were overdue and considered impaired was as follows (All amounts in United States Dollars unless otherwise stated):

1435H (2014)				
	Murabaha financing	Installment sales financing	Ijarah Muntahia Bittamleek receivables	Others Receivables
0-90 days	-	-	3,985,848	-
91-180 days	-	-	3,137,974	-
181 days and above	5,247,147	10,686,171	16,325,058	22,336,526
Total	5,247,147	10,686,171	24,448,880	22,336,526

1434H (2013)				
	Murabaha financing	Installment sales financing	Ijarah Muntahia Bittamleek receivables	Others Receivables
0-90 days	-	-	-	-
91-180 days	-	-	1,323,403	-
181 days and above	7,641,941	10,579,065	7,773,742	22,336,526
Total	7,641,941	10,579,065	9,097,145	22,336,526

As of the year ended 1435H (2014), the ageing of the ICD's financial assets, which were past due but were not considered impaired by the management since there was no prolonged change in the credit quality of these financial assets, were as follows (All amounts in United States Dollars unless otherwise stated):

1435H (2014)				
	Murabaha financing	Installment sales financing	Ijarah Muntahia Bittamleek receivables	Others Receivables
0-90 days	13,063,062	220,606	8,939,585	-
91-180 days	588,620	58,108	5,636,953	-
181 days to 1 year	1,464,784	-	24,381,796	2,187,943
Total	15,116,466	278,714	38,958,334	2,187,943

1434H (2013)				
	Murabaha financing	Installment sales financing	Ijarah Muntahia Bittamleek receivables	Others Receivables
0-90 days	-	1,303,665	5,102,323	-
91-180 days	-	-	5,638,916	-
181 days to 1 year	-	-	17,449,286	-
Total	-	1,303,665	28,187,525	-

The ICD obtains adequate guarantees and employs other methods of credit enhancements that will protect the value of its investments. Guarantees and securities obtained by the ICD include bank guarantees, corporate guarantees, pledge of assets and possession of title to the property being financed. In general, the value of guarantees or other credit enhancements held by the ICD against these assets as of the end of financial year 1435H (2014) were considered adequate to cover its outstanding exposures. Where the ICD's management and its provisioning committee assessed that

the value of the receivable may not be fully recovered, an appropriate provision is recorded. The policy of the ICD in respect of securities and guarantees for term finance operations is that the sum of the securities package needs to be equal to or greater than 125% of the value of the assets financed.

Provision for impairment of financial assets

The ICD exercises judgment in the estimation of provision for impairment of financial assets. The ICD's management considers a number of factors to determine if an investment in an equity-type instrument is impaired such as the economic condition of the Member Country, the financial condition of the investee company as well as the strategic nature of the investment.

The contractual maturities of the ICD's assets and liabilities according to their respective periods to maturity or expected period to cash conversion at end of Dhul Hijjah are as follows (All amounts in United States Dollars unless otherwise stated):

	Less than 3 months	3 to 12 months	1 to 5 years	Maturity period not determined	Total
Assets					
Cash at banks	31,625,799	-	-	-	31,625,799
Commodity placements and Murabaha financing	194,968,782	119,019,695	55,283,798	-	369,272,275
Installment sales financing	16,075,495	41,362,572	95,419,987	-	152,858,054
Investments	315,000	1,250,000	16,096,150	724,035,737	741,696,887
Ijarah Muntahia Bittamleek	6,845,988	19,741,479	48,361,288	-	74,948,755
Accrued income and other assets and property and equipment	2,246,866	147,894,881	1,527,205	-	151,668,952
Total 1435H	252,077,930	329,268,627	216,688,428	724,035,737	1,522,070,722
Total 1434H	215,815,140	225,577,993	140,577,715	635,476,848	1,217,447,696
Liabilities					
Wakala borrowings	116,666,667	232,999,113	160,000,000	-	509,665,780
Accruals and other liabilities	42,600,744	-	-	-	42,600,744
ICD Solidarity Fund	890,486	-	-	-	890,486
Total 1435H	160,157,897	232,999,113	160,000,000	-	553,157,010
Total 1434H	15,548,762	275,027,230	33,409,982	-	323,985,974

OVERVIEW OF OPERATIONS

Core business segments

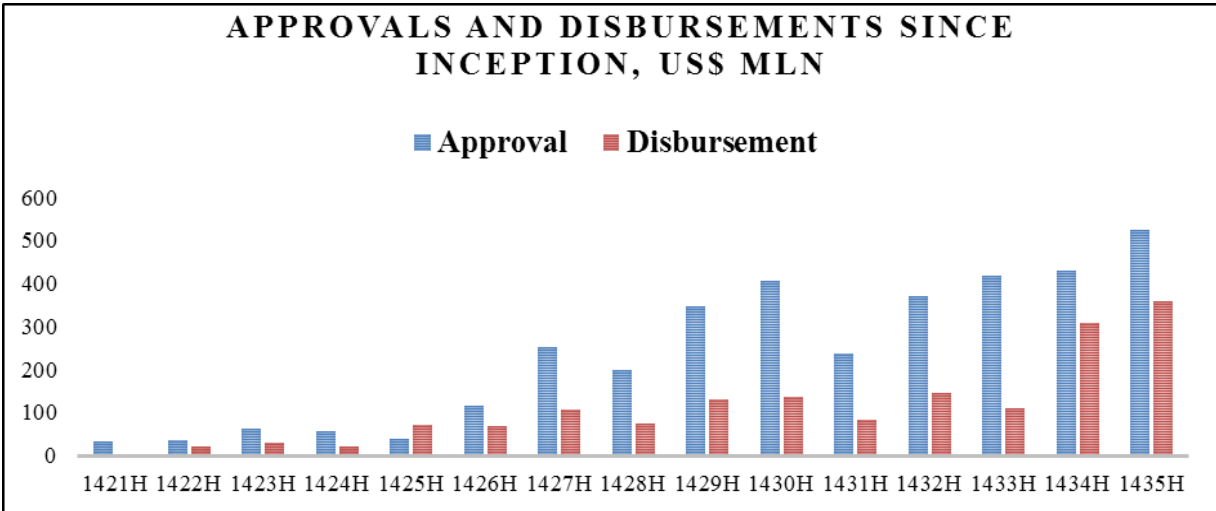
The ICD has four core business segments each of which are described further below. Each business segment is run by its own department which works closely with the BDPD. The BDPD is responsible for business origination and sources transactions, conducts initial project screening and evaluations of prospective projects and investments for each business segment. The BDPD also develops relationships with financial institutions, multilateral banks, governments and corporate entities. It prepares the preliminary reports for transactions which are allocated to the relevant business segment. It also facilitates transactions between departments and liaises with the relevant clients. In addition, it executes and manages syndications and large scale funding whereby it arranges additional funding for projects and ventures to which the ICD is providing financing. The BDPD works in conjunction with the DIFD on such syndications, whereby the DIFD reviews, approves and manages the ICD's own finance commitment and the BDPD sources and liaises with other financiers, for which it earns an arrangement or syndication fee.

The ICD approves a certain amount of financing each financial year and may disburse funds within the limits of those approvals. Before committing to an investment or financing, the department running each business segment will undertake a stringent review of the proposal which would then be presented to the Investment Committee. In respect of financings or investments of above U.S.\$10 million, the proposal will be presented to the Executive Committee for approval. In order to approve financings or investments of above U.S.\$10 million, the Executive Committee will consider the following factors:

- The ICD’s overall exposure in the relevant Member Country and sector;
- The key economic indicators of the relevant Member Country and an analysis of the relevant market (for example, if the project relates to real estate in KSA, an analysis will be conducted in respect of the real estate market in KSA);
- An analysis of the project, project sponsors, the project cost and the financing plan;
- A risk assessment of the project; and
- The proposed terms of the facility or investment and the relevant security.

Approvals for operations

Since its inception until the financial year ended 1435H (2014), the ICD’s accumulated gross approvals amounted to U.S.\$3.44 billion. This amount was allocated across 42 of its Member Countries as provided in the below chart.



Despite the challenging economic and political environment, the ICD made progress in implementing its business plan for 1435H (2014) (See “Business Operations” above). Contributing towards a broader distribution of the benefits of private sector development, the ICD continued to support Member Country efforts to boost private sector development through its wide range of financing and advisory services. In 1435H (2014), the ICD approved funding amounting to U.S.\$525.7 million (including a total of U.S.\$36.7 million in ICD approvals through the Unit Investment Fund. For more information on the United Investment Fund, please see the "Funds Managed/Sponsored by the ICD" section below.), while it disbursed a total of U.S.\$360.4 million. The ICD also successfully maintained a high disbursement/approval ratio of 68 per cent. in the year 1435H (2014). Introducing new products such as the Commodity Murabaha and efficiencies in management operations were key contributors to this success. For an explanation of the difference between the approved funding amount and the amount of actual disbursements, please refer to the "Disbursements and Repayments" section below.

Creating new channels of operations in Member Countries as the main strategic thrust for the years to come, the ICD made important progress in 1435H (2014). In this regard, the ICD approved U.S.\$271.7

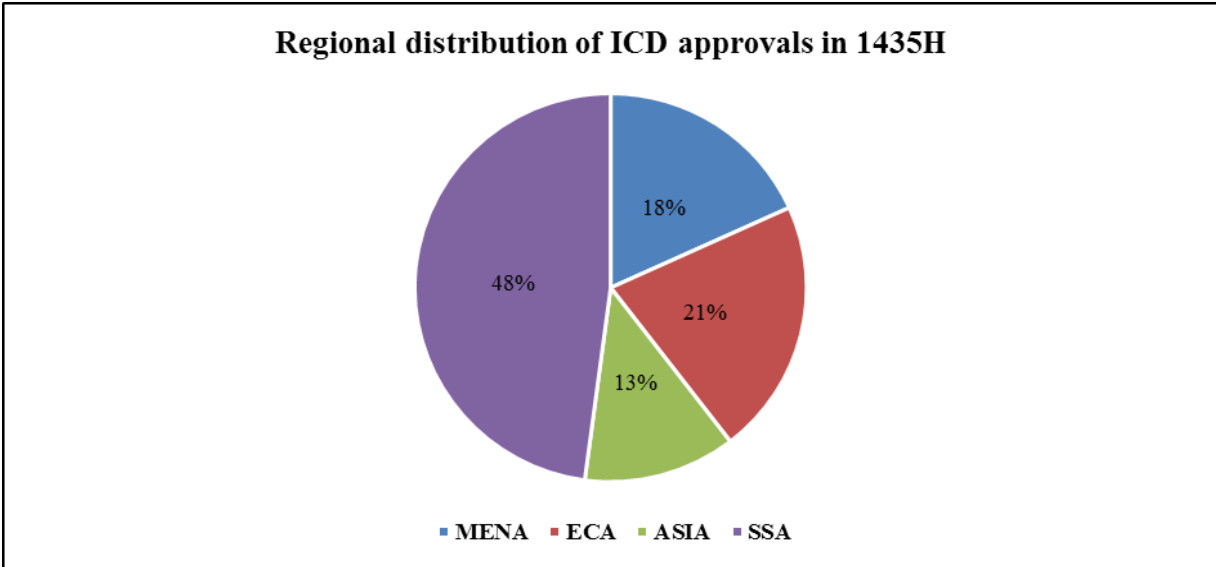
million for line of financing and institutional equity projects, exceeding annual targets. Additionally, disbursements to financial institutions rose to U.S.\$181 million in 1435H (2014).

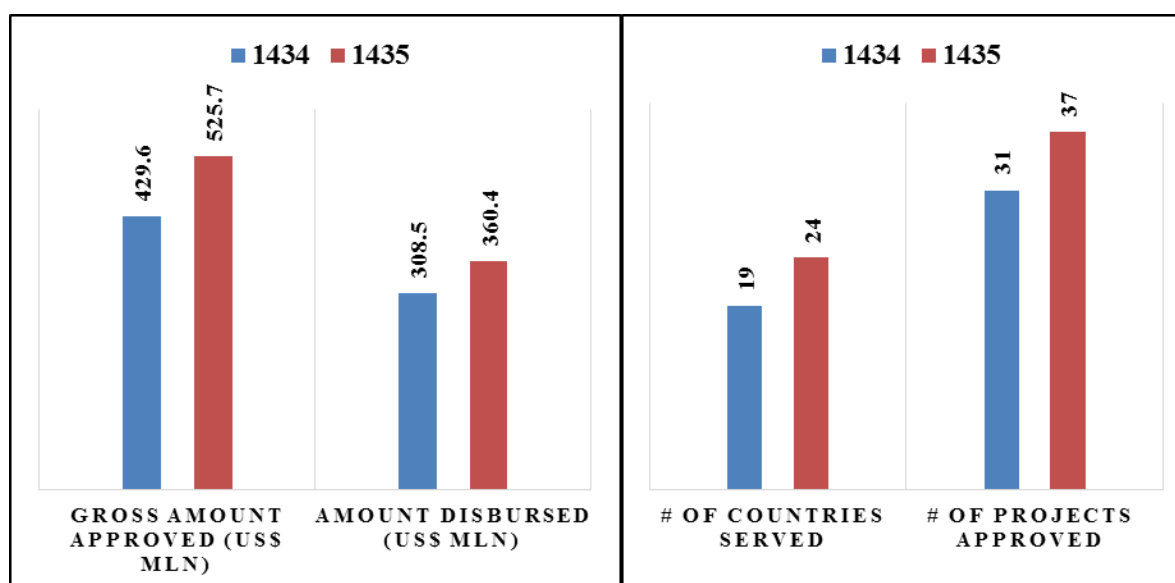
Direct investment and financings in the corporate sector amounting to U.S.\$204.5 million were approved in 1435H (2014), and U.S.\$110.6 million was disbursed in 1435H (2014). Furthermore, over half of the new project approvals were allocated to high-impact sectors such as industries and mining, healthcare and social services, trade and real estate.

Advisory services in 1435H (2014) also continued to be an important mechanism for the ICD in delivering on its development mandate. As part of its business plan and overall strategy, the ICD's advisory services gathered further momentum over the period as indicated by the revenue generated by this business line. In 1435H (2014), the ICD successfully recorded U.S.\$4.6 million in revenue from its advisory services and an additional U.S.\$7 million was garnered from its asset management programmes. In terms of approvals and disbursements for these advisory services and asset management projects, the ICD also obtained approvals of funding amounting to U.S.\$12.8 million, and disbursed U.S.\$68.8 million during 1435H (2014).

In terms of the sectoral distribution of ICD-approved projects in 1435H (2014), more than half (60 per cent.) of new ICD project approvals were allocated to the financial sector. Additionally, the majority of the ICD's new project approvals in the corporate sector were concentrated in high-impact sectors such as industries and mining, healthcare and social services, trade and real estate.

As provided in the chart below, in terms of regional distribution, an estimated 48 per cent. of ICD approvals during 1435H (2014) were allocated to Sub-Saharan Africa (**SSA**), 21 per cent. to Europe and Central Asia (**ECA**), followed by MENA (18 per cent.), and Asia (13 per cent.). This is a dramatic shift in the regional allocation of ICD approvals, illustrated by a quadrupling in the SSA share in one year, an outcome of the ICD's conscious plan to increase its presence in less-developed Member Countries with greater development needs.





Disbursements and repayments

While the ICD's approvals for financing are recorded in respect of each financial year, the actual disbursement of funds in respect of such approvals may occur at a later stage due to the time taken to implement a project and complete the financing requirements. Disbursements may also be delayed or put on hold due to other events such as obtaining local regulatory approvals or as a result of changes in the political condition of the relevant Member Country. As a result, an approval for funding which was made in a particular financial year may only be disbursed in the following financial year or later or may be cancelled.

The ICD has disbursed a total of U.S.\$1.754 billion of funds since its inception and in the year ended 1435H (2014), it disbursed U.S.\$360.4 million.

COUNTRY APPROVALS AND DISBURSEMENTS SINCE INCEPTION (U.S.\$ million) AS AT 30 DHUL HIJAH 1435H (24 October 2014)

	Approvals	Disbursements
Albania	2.15	1.86
Algeria	23.00	-
Azerbaijan	133.82	93.19
Bahrain	23.00	22.44
Bangladesh	125.80	45.21
Burkina Faso	3.50	-
Djibouti	4.00	4.00
Egypt	86.42	31.07
Gabon	21.50	-
Gambia	22.35	1.15
Global	250.00	166.80
Guinea	2.99	2.99
Indonesia	155.80	100.52
Iran	111.86	36.31
Ivory Coast	27.40	-
Jordan	62.10	29.36
Kazakhstan	113.80	31.28
Kuwait	14.13	14.13
Kyrgyzstan	29.90	9.98
Lebanon	7.00	-
Libya	73.00	10.00
Malaysia	29.66	5.53

Maldives	33.40	31.44
Mali	21.28	-
Mauritania	64.10	58.13
Mozambique	10.00	0.09
Niger	11.54	2.48
Nigeria	218.00	61.77
Pakistan	111.93	66.84
Palestine	6.00	1.00
Qatar	16.15	-
Regional	187.41	73.81
Saudi Arabia	514.91	312.46
Senegal	51.52	28.64
Sudan	66.84	51.58
Syria	152.50	56.30
Tajikistan	43.50	25.18
Tunisia	23.25	19.87
Turkey	132.20	86.42
Turkmenistan	5.00	-
UAE	53.90	40.90
Uganda	10.00	-
Uzbekistan	207.33	132.35
Yemen	176.91	99.33
Regional/Global	437.4	240.61
GRAND TOTAL	3,440.84	1,754.40

Total Assets/Investments and Revenue from Projects in Iran, Sudan, Syria and Yemen

The following table provides a summary of the ICD's total assets/investments and revenue contribution from projects in Iran, Sudan, Syria and Yemen over the past 3 financial years:

All figures in U.S.\$ million

	1433H		1434H		1435H	
	Revenue	Assets/ Investments	Revenue	Assets/ Investments	Revenue	Assets/ Investments
Iran	0.26	15.37	0.01	3.09	0.00	0.46
Sudan	0.48	38.77	0.36	54.62	1.38	54.69
Syria	0.02	7.26	0.00	3.91	0.00	12.24
Yemen	0.34	43.86	1.36	39.62	0.47	22.79
Total	1.10	105.26	1.73	101.24	1.85	90.18

Percentage of Total Revenue or Total Assets

	1433H		1434H		1435H	
	Revenue	Assets/ Investments	Revenue	Assets/ Investments	Revenue	Assets/ Investments
Iran	0.33%	1.55%	0.01%	0.25%	0.00%	0.03%
Sudan	0.60%	3.92%	0.42%	4.49%	1.26%	3.59%
Syria	0.02%	0.73%	0.00%	0.32%	0.00%	0.80%
Yemen	0.43%	4.43%	1.55%	3.25%	0.42%	1.50%
Total	1.38%	10.63%	1.98%	8.31%	1.68%	5.92%

Lines of financing to and equity investments in financial institutions operated by the FIDD

Overview

A core part of the ICD's business is to provide funding through Islamic financial products, and to extend lines of financing to, and invest in the equity of financial institutions in its Member Countries. This business segment is operated by the FIDD. The FIDD provides long term financing and equity funding to financial institutions. The objective of the FIDD is to create greater liquidity in the Islamic finance markets as well as to extend lines of financing to commercial banks and national financing institutions with the aim of supporting SMEs.

There are four main divisions under FIDD, namely the Lines of Finance Division, the Banking Equity Division, the Ijarah Division and the non-bank Financial Institutions Division. Each division is manned by 2 to 3 professionals including division heads or team leaders.

During the year 1435H (2014), the ICD increased its long term financing to financial institutions through term financing by approving U.S.\$228.5 million of new lines of finance facilities (compared with U.S.\$85 million of approvals in 1434H) and also enhanced its equity investments with total approvals of U.S.\$43.3 million (compared with U.S.\$29.8 million of approvals in 1434H).

The table below shows the breakdown of geographies targeted by the FIDD and the corresponding amount of approvals for the years ended 1434H (2013) and 1435H (2014):

1435H (2014)			1434H (2013)		
	Country	Approval Amount (U.S.\$ million)		Country	Approval Amount (U.S.\$ million)
1	Nigeria	120.00	1	Uzbekistan	50.00
2	Regional (Africa)	41.10	2	Azerbaijan	20.00
3	Saudi Arabia	40.17	3	Tajikistan	12.00
4	Ivory Coast	27.4	4	Indonesia	5.00
5	Kyrgyzstan	11.5	5	Egypt	6.70
6	Uzbekistan	10.00	6	Kazakhstan	10.00
7	Indonesia	10.00	7	Maldives	1.70
8	Pakistan	10.00	8	Pakistan	2.70
9	Malaysia	1.60	9	Palestine	4.00
	Total	271.77	10	Saudi Arabia	2.67
				Total	114.77

Approval process

The FIDD receives investment opportunities through the BDPD and also sources its own investment opportunities through its own contacts (with the engagement of the BDPD). It processes the investment or financing proposal in accordance with the ICD's internal financing and investment guidelines. The FIDD will then present the proposal to the ICD's Investment Committee for the first approval in order to conduct a detailed due diligence exercise. Under the detailed due diligence exercise, investment officers of FIDD together with representatives from the Legal Division and/or if necessary representatives from BDPD, will visit the prospective client in the relevant Member Country. During the due diligence visit, the team will also meet with other stakeholders such as the central bank and the relevant government ministries to understand the structure of the financial sector in the Member Country. Following completion of the due diligence visit, the team will prepare a due diligence report and present it to the Investment Committee for approval. If the financing and/or investment is above U.S.\$10 million, approval will also need to be sought from the Executive Committee. Disbursement of funds will only occur once legal requirements have been satisfied.

During the term of each investment or financing, the Follow-up Division will monitor the implementation of the project and running of the project until maturity. Each transaction will be monitored by the Follow-Up Division to detect any delinquencies at an early stage. It would also recommend provisioning against overdue accounts and transfer such projects to RAMU for provisioning and recovery.

Institutional equity activities

The ICD invests equity in the capital of banks and non-bank financial institutions in its Member Countries. The purpose of such investments is to provide equity capital to set up or strengthen Islamic financial institutions as well as ijara, mortgage, investment and takaful companies in Member Countries.

During the financial year 1435H (2014), the ICD approved four equity investments in financial institutions for a total of U.S.\$43.3 million, out of which one investment totalling U.S.\$1.5 million was a new investment and the remaining three were in the form of capital increases in existing investee companies for a total of U.S.\$41.77 million.

Since its establishment, the ICD has accumulated approvals for equity investments in financial institutions amounted to U.S.\$423.6 million.

The following table sets out the ICD's effective ownership in institutions and their countries of incorporation at the end of the year 1435H (2014):

	Country of incorporation	Effective ownership %		Value of investment (U.S.\$)	
		1435H	1434H	1435H	1434H
Azerbaijan Leasing Ijarah Management Company	Azerbaijan	100%	100%	6,146,000	6,200,000
Taiba Leasing	Saudi Arabia	99%	99%	1,300,000	1,300,000
Maldives Islamic Bank	Uzbekistan	100%	100%	6,076,618	5,000,000
Tamweel Africa Holding	Maldives	85%	85%	12,355,938	9,738,953
Capitas International	Senegal	60%	60%	71,293,933	59,711,666
	Saudi Arabia	51%	51%	4,487,347	1,020,680

The following table sets out the ICD's effective ownership in associates and their countries of incorporation at the end of the year 1435H (2014):

	Country of incorporation	Effective ownership %		Value of investment (U.S.\$)	
		1435H	1434H	1435H	1434H
Taha Alam Sdn Bhd	Malaysia	50%	50%	271,791	957,570
Anfaal Capital Company	Saudi Arabia	37.8%	37.8%	3,268,124	5,070,750
Burj Bank	Pakistan	33.9%	33.9%	18,323,483	25,049,622
Saba Islamic Bank	Yemen	20%	20%	18,855,253	9,653,979
Arab Leasing Company	Sudan	20%	20%	6,000,000	6,000,000
Kazakhstan Ijara Company	Kazakhstan	35.8%	35.7%	10,000,000	10,000,000
ASR Leasing LLC	Tajikistan	50%	50%	2,000,000	2,000,000
Albania Leasing	Albania	35.6%	35.6%	1,863,082	1,863,082
Palestine Ijarah Company	Palestine	33.3%	-	1,000,000	-
PMB Tijari Berhad	Malaysia	20%	-	1,578,323	-
Bidaya Home Financing Company	Saudi Arabia	20%	-	26,666,667	-
Kyrgyzstan Ijara Company	Kyrgyzstan	33.3%	-	1,500,000	-

During the year ended Dhul hijjah 29, 1434H (2013), the ICD adopted the Investment Entities amendments to IFRS 10 'Consolidated financial statements' (**IFRS 10**), IFRS 12 'Disclosure of interest in other entities' (**IFRS 12**) and IAS 27 'Separate financial statements' (the **Amendments**) which were effective from the period beginning 1 January 2014. Accordingly, the ICD has not prepared the consolidated financial statements and applied the transition guidance on amendments to IFRS 10 and IFRS 12, all effective from the period beginning 1 January 2014, in so far it relates to the adoption of amendments related to investment entities.

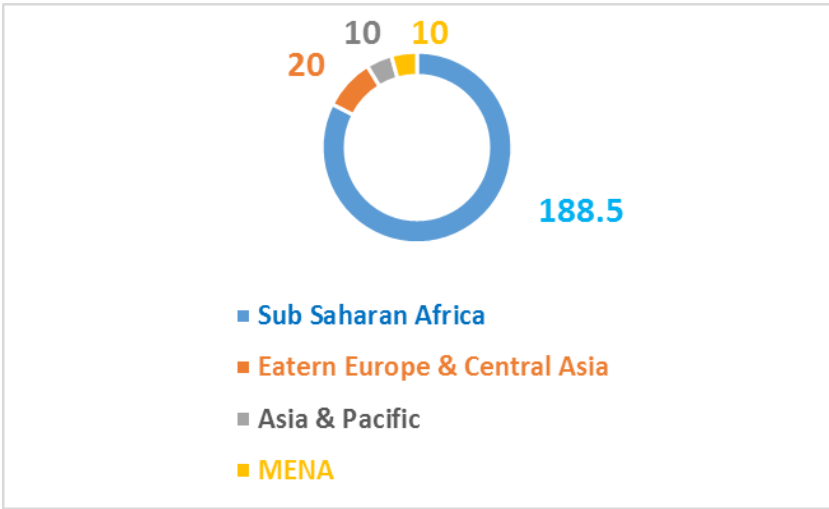
The adoption of the Amendments exempts the ICD from the consolidation of entities which would otherwise be considered subsidiaries. The ICD measures and evaluates the performance of substantially all these entities on a fair value basis through the statement of income.

Extension of Lines of Financing

The ICD extends lines of financing to commercial banks and national financing institutions in Member Countries aimed at supporting SMEs and to promote Islamic finance. The total amount of global lines of financing approved by the ICD amounted to U.S.\$739.5 million from its establishment to the year ended 1435H (2014).

By the end of 1435H (2014), the ICD’s global lines of financing had been extended across seven countries. The Sub-Saharan Africa region accounted for 82.5 per cent. of financings, followed by the Asia and Pacific region, which accounted for 8.7 per cent. of financings.

The chart below sets out the geographic distribution of the ICD’s global lines of financing in U.S.\$ millions as at the year ended 1435H (2014):



Direct investments, in the form of term finance and equity investments for projects, ventures or corporates, operated by the DIFD

Overview

In addition to providing financing to and investing in financial institutions, the ICD also provides direct equity financing and term financing to specific projects, ventures, as well and corporates Investment and Financing in its Member Countries. This business segment is operated by the DIFD. There are three main divisions under DIFD, namely the Term Finance Division, which is responsible for providing term financing to projects, ventures and corporates, the Corporate Equity Division, which is responsible for equity investment in projects, ventures and corporates. The DIFD also has its own Follow-up Division which is responsible for monitoring the performance of the term financing and equity investments. Each division is manned by 3 to 4 professional including division heads or team leaders.

The following table shows the breakdown of geographies targeted by the DIFD and the corresponding amount of approvals for the years ended 1435H (2014) and 1434H (2013):

1435H (2014)			1434H (2013)		
	Country	Approval Amount (U.S.\$)		Country	Approval Amount (U.S.\$)
1	Saudi Arabia	34,800,000	1	Nigeria	40,000,000
2	Bangladesh	30,500,000	2	Uzbekistan	10,590,000
3	Nigeria	30,000,000	3	Egypt	10,000,000
4	Uzbekistan	27,000,000	4	Bangladesh	10,000,000
5	Turkey	25,000,000	5	Jordan	10,000,000
6	Senegal	20,000,000	6	Kazakhstan	10,000,000
7	Kazakhstan	10,000,000	7	Sudan	10,000,000
8	Tajikistan	9,000,000	8	Turkey	10,000,000
9	Gambia	8,200,000	9	Tajikistan	10,000,000
10	Jordan	5,000,000	10	Mozambique	5,000,000
11	Mozambique	5,000,000	11	Yemen	5,000,000
			12	Mauritania	4,300,000
			13	UAE	3,000,000
			14	Saudi Arabia	1,741,000

Approval process

The DIFD receives investment opportunities through the BDPD. It will process the investment or financing proposal in accordance with the ICD's internal financing and investment guidelines. The DIFD follows the same process of due diligence, review and approval as the FIDD (see *Lines of financing to, and equity investments in financial institutions - Approval process*). Disbursement of funds will only occur once legal requirements have been satisfied. The ICD will only close its books once the investment or financing has been repaid in full or when it exits the project by selling its equity stake.

During the term of each investment or financing, the DIFD will appoint a team to monitor the implementation and operation of the project until maturity. Each transaction will be monitored by the Follow-up Division to detect any delinquencies at an early stage. Similarly to the FIDD, the DIFD would also recommend provisioning against overdue accounts and transfer such projects to RAMU for provisioning and recovery.

Term financing activities

The ICD's mandate to serve the private sector of Member Countries includes providing long-term financing to companies in Member Countries to fund the construction and completion of greenfield and expansion projects. The ICD also extends short-term finance to cover working capital or the raw material requirements of private sector entities for up to 24 months.

Term financing has been a core element of the ICD's operations since its inception in 1999 and provides a steady revenue stream. Since its inception, the ICD has approved U.S.\$1.41 billion in the form of term financing for projects and corporates.

For the year 1435H (2014), the ICD approved U.S.\$172.6 million of transactions for project and corporate financings and disbursed U.S.\$97.3 million. The following table sets out some of the most significant transactions in 1435H (2014):

No.	Project Name	Country	Amount (U.S.\$)	Brief Description of the Project
1.	Noman Group	Bangladesh	30,500,000	Textile
2.	Oku Iboku Pulp & Paper Co. (OKIPP)	Nigeria	30,000,000	Production of Integrated pulp & paper mill
3.	Andalusia Healthcare (Mezzanine)	Saudi Arabia	30,000,000	Medical Services
4.	Kiler	Turkey	25,000,000	Retail
5.	Teylium Properties	Senegal	20,000,000	Real Estate
6.	VitaMed Medical Center	Uzbekistan	10,000,000	Medical center
7.	Dusti Pharmacy	Tajikistan	9,000,000	Pharmacy

8.	Horizon Clinic	Gambia	8,200,000	Clinic / Hospital
9	JV Gold Lida	Uzbekistan	7,000,000	Production hot-rolled steel, rolled equal angles and welded pipes
10	Aluminum of Kazakhstan - TF	Kazakhstan	6,000,000	Production of aluminum

Equity investment activities

The ICD has made equity investments in projects and companies in numerous sectors including the industrial, real estate, pharmaceutical, building materials, aviation, information technology and food and beverage sectors. As at the year ended 1435H (2014), the ICD approved equity investments amounting to U.S.\$445.7 million.

The following table sets out the ICD's effective ownership in companies and their countries of incorporation at the end of the year 1435H (2014):

	<u>Country of incorporation</u>	<u>Effective ownership (per cent.)</u>		<u>Value of investment (U.S.\$)</u>	
		<u>1435H</u>	<u>1434H</u>	<u>1435H</u>	<u>1434H</u>
Alarabea Syrian Company	Syria	100%	100%	nil	65,376
Ewaan Alfareeda	Saudi Arabia	52%	52%	52,811	932,601

The following table sets out the ICD's effective ownership in associates and their countries of incorporation at the end of the year 1435H (2014):

	<u>Country of incorporation</u>	<u>Effective ownership (per cent.)</u>		<u>Value of investment (U.S.\$)</u>	
		<u>1435H</u>	<u>1434H</u>	<u>1435H</u>	<u>1434H</u>
Al Majmoua Al Mauritania	Mauritania	50%	50%	106,164,054	69,930,396
Felix Airways	Yemen	47.4%	47.4%	8,392,771	22,583,014
Sante Alexandra Company	Egypt	34.8%	34.8%	11,359,454	9,480,061
Al Fareeda Residential Fund	Saudi Arabia	33.3%	33.3%	58,177,778	55,242,518
Injazat Technology Fund	Bahrain	30.2%	30.2%	3,753,301	2,563,837
Jordan Pharmaceutical Manufacturing Company	Jordan	28.3%	28.3%	5,584,292	6,715,340
Royal Atlantic Residence	Gambia	25%	25%	1,150,000	1,150,000
Adritech Group International	Jordan	25%	25%	1,947,573	2,803,942
Al Sharkaya Sugar	Egypt	25.3%	-	11,276,031	-

Note: The Injazat Technology Fund is a Fund registered in Bahrain but has an investment objective of investing in technology products in the Middle East

Advisory Services

Effective from Jumaada al-Thaany 1436H (31 March 2015), Advisory Services and Asset Management became two separate departments. Prior to this, these two product lines were within the same department. For the financial year ended 1435H (2014), income generated by the Advisory Services and Asset Management Department was U.S.\$5.0 million from U.S.\$0.9 million in 1434H (2013). The increase of U.S.\$4.2 million was due to an increase in the number of high value transactions that were closed by the Advisory Services Division during 1435H (2014).

Overview

The ICD provides advisory services to governments and public and private companies on economic, financial, institutional and legal aspects relating to, among other things, creating a suitable environment for private sector development, project financing, company restructuring/rehabilitation, privatisation, securitization, Islamic finance and development of Islamic markets. The provision of advisory services is structured through four different programs which are summarised below:

Infrastructure and privatisation program

The infrastructure and privatisation program supports the ICD's key objective of providing private sector entities in Member Countries with access to financial resources. In order to develop the infrastructure sector of Member Countries, the program provides project finance (infrastructure) advisory services to help private sector entities prepare for capital raisings and to source investors. The objective of the program in the short term is to advise on project development, and to arrange financing for infrastructure projects in regions that are most in need of improvements to their infrastructure.

The projects currently being developed by the program include a mortgage financing company in KSA, a wind power project in Kazakhstan, a thermal power project in Egypt and the establishment of a cement plant in Burkina Faso. In the future, the ICD expects the program to focus on energy (including renewable and thermal) as well as the industrial, and transport sectors. In terms of geographic distribution, the program will target the MENA, Europe, Central Asia and Sub-Saharan Africa regions for new projects over the next three years.

Sukuk Program

The objective of the Sukuk program is to partner with international investment banks to advise government, quasi-government and private sector enterprises on the issuance of Sukuk. The program leverages on the synergies of the IDB's affiliated entities, such as the Islamic Corporation for the Insurance of Investment and Export Credit (**ICIEC**) (insurance policy), the IDB Treasuries, the UIF and the Money Market Fund (see "*Funds Managed/Sponsored by the ICD*" below) as well as the ICD's own structuring and relationship management skills to help deliver a cost-effective solution to clients.

In terms of sovereign Sukuk issuances, the program gives priority to non-investment grade rated Member Countries (i.e. those with a credit rating of 'BBB' and below). Accordingly, the main regional focus over the next three year period will be West Africa, Central Asia, North Africa, Bosnia and Albania. The program will closely collaborate with other IDB Group entities, especially ICIEC, in order to enable the countries in these regions to access financial resources at cost-effective rates.

In addition to facilitating the issuance of Sukuk, the program also aims to provide advisory services to governments to develop domestic Sukuk markets. The intention is to help the governments of its Member Countries move away from issuing treasury bills to issuing short term Sukuk certificates instead. The objective is to provide the banking sector in those countries with the liquid instruments to invest surplus capital.

Whilst governments of Member Countries will be the main target of the program, the program will also monitor quasi-government Sukuk issuance opportunities, which will focus on companies with majority government ownership. For these types of projects, the program will seek partnership opportunities with local investment banks. The program is also planning to help develop/market new required products such as Tier-2 regulatory capital Sukuk issuances for Islamic banks.

Islamic Financial Institution Development Program

The program envisions developing Islamic finance products and capabilities in private sector institutions in Member Countries. The main focus of this program will be to advise financial institutions on the conversion of conventional financial institutions into Islamic financial institutions, creating Islamic independent subsidiaries or "windows" and to create new Islamic banks/vehicles focused on SMEs. The potential target entities are banks, insurance companies, leasing companies and mortgage companies. The program also provides capacity building activities such as training and development programs for financial institutions. The program successfully closed advisory mandates to establish Islamic banking windows in Senegal and Tunisia and a mandate to restructure and raise funds for a

bank in Kazakhstan. As at the date of this Base Prospectus, the program is working on several projects in Cameroon, Yemen, Tunisia and Libya.

Special Economic Zones (SEZ) Program

IBES Program

The Industry and Business Environment Support (**IBES**) Program was established 4 years ago and has since contributed to major ICD SEZ policy design and implementation in Member Countries where there has been demand for SEZ support . Since inception, approximately U.S.\$4 million in grants have been raised within the IDB Group and from partner institutions to implement the IBES Program.

By the end of 1435H (2014), the ICD took a strategic decision to scale-up and scale-out its successful technical assistance (TA) under the SEZ Program in terms of the number and scope of interventions. The program (which was renamed IBES) plans to expand its operations horizontally into new private sector development themes while keeping its core focus on special economic zones and industrial zones. These themes will include business environment support, support of value chains and building the innovation capacity of private firms in key sectors. The nature and modality of intervention will span vertically the areas of policy and regulatory frameworks, project design and preparation as well as the capacity development in partnership with complementary IDB Group functions.

Main achievements of IBES Program:

- Renewed commitment to Nouadhibou Free Zone in Mauritania;
- Support the Growth Model of Djibouti;
- SEZ policy support to Sierra Leone; and
- Hodeida SIZ, The Deauville Partnership funded project in Yemen.

Asset Management Department (AMD)

The ICD establishes investment funds to attract and utilise external capital which supplements its own capital investments in order to make Islamic finance more accessible and affordable to target sectors and regions. In 1433H (2012), the ICD successfully closed the fund-raising for a Tunisian SME fund (the Theemar Investment Fund) and a Saudi Arabia SME Fund with the total amount of Tunisian Dinar 25 million (approximately U.S.\$12.9 million) and Saudi Riyal 400 million (approximately U.S.\$106.7 million) respectively. In the same year, the ICD also approved two sector specific private equity funds including a U.S.\$600 million fund for the food and agricultural sector and a U.S.\$50 million regional renewable energy fund for the Central Asia region.

AMD handles the establishment, management, design and development of funds. All new investment funds must be presented to the Investment Committee, followed by the Executive Committee for approval following the evaluation of the ICD's Monitoring and Evaluation Department and review by the ICD Risk Management Department. AMD also provides the investment structure, obtains seed capital, sources investors for the funds and meets all of the funds operational requirements. In addition, AMD will manage the funds and monitor and evaluate their performance. It also coordinates with the Legal Division to prepare the legal documentation and handle the disbursement of funds from the ICD's seed capital.

Funds Managed/Sponsored by the ICD

- Unit Investment Fund (UIF) – The UIF is a trust fund established under Article 23 of the Articles of Agreement of the IDB. The purpose of the Fund is to participate in the economic development of Member Countries by pooling the savings of institutions and individual investors, and investing those savings in producing projects in Member Countries. The UIF obtains funds via the subscriptions by its investors in its units. At the end of Dhul Hijjah 1435H (2014) the total assets of the fund under the ICD's management amounted to U.S.\$282.43 million.

- Prior to Dhul Qai`dah 1434H (September 2013), the ICD was appointed by the IDB as a sub-mudarib to manage the UIF on its behalf. However, following a meeting of the Board of Directors of the IDB in September 2013 (Dhul Qai`dah 1434H), the Board of Directors approved the transfer of the management of UIF to the ICD and the sale of UIF units owned by the IDB to the ICD, thereby making the ICD the sole mudarib of the UIF.
- Theemar Investment Fund – The first Shariah compliant SME Fund in Tunisia, which brings together the ICD, Caisse Des Depots et Consignations (CDC) (a Tunisian government linked entity), United Gulf Financial Services North Africa (UGFS – NA) as the fund manager and a number of other multilateral, public sector and private sector institutions. Launched as a 25 million Tunisian dinar (approximately U.S.\$12.9 million) private close – ended fund with 5,000 units in Safar 1434H (December 2013), the objective of the Theemar Fund is to promote SMEs in Tunisia through equity and mezzanine capital while its partner banks provide other forms of financing.
- ICD Central Asia Renewable Energy Fund – a new renewable energy fund is currently being planned and negotiated in conjunction with two business groups in Kazakhstan, primarily to provide funding for renewable energy projects in Kazakhstan.
- Money Market Fund - In Shawwal 1434H (August 2013), the ICD launched an open-ended fund for liquidity management and short term investments (the ICD Money Market Fund). The ICD Money Market Fund utilises the ICD's capabilities and reach amongst Muslim countries to provide investors with suitable risk adjusted returns. The current size of the fund is U.S.\$194 million with a par value of U.S.\$1. The Money Market Fund is a limited liability partnership established in Labuan, Malaysia. The investment objective of the Money Market Fund is to earn periodic income by investing in Shariah compliant bank placement, and liquid financing products and the applicable Shariah guidelines.
- ICD Food & Agribusiness Fund – The ICD Food and Agribusiness Fund is the first public-private partnership investment platform specifically designed to promote sustainable development of the food and agribusiness value chain in the Muslim world. The Food and Agribusiness Fund's primary objective is to undertake strategic, yet commercially viable, investments to promote food security in the target countries/regions whilst generating attractive returns for its investors. The target size is U.S.\$600 million with initial closing of U.S.\$350 million. The Food and Agribusiness Fund will be managed by a regional private equity fund management company partially owned by the ICD and with Rabobank as the technical partner.
- Saudi SME Fund – The Saudi SME Fund is a closed-end fund established under the regulations of the Capital Market Authority of KSA. The fund is managed by Malaz Capital and the lead investor in the fund is Credit and Savings Bank of Saudi Arabia. Prospective investors are offered the opportunity to invest in 10,000,000 units of the Saudi SME Fund at SAR100 per unit. The ICD invests SAR100 million as the seed investor. The IDB has also committed SAR200 million of which SAR100 million has been invested in the first closing and SAR100 million in the second closing. The Saudi SME Fund invests in various segments of the Saudi SME sector through a unique Shari'ah compliant combination of term financing and equity investment. This allows the Saudi SME Fund to earn a fixed return per annum as well as a performance-linked return on exit from each investment.
- The ICD Islamic Banking Growth Fund (Labuan) LLP (IBGF) is a Shariah compliant, commitment-based private equity fund acting as a co-investment vehicle, alongside the ICD, the acting fund manager. The fund will focus on the growth of the Islamic banking sector in ICD Member Countries through investing in new and/or existing Islamic banks to promote and develop the Islamic Banking industry. The fund size is U.S.\$300 million with initial close reaching U.S.\$100 million. The fund has a term of 10 years. The aim of IBGF is to build the Islamic Finance markets in emerging and untapped regions, particularly Africa and Asia, through providing capital as well as technical and operating expertise.

Other Key Departments

The Risk Management Department:

The ICD's Risk Management Department is responsible for formulating, implementing and updating the risk policies, risk management framework and risk management guidelines (processes, models, templates etc.) to ensure the continual identification and assessment of risk in the context of the ICD's business operations globally. As part of this mandate, the Risk Management Department undertakes the following key roles:

- Reporting breaches and changes in risk profiles to management;
- Providing risk opinions on all investments/transactions/exposure proposals identifying risks and recommending mitigates;
- Establishing organisation wide risk culture;
- Managing the rating process and review of the ICD with international rating agencies.

The Remedial Asset Management Unit

The ICD's Remedial Asset Management Unit (**RAMU**) is responsible for the non performing financing/ investment recovery division of the ICD. It is headed by a Director and 2 professional advisers and works closely with other business units, including the Legal and Risk Management divisions in formulating and implementing the ICD's remedial asset management policy, internal standards, policies, processes and procedures.

The key functions of RAMU are detailed below:

Formulation of Asset Remedial/Workout Strategy

Among the RAMU's key functions is designing a remedial arrangement for non-performing projects that maximizes the recovery potential for both principal and profit. This remedial arrangement contemplates RAMU taking a structured approach and considering such things as:

- The underlying reason for delay in repayment (including whether due to willful default or external factors including economic downturn, political turmoil, currency fluctuations, unfavorable regulatory changes or natural disasters); and
- The current financial information relating to the client or the guarantor (as applicable) that supports the ultimate collection of principal and profit in light of various considerations, including such things as the overall financial condition of the client, the client's payment history and market conditions/forces generally and the effect on the clients cash flow/repayment prospects.

RAMU will also look to devise the most appropriate form of financing work-out plan which may include a renewal or extension of financing terms, extension of additional credit, or a restructuring with or without concessions or foreclosure.

Negotiations

RAMU also actively participates in ensuring a constructive dialogue is maintained with clients to resolve financing problems in light of the business and market dynamics in play. In the context of these negotiations solutions are discussed and rigorous efforts are made at an early stage to prevent litigation and financing losses. Effective and proactive communication at all levels ensures that solutions are ventilated and considered as soon as possible bearing in mind the applicable business/market dynamics.

Implementation

The implementation of the RAMU strategy involves active coordination with the Investment Committee to obtain approval to implement a proposed work-out plan. Generally RAMU will present the relevant workout plan to the Investment Committee and discuss the key features of the plan. In terms of actual implementation of the work-out plan, RAMU will monitor the progress of the workout plan against defined milestones, conduct site visits and design and implement internal financing grading systems to accurately and consistency reflect the risk in the work-out plan. As part of the implementation stage, RAMU will also work closely with external parties including other lenders, relevant authorities and legal department with the objective of maximising recovery and write back.

Monitoring

A key function of the RAMU is monitoring the on-going performance of the client/guarantor (as applicable) under the work-out plan. This would generally involve the RAMU preparing and tabling reports to the Investment Committee in order to provide feedback, including recommendations on how to improve asset quality and prevent delinquency (amongst other things).

The Strategy & Policy Department

As mentioned elsewhere in this Base Prospectus, the ICD's Strategy & Policy Department is responsible for developing the strategic direction for the ICD's business segments, and for ensuring that the objectives of each business segment are aligned with the ICD's overall strategic direction (see "Strategy").

The key functions of the Strategy & Policy Department are as follows:

- Undertake economic research, proactively and reactively to serve the internal and external needs of the ICD.
- Formulate and recommend the vision, mission and long term corporate strategic direction of the ICD.
- Design and implement a framework for capturing, retaining and disseminating knowledge related aspects of the ICD's activities and initiatives.

The Internal Audit Department

The key responsibilities of the ICD's Internal Audit Department are as follows:

- Formulating the ICD's audit methodology, internal standards, policies, processes and procedures;
- Preparing and implementing the annual audit plan; and
- Ensuring compliance with all the guidelines, policies and procedures and all observations of the Board Audit Committee.

Monitoring and Evaluation Department

The ICD's Monitoring and Evaluation Department is responsible for:

- Formulating policy and methodology to measure the developmental impact of projects undertaken by the ICD;
- Formulating guidelines for the business departments;
- Conducting post disbursement monitoring and evaluation for projects to measure the developmental impact and the extent to which the projects have achieved the stated developmental goals; and

- Recommending measures to improve project performance with respect to the stated developmental goals.

Partnerships

The ICD acts in partnership with the IDB. It shares regional offices with IDB in Kuala Lumpur (**Malaysia**), Almaty (**Kazakhstan**) and Dakar (**Senegal**). The establishment of these regional offices has enabled the ICD to enhance its presence in these Member Countries and provides it with greater local reach to promote its Islamic finance products and services. The ICD will also participate in new CGOs in Turkey (Istanbul), Indonesia, Egypt, Nigeria and Bangladesh. The main objective of the CGOs is to further enhance sustainable cooperation between the IDB, the ICD and Member Countries as well as to efficiently implement the IDB's and the ICD's development programmes and partnership strategies. On 13 Dhul Qai'dah 1434H (19 September 2013) the Ankara CGO was officially inaugurated by the President of the Republic of Turkey. Other CGOs are expected to be inaugurated by the end of 1436H (2015). The ICD is also involved in the IDB Group's Member Country Partnership Strategy (**MCPS**) programmes for Kazakhstan, Malaysia, Bangladesh, Kuwait, Chad, Niger, Morocco and Tunisia. The ICD and the IDB Group Business Forum (**THIQAH**) jointly organise investment conferences and IDB Group Days to create awareness about Islamic finance products and services in both Member Countries and non-Member Countries.

In addition, the ICD continues to strengthen its relationship with a number of global and local Islamic and commercial financial institutions, including HSBC, Citibank N.A., Malayan Banking Berhad, and multilateral financial institutions such as OPEC Fund for International Development (**OFID**), International Finance Corporation (**IFC**) and the Arab Fund for Economic and Social Development. It may jointly, together with these financial institutions, provide financing to institutions and for projects.

In 1435H (2014), the ICD enhanced its commercial financial institution network to successfully close a number of transactions arranged by Bank of America Merrill Lynch (**BAML**) and VTB Capital. BAML was the lead arranger for a U.S.\$120 million facility for Kiler Retail in Turkey in which the ICD was one of the key participants for the Shariah tranche. VTB Capital was the lead arranger for a U.S.\$60 million Islamic facility for a finance company in Saudi Arabia.

During the 1434H-1435H (2013-2014) period the ICD also signed a few Memorandum of Understandings (**MoUs**) with various partners across the globe for enhanced partnerships in common areas of interest. The MoUs that were signed include, notably:

- The MoU with Bank of Tokyo-Mitsubishi UFJ (Malaysia), signed in Jumaada al-THaany 1435H (April 2014), was a stepping stone to promoting Islamic finance with Japanese financial institutions. The MoU led to the ICD's debut medium-term financing facility from Tokyo-Mitsubishi UFJ, which provided a 3-year U.S.\$100 million facility to the ICD. Proceeds were deployed alongside the ICD proprietary capital to finance projects in its member countries.
- The MoU with the European Bank for Reconstruction and Development (EBRD) to support SMEs in Egypt, Jordan, Morocco and Tunisia. Under the terms of the MoU, the EBRD and the ICD will aim to establish a U.S.\$ 120 million investment fund to develop and support SMEs across the southern and eastern Mediterranean region, through innovative transaction structures. Under the Fund, various financing products will be used such as equity and quasi-equity.
- The MoU signed in Sha'baan 1435H (June 2014) with Pelaburan MARA Berhad (PMB) of Malaysia, a strategic investment and asset management company wholly-owned by Majlis Amanah Rakyat (MARA), a statutory agency of the Government of Malaysia, resulted in the ICD partnering with PMB to venture into the Shariah leasing business in Malaysia under PMB Tijari Berhad, a newly-rebranded company, formerly known as KFH Ijarah House (Malaysia) Sdn Bhd.
- The MoU with the Japan International Cooperation Agency (JICA) to set out a framework for collaboration in the development of the Islamic Finance industry. In particular, the ICD and JICA will cooperate in supporting the development of the Islamic money market and international capital markets for the countries of common interest. The MoU includes the establishment of a platform for international dialogue on Islamic Finance as a potential tool for inclusive and sustainable growth.

- The MoU with Al-Ajjal Funds (Al-Ajjal) sets out a framework for the ICD and Al-Ajjal Funds to cooperate in order to co-invest in potential projects within Morocco's private sectors.

In the developmental finance area, the ICD became a member of the International Development Finance Club (**IDFC**) in the course of the year. The primary objectives of the IDFC reflect the accumulated experience of its members and are the first such attempt to define and address the major obstacles facing development finance today. IDFC currently has 21 members consisting of national, regional and international development financial institutions. Amongst the membership of the IDFC are KfW Bankengruppe, Agence Française de Développement, Black Sea Trade and Development Bank, Japan International Cooperation Agency, Industrial Development Bank of Turkey, Indonesia Exim Bank, Banque Ouest Africaine de Développement and Caisse de Dépôt et de Gestion.

Landmark initiatives and projects in 1434H (2013) and new developments in 1435H (2014)

The ICD selects its projects and investments based on their potential to increase social and economic prosperity and to enhance economic development and job creation in its Member Countries.

In 1435H (2014), the ICD gained operational terrain in all four regions: the Middle East and North Africa (**MENA**), Europe and Central Asia (**ECA**), Asia, and Sub-Saharan Africa (**SSA**). During the past year, the ICD placed special emphasis on rebalancing the geographical allocation of its investment commitments and advisory services.

In terms of regional distribution, an estimated 48 per cent. of ICD approvals during 1435H (2014) were apportioned to Sub-Saharan Africa, 21 per cent. allocated to Europe and Central Asia, followed by the Middle East and North Africa (18 per cent.), and Asia (13 per cent.). These approvals were granted after considering several factors including Member Country developmental needs, creditworthiness and their strategic priorities. In addition to these, the 3 Year Plan and the 10-Year Plan provided overall guidance equally applicable to regional operations in 1435H (2014). Some of the ICD's landmark projects and initiatives in 1434H (2013) and 1435H (2014) are described further below.

MIDDLE EAST AND NORTH AFRICA (MENA)

In 1435H (2014), the ICD approved 10 key transactions in the region in a total amount of U.S.\$95.9 million. These approvals were extended to three countries in particular: Jordan, the KSA, and the United Arab Emirates. In terms of sectoral composition, ICD-approved investment portfolios in the region focused mainly on strategic high-impact development sectors such as the financial sector, healthcare and real estate.

Al Nouran Sugar Company in Egypt

Egypt's Al Nouran sugar production facility is a 2.5 billion Egyptian Pound (U.S.\$357 million) project to establish a state of the art sugar beet production and sugar refinishing facility in Egypt, to which the ICD extended a financing package, including equity investment, mezzanine financing, and standby guarantees of up to U.S.\$46 million.

Shareholders in the project include Al Nouran Multitrading (U.S.\$32.6 million), the ICD (U.S.\$24 million), the Kuwait-based Arab Fund for Economic and Social Development (U.S.\$24 million), and the Egyptian Sugar & Integrated Industries Co. (U.S.\$14.5 million).

Expected outcomes are: direct and indirect job creation; improvement of standards of living for farmers; inducing additional land reclamation; fresh water conservation; community development; FOREX benefits; and imports substitution.

Al-Fayhaa Plastic Industries – Jordan

A murabaha facility extended to Al-Fayhaa Plastic Industries, a Jordanian limited liability company. This facility assisted Al-Fayhaa purchase a U.S.\$29.4 million plant, and a U.S.\$5 million ICD lending facility will help the company expand its business activities in printing shopping rolls, sanitary napkins, film for agricultural produce and producing various types of packaging.

Hai Al Jamea Hospital – Kingdom of Saudi Arabia

An equity investment (mezzanine) in Hai Al Jamea Hospital (HJH), in KSA for a total amount of U.S.\$30 million. In addition to KSA, HJH also serves in Egypt through the establishment of the Al Salama Specialized Hospital. The objective of the ICD financing facility is to expand existing HJH services to better respond to the increasing demand for healthcare. Another two ICD-supported initiatives in the KSA include a U.S.\$26.66 million equity investment and a U.S.\$10 million line of finance facility. The approved equity project will enable the country to establish a lease finance company geared towards SME financing, while the line of finance facility aims to provide small and medium-sized enterprises with funding for capital equipment for growth.

Theemar Investment Fund

The Theemar Investment Fund (Theemar Fund) is the first Shariah compliant SME Fund in Tunisia, which brings together the ICD, Caisse Des Depots et Consignations (CDC) (a Tunisian government linked entity), United Gulf Financial Services North Africa (UGFS – NA) as the fund manager and a number of other multilateral, public sector and private sector institutions. Launched as a 50 million Tunisian dinar (approximately U.S.\$32.25 million) private close – ended fund with 5,000 units, the objective of the Theemar Fund is to promote SMEs in Tunisia through equity and mezzanine capital while its partner banks provide other forms of financing.

EUROPE AND CENTRAL ASIA

In 1435H (2014), the ICD approvals in the ECA region totalled U.S.\$112 million, allocated to 14 projects. The largest share of approvals went to Turkey (34 per cent.), followed by Uzbekistan (33 per cent.), and Kazakhstan (15 per cent.). The rest of the approvals were distributed between the Kyrgyz Republic and Tajikistan with 10 and 8 per cent., respectively. Approvals were mainly in the financial sector, trade and healthcare, and social sectors.

“Fayz-Dekor” financing - Uzbekistan

“Fayz-Dekor” is a local candy and chocolate producer in Uzbekistan which benefited from the ICD line of financing to Asaka Bank, in the amount of U.S.\$1.71 million.

The expansion resulted in a four-fold increase in production, from 1 to 4 tons per hour, and the project created 50 additional jobs, 70 per cent. of which are filled by women.

The project also made the country less import-reliant and increased local market competitiveness. There were other positive externalities generated by this project: new product development, technology transfers, and enhanced tax revenue.

Kiler Group - Turkey

One of the largest ICD interventions in Turkey was the ICD’s participation in a U.S.\$120 million syndication facility arranged for Kiler group by BAML. The project aims at providing food and consumer goods in Turkey through an expansion in the number of existing stores, from 32 cities to all of the regions. The ICD participation stemmed from the crucial role the sector plays in national development and was motivated by the sound financial as well as operational fundamentals of the project.

Kazakhstan

In Kazakhstan, the ICD approved a Murabaha facility to establish an Aluminium Extrusion Profile manufacturing facility. The aim is to produce profiles mainly used in the construction industry. A new plant is planned in Almaty with an annual capacity of 7,200 tons. The total cost of the facility is U.S.\$23.3 million, with ICD participation amounting to U.S.\$10 million. The facility will allocate U.S.\$6 million to purchase and install equipment and U.S.\$4 million for working capital needs once the plant starts operation.

ICD Central Asia Renewable Energy Fund

The ICD Central Asia Renewable Energy Fund (the **Energy Fund**) is the first regional initiative focused on renewable energy. It is structured as an offshore limited partnership domiciled in Labuan, Malaysia and serves as a platform to attract investments from public and private sector institutions. The fund will be managed by the Caspian International Investment Company and will primarily invest in Kazakhstan, Azerbaijan, Turkmenistan, Tajikistan, Kyrgyzstan, Uzbekistan, Turkey, Albania, Bosnia and Herzegovina and Kosovo. Some of the projects in which the Energy Fund invests in include projects for electricity generation in off grid regions which would allow electricity to reach regions that currently do not have access to electricity thereby enhancing the quality of life in these underdeveloped regions.

ASIA

During 1435H (2014), ICD investment approvals in the region amounted to a total of U.S.\$66.1 million, distributed through 6 projects. The primary sectors receiving financing from the ICD were industries and mining, finance, and oil and gas industries. The main beneficiary countries for last year's operations were Bangladesh (46 per cent.), Indonesia (15 per cent.), and Pakistan (13 per cent.).

The Islamic Bank in the Maldives

In 1435H (2014), one of the ICD investee banks, the Maldives Islamic Bank (MIB), turned profitable. It is the first and only Islamic Bank in the Maldives and was sponsored by the ICD. It was initiated in 2007 as a partnership between the ICD with a share in capital of 85 per cent. and 15 per cent., respectively.

The Bank was fully incorporated in Jumaada al-awal 1431H (April 2010). The initial capital of the Bank amounted to U.S.\$10 million, equivalent to MVR 153 million at the time of establishment. Currently, MIB capital amounts to MVR 180 million, equivalent to U.S.\$12 million, as at the end of 1435H (2014).

The Bank started operations with a single branch in the capital city of Male and, in Jumaada al-awal 1431H (April 2010), a new branch was opened in Addu, the second largest city in the Maldives, in the south of the country. The Bank recorded a positive return on equity of 3.53 per cent. at the end of 2013, and became profitable in the same year.

The ICD intends to channel its operations in the Maldives through MIB to ensure that Islamic financing is available, thus supporting small and medium-size enterprises in the country. The Bank has now more than 35,000 depositors and an excess of 2,300 financing clients, including the Government of Maldives.

Noman Group - Bangladesh

In 1435H (2014), the ICD approved a Leasing facility of U.S.\$30.5 million to Noman Group, the largest textile and apparel conglomerate in Bangladesh. This facility supports a 70,000 spindle spinning mill – Ismail Spinning Mills Ltd. – and the expansion of another subsidiary: Noman Terry Towel Mills.

Burj Bank - Pakistan

The ICD also supported the financial sector of Pakistan through an equity injection in one of the Islamic banks. Burj Bank, established in 1427H (2006), aims at promoting Shariah-compliant products and is one of the fastest growing Islamic banks in the country. Its financing portfolio has grown from Rs. 5 billion (U.S.\$49.4 million) in 1431H (2010) to Rs. 23 billion (U.S.\$227.5 million) by the end of 1434H (2013). The ICD is a major shareholder and it injected U.S.\$33 million into the capital of Burj Bank and approved another U.S.\$10 million equity investment in 1435H (2014). This investment intends to increase the Bank's capital to comply with statutory minimum capital requirements.

PT Mandala syndication

In Raby` al-Thaany 1434H (February 2013), the ICD concluded a landmark syndicated facility with PT Mandala Multifinance Tbk (**PT Mandala**) for U.S.\$45 million (**Mandala Syndicated Facility**) which

represents the third line of financing provided by the ICD to PT Mandala. The ICD had extended facilities in 1429(H) (2008) and 1432H (2011) to PT Mandala for the amounts of U.S.\$8 million and U.S.\$25 million respectively but the latest transaction was significant as it represented the largest facility being lead arranged by the ICD in 1434H (2013) and was also the largest amount raised for PT Mandala by the ICD. The other participants to the Mandala Syndicated Facility are Qatar National Bank and Al Rahji Bank as well Bank Islam Brunei Darussalam.

Proceeds from the Mandala Syndicated Facility were used by PT Mandala to finance new two wheel motor vehicles to be leased to SMEs operating in the following sectors: agribusiness, bio-technologies, education, financial services, general manufacturing, healthcare, IT & multimedia, oil & gas and power. The financing of the projects will be done in line with Shariah principles. It is expected that the Syndicated Facility will assist approximately 40,000 Indonesian SMEs and have a substantial developmental impact as well as enhance the Islamic US Dollar syndication market in Indonesia.

SUB-SAHARAN AFRICA

In 1435H (2014), there was an increase in the ICD's operations with the volume of total approvals reaching U.S.\$251.7 million compared to U.S.\$45.1 million in 1434H (2014). In addition, the ICD initiated four technical assistance and advisory services projects, tailored to better attain sustainable private sector development. All these efforts brought cumulative regional investments to 47.9 per cent. of total ICD approvals. Nigeria, Côte d'Ivoire, Senegal, and Gambia are countries that benefited the most from the ICD's hard and soft financing facilities. In terms of sectoral composition, the financial sector, industries and mining, as well as healthcare, were the primary recipient sectors of ICD financing facilities.

Sukuk Senegal

The ICD and Citibank, as Joint Lead Manager (JLM), had advised the Government of Senegal on its U.S.\$200 million Sukuk during the year 1435H (2014). This landmark transaction, the first of its kind in the sub-Saharan Africa region, aims to promote Islamic finance as an alternative financing instrument for the economies of countries in Africa.

The Government of Senegal intended to diversify its financing instruments by exploring the possibilities offered through Islamic finance. The ICD, along with renowned law firms, teamed together to design an innovative structure for the Sukuk issuance and successfully launched the Sukuk.

Special Economic Zones (SEZ)

Supporting the new Growth Model of Djibouti

Between Dhul Hijjah 1434H (October 2013) and Dhul Hijjah 1435H (October 2014), the ICD performed a diagnostic of the policy, institutional and regulatory environment for industrial zones in Djibouti and formulated an incremental development plan. The plan delivered key recommendations that will be catalytic and pivotal to the success of this country's shift towards value-added industries, consonant with its new growth model. An implementation plan, with defined areas of interventions, is already on the roadmap of the ICD and was shared with the government of Djibouti for possible execution during the year 1436H (2015).

Renewed commitment to the Nouadhibou Free Zone in Mauritania

The year witnessed the first investment forum promoting the Nouadhibou Free Zone (**NFZ**). This Zone was established pursuant to policy, legal and institutional studies commissioned under the Industry and Business Environment Support (**IBES**) Programme (formerly SEZ programme), between 1432H (2011) and 1433H (2012). Bolstered by this successful cooperation, the NFZ Authority (**NFZA**) decided to entrust the ICD with the delivery of a technical assistance project to provide capacity development to the Zone Authority and identify value chain enhancements for the fishery pole which occupies a strategic function for the Zone and enhance national competitiveness. This was reflected in the bilateral MoU signed between the ICD and NFZA in Rajab 1435H (May 2014), and the subsequent tripartite MoU between the ICD, NFZA and the Aqaba Special Economic Zone Authority (**ASEZA**). The

MoU consists in the transfer of know-how of ASEZA as a centre of excellence to the newly formed NFZA in line with the Reverse Linkage modalities of the IDB Group.

Extending SEZ support to Sierra Leone

Leveraging its track record in devising appropriate technical assistance (TA) solutions for SEZ framework design and implementation, the programme commenced its support to the Government of Sierra Leone (**GoS**) to develop policy, legal, and regulatory frameworks for a national SEZ regime. This regime will help improve the business enabling environment and catalyse the integrated development of several economic poles across the country. The project scope was developed in active dialogue with the Government of Sierra Leone and the IDB. Project execution is targeted to commence in the year 1436H (2015) upon securing the necessary funding.

Oku Iboku Pulp & Paper Co. - Nigeria

The ICD approved a total of U.S.\$30 million for a leasing facility to Oku Iboku Pulp & Paper Co. (**OKIPP**) in Nigeria. At project inception, OKIPP projections amounted to production capacity levels above 100,000 tons of newsprint per annum. Based on a syndication agreement between the ICD and the African Development Bank, annual capacity is expected to expand to more than 200,000 tons of newsprint for this company.

Teylion Properties Group - Senegal

In support of the real-estate sector, the ICD approved an *Istisna'a* facility of U.S.\$20 million to Teylion Properties Group in Senegal, for construction of 3,562 houses, targeting the middle-class and low-income population groups.

GLOBAL

Islamic Finance Talent Development Programme

In 1433H (2012), the ICD launched the Islamic Finance Talent Development Program (*IFTDP*), to support the development of a skilled labour force in the Islamic finance industry. The objective of the programme is to select a number of young professionals who will learn the practical business aspects of Islamic products and solutions as well as to equip them with a structured academic Islamic finance background so that they may work within the Islamic finance channels and serve at the financial institutions established by the ICD in Member Countries. The selected young professionals are attached to the ICD for two years where they will be rotated to the various departments of the ICD as well as to other entities within the IDB Group. One rotation will last between 8 and 12 months. As of the end of 1433H (2012), 13 applicants were hired for inaugural programme. As of the date of this Base Prospectus, the Programme is in its fourth batch with 13 applicants were hired. For the second and third batch, the number of hired applicants was 11 and 12 respectively. The ICD aims to continue to run this programme in order to develop talent for the Islamic finance industry.

Modes of financing

The ICD provides both term financing and equity contribution to private sector entities and to greenfield projects or projects that are undergoing expansion or modernisation. The ICD's main financing and investment products include:

Murabaha and instalment sales

Both of these modes of financing involve the sale of goods at a price, which includes a profit margin agreed by both parties at the outset of the contract. The purchase and selling price, the other costs, and profit margin must be clearly stated at the time of the sale agreement. The promise of the customer is considered to be binding and therefore any loss suffered by the ICD as a result of default by the customer prior to the sale of goods is charged to the customer.

Income from murabaha and instalment sales receivables are accrued over time over the period from the date of actual disbursement of funds to the scheduled repayment date of instalments.

Ijarah (leasing)

Ijarah is used by the ICD to provide medium to long-term financing for capital equipment and other fixed assets. Under the ijarah mode of financing, the ICD sells the benefit of use (usufruct) of an asset (such as the use of equipment, plants, office automation, motor vehicles) for an agreed period of time during which the latter pays rent (usually biannually). Rental payments are denominated in US dollars and must be guaranteed (usually by a commercial bank with an acceptable credit quality) as a condition to the ICD providing financing. At the end of the rental period, ownership of the assets is transferred to the beneficiary. The leased assets are insured during the period of the lease. Income from ijarah is allocated proportionately to the financial periods over the ijarah contract.

Istisna'a

The ICD uses the mode of istisna'a as a form of medium and long-term financing with a view to promoting infrastructure projects and trade in capital goods by private enterprises. Istisna'a is a contract whereby the ICD undertakes to have specific assets built according to certain specifications requested by the beneficiary and to sell those assets to the beneficiary at a determined price to be paid over an agreed period.

Other financing and investment instruments utilised by the ICD include the following:

Musharakah (joint venture)

In the context of business and trade, Musharakah refers to a partnership or a joint business venture with a view to making profits. Considered by some to be the purest form of Islamic financing, all the investors contribute capital towards a business venture and agree to share profits on a pre-agreed ratio, while losses are borne by each investor in proportion to their respective capital contributions.

Mudarabah (profit sharing)

It is a form of partnership where one party provides the funds, while the other provides the expertise and management. The party providing the capital is known as the rab-al-maal, while the latter is referred to as the mudarib which contributes its expertise in running the venture. Profits made in the business are shared between the parties according to a pre-agreed ratio. If losses occur, the rabb-ul-mal will lose its capital, and the mudarib will lose the time and effort it invested in running the business.

Wakala (Agency)

This is a contract whereby a person (as the principal) asks another party to act on its behalf (as his agent) to undertake a specific task, who will be paid a fee for his services. This contract is usually entered into in conjunction with another Shari'a compliant product.

Bai Salam

It means a contract in which advance payment is made for goods to be delivered at a future date. Under this arrangement, the seller is obligated to supply some specific goods to the buyer at a future date in exchange for an immediate advance payment fully made at the time of contract. The quality of the commodity intended to be purchased must be fully specified, leaving no ambiguity, which could lead to a potential dispute between the parties. This type of financing is most often used when a farmer needs capital to cultivate and harvest his crops.

Bai' muajjal (credit sale)

This is a sale contract in which the ICD sells an asset/commodity with a profit margin to the buyer where payment of the sale price is made on a future date either in the form of a lump sum or in instalments. The contract should expressly mention that the cost of the asset/commodity and the margin of profit are mutually agreed upon. Bai' muajjal is also known as a deferred-payment sale.

Related Parties

The ICD enters into transactions with its major shareholders, and their related concerns in the ordinary course of its business.

Significant related party transactions for the year ended 1435(H) (2014) are as follows (All amounts in United States Dollars unless otherwise stated):

Nature of transactions		Amount of transactions	
		1435H	1434H
IDB	Rent	747,963	1,021,200
Members of General Assembly, Board of Directors, Advisory Board, Shari'ah Committee & Executive Committee	Allowances and fee	1,017,556	471,909
Unit Investment Fund (UIF)	Mudarib fee	654,919	405,464
Money Market Fund (MMF)	Mudarib fee	662,782	72,456
Bidaya Home Financing Company	Set-up costs	542,015	754,312
Capitas International	Consultancy fee	1,108,267	-

All related party transactions are conducted at mutually agreed terms and approved by the Board of Directors. In addition, such transactions are conducted on an arm's length basis. Any related party transactions above U.S.\$10 million are presented to the Executive Committee for approval.

Principal Differences between Accounting Principles of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and International Financial Reporting Standards (IFRS)

Basis of preparation

The financial statements of the ICD are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and the *Shari'ah* rules and principles as determined by the *Shari'ah* Committee. For matters which are not covered by AAOIFI standards, the ICD uses the relevant standard issued or adopted by the International Accounting Standards Board (IASB) and the relevant interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB. The financial statements are prepared under the historical cost convention except for equity investments and investments in Sukuk which are measured at fair value through income statement.

The ICD is audited in accordance with the auditing standards for Islamic Financial Institutions issued by AAOIFI and the International Standards on Auditing (ISA) adopted by the International Auditing and Assurance Standards Board. As of the date of this Base Prospectus there are five AAOIFI auditing standards, four of which are similar in their content to the relevant standards under the ISA. The single AAOIFI auditing standard for which there is no analogous ISA auditing standard relates to testing for compliance with Shariah rules and principles by external auditors (AAOIFI Auditing Standard No. 4). More specifically, AAOIFI Auditing Standard No. 4 requires an external auditor to obtain sufficient and appropriate audit evidence adequate to provide reasonable assurance that the relevant Islamic financial institution is in compliance with the rules and principles of Shariah. While the ISA is more comprehensive than the AAOIFI auditing standards, and while AAOIFI Auditing Standard no. 4 is tailored to address Shariah matters, there are no significant departures of the AAOIFI auditing standards from the ISA. AAOIFI auditing standards require the application of ISA in respect of matters not covered in detail by the AAOIFI auditing standards, provided such standards do not contravene Shariah rules and principles.

The principal accounting differences between the AAOIFI and IASB accounting standards in so far as they apply to recognition and measurement principles, as applicable to the ICD Financial Statements for the year ended 29 Dhul Hijjah 1434H (3 November 2013) and the year ended 30 Dhul Hijjah 1435H (24 October 2014), are listed below.

Leasing transactions

With regard to their structure, the ICD leases are recorded as operating leases, whereas they are considered as finance leases according to the definition used in IFRS.

Under AAOIFI, leased assets are presented at original cost less accumulated depreciation up to the date of financial position, and income is allocated proportionately to the financial periods of the lease term.

Under IFRS, the leased assets would be presented at an amount equal to the net investment in the lease, and income would be recognised based on a pattern reflecting a constant rate of return on the net investment in the lease.

In general terms, for the same transaction, more income would be recognised earlier on under IFRS than under AAOIFI though the cumulative income over the life of the transaction would be the same.

Effective interest rate

AAOIFI allows the deferral of profit on a deferred receivable over the life of the repayments. However, it does not specify whether this should be recognised in the income statement on a straight-line or an effective interest rate method (AAOIFI allows either method to be used). The ICD uses the effective interest rate method.

Under IFRS, on a deferred receivable, the deferred profit needs to be recognised on the effective interest rate method over the period of repayment.

As stated above, in general terms, for the same financial contract, more income would be recognised earlier on under IFRS than under AAOIFI, though the cumulative income over the life of the contract would be the same.

Impairment of Islamic Financial Contracts – undiscounting

The ICD estimates specific impairment of Islamic financial contracts, as per the requirements of IFRS, by means of discounting future cash flows using the implied profit rate built into the Islamic financial contract. However, the 'un-discounting' of the deferred profit element (notional interest) is netted off against the provision rather than being shown as income. The treatment, in compliance with IFRS, would be to release the un-discounting through revenue. Overall there is no impact on the net profit reported due to this difference.

The principal differences enumerated above have been compiled as of Thw al-Hijjah 1435H (October 2014) and do not take into account the various proposed amendments, discussion papers, exposure drafts, interpretations and revised standards issued by the IASB and IFRIC but not effective as of the above date. Any such change may have an impact on the above.

GENERAL DESCRIPTION OF THE PORTFOLIO

The Portfolio which is the subject of the Trust constituted for each Series of Trust Certificates shall be a portfolio of assets created by the ICD which shall be separate and independent from all other assets of the ICD and shall comprise:

- (a) at least 33 per cent. tangible assets comprising of: (1) Leased Assets; (2) Disbursing Istisna'a Assets in respect of which the ICD has title to the corresponding asset and is the seller of the completed or manufactured asset before such asset has been delivered to the ICD by its manufacturer; (3) Shares, Sukuk and/or any Wakala Assets (in respect of which, the ICD acts as principal or *muwakkil*); and (4) Restricted Fund Units; PROVIDED ALWAYS THAT at least 33 per cent. of the underlying assets of all Shares, Sukuk, Wakala Assets and/ or Restricted Fund Units, as applicable, are tangible; AND PROVIDED FURTHER THAT such Shares, Sukuk, Wakala Assets and/ or Restricted Fund Units, as applicable, are considered (by the Shariah Committee of the ICD) to be Shariah compliant (and consequently any borrowing and lending by or on behalf of such assets conducted in a manner that is considered (by the Shariah Committee of the ICD) to be contrary to the principles of Shariah shall not exceed 33 per cent. of the corresponding asset value, and that any income from these assets considered (by the Shariah Committee of the ICD) to be contrary to the principles of Shariah shall not exceed 5 per cent. of the corresponding aggregate revenues); and
- (b) no more than 67 per cent. intangible assets comprising of Istisna'a Receivables, and/or Murabaha Receivables,

(the details of which, on the Relevant Closing Date, are set out in Schedule 1 of the Supplemental Purchase Agreement) including, without limitation, the right to receive payment of any amounts due in connection with such assets, the right to demand, sue for, recover, receive and give receipts for all amounts payable, or to become payable, under the assets and/or agreements relating to the assets and the benefit of, and the right to sue on, all covenants in favour of the ICD and the right to exercise all powers of the ICD thereunder, the constituent elements of which may be supplemented from time to time with Additional Portfolio Assets.

The Leased Assets (**Leased Assets**) comprise assets (whether existing or under construction) which are subject to Ijara contracts where the ICD (as lessor) has leased property, or has agreed to lease property under construction, to a lessee in respect of which regular payments are or will become due from the lessee (and includes any ancillary rights under such Ijara contracts). The Murabaha Receivables (**Murabaha Receivables**) comprise receivables under sale contracts whereby the ICD has sold assets to an obligor for a purchase price which is determined on a cost plus a predetermined profit basis and such purchase price is payable in instalments. The Wakala Assets comprise assets derived from lines of financing provided by the ICD (as *muwakkil*) to its customers under an agency (*wakala*) arrangement entered into between the ICD and the relevant customer where funds provided to the agent are invested in predominantly tangible (**Tangible Wakala Assets**) and/or intangible assets (**Intangible Wakala Assets**). The Istisna'a Receivables (**Istisna'a Receivables**) comprise receivables (other than in respect of Disbursing Istisna'a Assets) arising under a contract whereby the ICD has sold to a beneficiary certain assets at a price to be paid over an agreed period. The Disbursing Istisna'a Assets (**Disbursing Istisna'a Assets**) comprise assets in respect of which: (a) title and possession to such assets (which are in the process of being manufactured or completed) is vested in the ICD; and (b) the ICD is (or is intended to be) the seller of the completed or finally manufactured assets prior to delivery to an underlying purchaser. Any Shares and Sukuk will be investments held directly by the ICD prior to their sale to the Trustee. The Restricted Fund Units comprise units which the ICD has acquired in a fund which is established and operates upon the principles of *Mudaraba* or *Wakala* (the **Fund**) and is restricted to investing in specific tangible and intangible assets.

The Portfolio in respect of each Series of Trust Certificates will be originated by the ICD and represent (in the case of any underlying assets other than Shares, Sukuk or Restricted Fund Units) obligations of lessees and obligors in jurisdictions that are Member Countries. The ICD will represent in the Master Purchase Agreement that each underlying asset of the Portfolio will satisfy certain eligibility requirements, including:

- (a) that in respect of any Ijara contracts, Disbursing Istisna'a Assets, Istisna'a Receivables, Murabaha Receivables, Wakala Assets, Restricted Fund Units or Sukuk, the underlying asset constitutes legal, valid, binding and enforceable obligations of the obligor thereof in the jurisdiction in which such obligor is located and (in respect of any Ijara contracts) the jurisdiction in which any related asset in respect of such Ijara contracts is located;
- (b) that no additional steps (other than third party notifications) are required to be undertaken by the ICD in order to make any amounts due under and in respect of such asset payable to the Trustee;
- (c) that immediately before such sale, the ICD is entitled to receive all payments due in respect of such asset;
- (d) that the assets was originated by the ICD in a manner consistent with its usual credit and origination policies, and immediately before such sale, was free from any adverse interest which may affect the rights of the Trustee in respect thereof;
- (e) that in respect of any Restricted Fund Units, Sukuk, Shares and Wakala Assets:
 - (i) the underlying assets (including any underlying companies, funds or projects that are financed or capitalised by such Restricted Fund Units, Sukuk, Shares and/or Wakala Assets) are Shariah-compliant assets;
 - (ii) to the extent that any amounts borrowed or lent by or on behalf of the assets underlying the Restricted Fund Units, Sukuk, Shares or, as the case may be, Wakala Assets are conducted in a manner or contain terms which are considered to be contrary to the principles of Shariah, such financing does not exceed 33 per cent. of the corresponding total aggregate asset value; and
 - (iii) to the extent any amounts derived from the assets underlying the Restricted Fund Units, Sukuk, Shares or, as the case may be, Wakala Assets are in the form of income considered as income which does not comply with the principles of Shariah, such income does not constitute more than 5 per cent. of total income derived from or attributed to such assets during the term of the investment; and
- (f) that in respect of assets other than Shares, Sukuk or Restricted Fund Units, constitute obligations of lessees and obligors in jurisdictions that are Member Countries;

An outline summary of the Portfolio which will be purchased by the Trustee on the Issue Date of the relevant Series of Trust Certificates will be set out in the relevant Final Terms or Pricing Supplement, as the case may be. The composition of the Portfolio may change over the life of each Series of Trust Certificates as the Trustee may utilise principal collections from the relevant Portfolio to purchase rights in additional Leased Assets, units in Restricted Fund Units or sub-participation interests on behalf of the Trustee in *Istisna'a* or *Murabaha* financing activities, or invest in Murabaha Receivables, Wakala Assets and Istisna'a Receivables or to purchase further Shares and/or Sukuk (which will then form part of the Portfolio of that relevant Series) in accordance with the terms of the Programme Documents (and the related Transaction Documents).

The ICD has given an undertaking to the Trustee that it will sell additional Leased Assets, Shares, Sukuk and Restricted Fund Units to the Trustee so as to ensure that the proportion of the Portfolio of Trust Certificates represented by rights in Leased Assets, Shares and/or Sukuk and Restricted Fund Units does not fall below 33 per cent. The ICD's obligation to sell such additional assets is subject to the ICD having such assets available on its balance sheet to sell to the Trustee. A failure by the ICD to comply with any of its obligations expressed to be assumed by it in the Programme Documents (and the related Transaction Documents) constitutes a Dissolution Event.

No investigation or enquiry will be made and no due diligence will be conducted in respect of the Portfolio of any Series of Trust Certificates or any Portfolio Constituent Asset or their transferability under local law. Certificateholders, the Trustee, the Principal Paying Agent, Registrar, Transfer Agent and the Delegate will have no ability to influence, or responsibility for,

such selection. Only limited representations will be obtained from the Service Agent in respect of the Portfolio. No steps will be taken to perfect the transfer of the ownership interest in the relevant Portfolio with any relevant regulatory authority or otherwise give notice to any lessee in respect thereof. Reference should be made to the paragraphs under "*Risk factors relating to the Portfolio*" in the Section entitled "*Risk Factors*" below. In particular none of the ICD, the Trustee, the Delegate, the Principal Paying Agent or the Dealers make any representations as to whether there will be sufficient Trust Assets available on the Periodic Distribution Date or the Dissolution Date to enable the Trustee to make a payment in full of the relevant Periodic Distribution Amount or Dissolution Amount.

SUMMARY OF THE PRINCIPAL PROGRAMME DOCUMENTS

The following is a summary of certain provisions of the principal Programme Documents and is qualified in its entirety by reference to the detailed provisions of the principal Programme Documents. Copies of the Programme Documents will be available for inspection at the offices of the Principal Paying Agent (as defined in the Terms and Conditions).

The Master Trust Deed, as supplemented by each Supplemental Trust Deed

The Master Trust Deed will be entered into on or around the Programme Date between the ICD, the Trustee and the Delegate and will be governed by English law. A Supplemental Trust Deed will be entered into on the date of the issue of the relevant Series of Trust Certificates between the same parties to the Master Trust Deed and will also be governed by English law.

Upon issue of the Global Trust Certificate initially representing the Trust Certificates of any Series, the Master Trust Deed and the relevant Supplemental Trust Deed constitute the Trust declared by the Trustee in relation to such Series.

The Trust Assets in respect of each Series of Trust Certificates comprise (unless otherwise specified in the relevant Supplemental Trust Deed), *inter alia*, the Trustee's rights, title, interest and benefit in the Initial Trust Property and the Portfolio, the Trustee's rights, title, interest and benefit, present and future, in, to and under the Programme Documents and the Transaction Documents to which it is a party (excluding any representations given to the Trustee by the ICD pursuant to any of the Programme Documents or Transaction Documents), the Trustee's rights, interest and benefit, present and future, in assets held by the ICD on trust for the Trustee, as well as cash and certain eligible investments all as more fully set out in the Master Trust Deed and the relevant Supplemental Trust Deed.

The Trust Deed will specify that, on or after the relevant Dissolution Date of a Series of Trust Certificates, the rights of recourse in respect of Trust Certificates shall be limited to the amounts from time to time available and comprising the relevant Trust Assets of that Series, subject to the priority of payments set out in the Trust Deed, the relevant Trust Certificates and the Terms and Conditions. Each of the ICD, the Delegate and the Certificateholders have no claim or recourse against the Trustee in respect of any amount which is or remains unsatisfied and any unsatisfied amounts will be extinguished.

Pursuant to the Master Trust Deed, the Trustee shall, *inter alia*:

- (a) hold the Trust Assets on trust absolutely for the Certificateholders as beneficiaries pro rata according to the face amount of Trust Certificates held by each Certificateholder;
- (b) act as trustee in respect of such Trust Assets, distribute the income from such Trust Assets and perform its duties in accordance with the provisions of the Master Trust Deed and, if applicable, the terms of the relevant Supplemental Trust Deed;
- (c) maintain the appointment of:
 - (i) the Agent to perform the obligations set out in the Agency Agreement; and
 - (ii) an agent to perform the obligations of the Trustee in the Master Service Agency Agreement.
- (d) enforce the Trust Assets including, insofar as it is able, taking all reasonably necessary steps to enforce each of the Guarantee, the Purchase Undertaking Deed and the relevant ICD Purchase Agreement, the Additional Portfolio Asset Sale Undertaking Deed and the Additional Portfolio Asset Sale Agreement if the ICD shall have at any time failed to perform its obligations under it;

- (i) collect and invest the proceeds of the Trust Assets in accordance with the terms of the Master Trust Deed and, if applicable the terms of the relevant Supplemental Trust Deed;
- (ii) distribute the proceeds of any enforcement of the Trust Assets, as described in the Trust Deed and in the Master Service Agency Agreement (see the section entitled "*Summary of the Principal Programme Documents – Master Service Agency Agreement*");
- (iii) maintain proper books of account in respect of the relevant Trust and prepare reports in respect of the relevant Trust for the Certificateholders of the corresponding Series of Trust Certificates, the ICD, the Service Agent and the Delegate as more particularly set out herein; and
- (iv) take such other steps as are reasonably necessary to ensure that the Certificateholders of each Series receive the distributions to be made to them in accordance with the order of priority detailed in the Trust Deed (subject to the relevant Trust Certificates and the Terms and Conditions) and in the Master Service Agency Agreement.

In the Trust Deed, the Trustee will unconditionally and irrevocably appoint the Delegate to be its attorney and to exercise certain future duties, powers, authorities and discretions vested in the Trustee by certain provisions in the Trust Deed, as supplemented by the Supplemental Trust Deed.

In the Trust Deed, the Delegate will undertake that, *inter alia*:

- (a) it may or shall (subject to being indemnified and/or prefunded to its satisfaction) upon being directed to do so by the Certificateholders pursuant to the Trust Deed (i) require the ICD to perform its obligations under the Purchase Undertaking Deed and the Additional Portfolio Asset Sale Undertaking Deed and (ii) make a claim under the Guarantee; and
- (b) following the occurrence of a Dissolution Event in respect of any Series and subject to Condition 15 (Dissolution Events), it shall (subject to being indemnified and/or secured to its satisfaction) take all such steps as are necessary to enforce the obligations of the ICD under the Purchase Undertaking Deed, the relevant ICD Purchase Agreement and any other Programme Documents and Transaction Document to which the ICD is a party.
- (c) In the Trust Deed, the Trustee will also undertake that, *inter alia*:
 - (i) it may or shall upon being directed to do so by the Delegate enforce the obligations of the ICD under the Master Trust Deed, the Purchase Undertaking Deed and any other Programme Document or Transaction Document to which the ICD is a party;
 - (ii) to the extent that it prepares accounts, it shall cause to be prepared and certified by the Auditors (as defined in the Master Trust Deed) in respect of each financial accounting period accounts in such form as will comply with all relevant legal and accounting requirements and all requirements for the time being of the Stock Exchange (as defined in the Conditions);
 - (iii) it shall procure that the Principal Paying Agent makes available for inspection by Certificateholders at its specified office copies of the Master Trust Deed and relevant Supplemental Trust Deed, the Agency Agreement and the other relevant Programme Documents and Transaction Documents, the then latest audited balance sheets and profit and loss accounts of itself (if any) and the ICD and any Final Terms or Pricing Supplement, as the case may be, ICD and Servicing Reports and/or Repurchase Reports relating to Trust Certificates admitted to listing, trading and/or quotation on any listing authority, stock exchange or quotation system; and

- (iv) following the occurrence of a Dissolution Event in respect of any Series of Trust Certificates and subject to Condition 15 (Dissolution Events), it shall (i) promptly notify the Delegate of the occurrence of such Dissolution Event, and (ii) take all such steps as are necessary to enforce the obligations of the ICD under the Purchase Undertaking Deed, the relevant ICD Purchase Agreement and any other Programme Document or Transaction Document to which the ICD is a party.

The Trustee acknowledges in the Master Trust Deed that the Delegate may in accordance with the terms of the Master Trust Deed convene meetings or obtain directions and instructions from Certificateholders.

The Delegate may (without the consent or sanction of the Certificateholders), agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the Terms and Conditions or any of the provisions of the Master Trust Deed, the Guarantee or any other Programme Document or any Transaction Document or allow for any Dissolution Event not to be treated as such, if in the opinion of the Delegate, any such case is not materially prejudicial to the interests of the Certificateholders, provided that the Delegate shall not exercise any such powers in contravention of any express direction by Extraordinary Resolution or of a request in writing made by Certificateholders representing not less than one-fifth in face amount of Trust Certificates of the relevant Series for the time being outstanding (but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made) or it may agree to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest or proven error.

Indemnity

The ICD has also undertaken to the Trustee and the Delegate in the Master Trust Deed that, if any amount payable by the ICD to the Trustee pursuant to the Guarantee, the Master Trust Deed, the Purchase Undertaking Deed or any other Programme Document or Transaction Document is not recoverable from the ICD for any reason whatsoever (including, without limitation, by reason of any Trust Certificate, the Master Trust Deed, any Supplemental Trust Deed, any relevant ICD Purchase Agreement or any provision thereof being or becoming void, unenforceable or otherwise invalid under any applicable law or any transfer of the Portfolio being ineffective or unenforceable) or the Trustee or any Certificateholder suffers any costs, expenses or loss (which must be evidenced to the ICD by the production of receipts) as a direct result of its holding in the Portfolio, which cost, expense or loss is not recoverable under the Master Purchase Agreement, the relevant Supplemental Purchase Agreement then, (notwithstanding that the same may have been known to the Trustee) the ICD will, as a sole, original and independent obligor, forthwith upon demand by the Trustee or the Delegate, pay such sum by way of a full indemnity in the manner and currency as is provided for in such Trust Certificate or the Master Trust Deed, any Supplemental Trust Deed or other Programme Documents or Transaction Documents (as the case may be) and indemnify the Trustee or the Delegate against all losses, claims, costs, charges and expenses to which it may be subject or which it may incur under or in respect of the Trust Certificates, the Master Trust Deed, the relevant Supplemental Trust Deed, the relevant ICD Purchase Agreement or other Transaction Documents or Programme Documents. For the avoidance of doubt, the ICD shall not be required to indemnify the Trustee for any consequential loss (being loss of business, goodwill, opportunity or profit) of any kind whatsoever.

The Master Purchase Agreement, as supplemented by each Supplemental Purchase Agreement

The Master Purchase Agreement will be entered into on or about the Programme Date between the ICD and the Trustee, as supplemented and amended from time to time, and each Supplemental Purchase Agreement applicable to a Series of Trust Certificates, are, and will be, governed by English law.

Sale of Portfolio

On the Closing Date of the relevant Series, the ICD agrees to sell to the Trustee the Portfolio identified in a schedule to the relevant Supplemental Purchase Agreement. The Portfolio shall be a portfolio of assets created by the ICD which shall be separate and independent from all other assets of the ICD.

To the extent that the transfer of the Portfolio (or any part thereof) is not effective in any jurisdiction for any reason, the ICD has agreed to either replace the Portfolio Constituent Assets (as defined in the Master Purchase Agreement) with Additional Portfolio Assets (as defined the Master Purchase Agreement) of the same (or greater) net asset value, or account for all amounts received by it in respect of the Portfolio (or any part thereof) to the Trustee. Further, the ICD has in the Master Purchase Agreement undertaken to hold any constituent assets comprised in the Portfolio the title, interest in or benefit to which has not been transferred to the Trustee on trust for the Trustee absolutely as the owner thereof or as the Trustee may direct.

Purchase Price

The purchase price payable for the Portfolio of any relevant Series of Trust Certificates will be determined by the Supplemental Purchase Agreement and will be an aggregate amount representing the Net Asset Value (as defined in the Master Purchase Agreement) of the Portfolio in respect of the relevant Series.

Records

All records in respect of the Portfolio sold to the Trustee will be retained by the ICD in its capacity as Service Agent.

Representations and Warranties

The ICD will only provide very limited representations and warranties in respect of the Portfolio on the issue date of the relevant Series. These representations and warranties will be repeated on the date of each Settlement Date (as defined in the Master Purchase Agreement) and include, *inter alia*, representations that:

- (a) the ICD has full power and authority to effect and has taken all necessary action to authorise the execution, delivery and performance by it of the Master Purchase Agreement and all other instruments and documents to be delivered by it under the Master Purchase Agreement and the transactions contemplated by the Master Purchase Agreement;
- (b) the execution, delivery and performance by the ICD of the Master Purchase Agreement and all other instruments and documents to be delivered by it pursuant to the Master Purchase Agreement and all transactions contemplated by the Master Purchase Agreement do not contravene (i) the ICD's Articles of Agreement, (ii) any law, rule or regulation applicable to the ICD or the Portfolio, (iii) any contractual restriction contained in any agreement, mortgage, bond, contract, undertaking or instrument binding on or affecting the ICD or any of its properties or assets, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting the ICD or any of its assets and do not result in or require the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of its assets or undertaking;
- (c) all consents, authorisations, approvals, notices, licences, registrations or filings required for the due execution, delivery or performance by the ICD of the Master Purchase Agreement or any other document to be delivered by the ICD in connection with the Master Purchase Agreement or for the transactions contemplated by the Master Purchase Agreement have been obtained or effected and are in full force and effect;
- (d) all the information contained in the schedule to each Supplemental Purchase Agreement and in each Purchase Report delivered by the ICD pursuant to the Master Purchase Agreement is true and accurate in all material respects;
- (e) the Portfolio and each Additional Portfolio Asset will at all times prior to its sale to the Trustee hereunder be owned by the ICD free and clear of any Adverse Claim (as defined in the Master Purchase Agreement) and upon the payment by the Trustee of the Purchase Price on the relevant Settlement Date and on the relevant Closing Date, the Trustee will acquire full legal and beneficial title and ownership to and of the Portfolio and each Additional Portfolio Asset free and clear of any Adverse Claim;

- (f) each constituent asset comprised in the Portfolio to be transferred to the Trustee on the relevant Closing Date, and each Additional Portfolio Asset to be transferred to the Trustee on a Settlement Date, is an Eligible Portfolio Asset (as defined in the Master Purchase Agreement) as determined on the relevant Closing Date and, in the case of an Additional Portfolio Asset, the Settlement Date on which it is purchased; and
- (g) the ICD has confirmed that any Portfolio to be transferred to the Trustee on the relevant Closing Date, and any Additional Portfolio Assets to be transferred to the Trustee on a Settlement Date, comply in all material respects with Shariah principles as laid down by the Shariah Committee of the ICD.

A breach of the representations and warranties contained in the Master Purchase Agreement by the ICD will result in the ICD being required to repurchase any underlying assets in the Portfolio which do not comply with such representations and warranties and the ICD providing the Trustee with (i) cash and/or (ii) the transfer of substitute underlying assets having a Net Asset Value (as defined in the Master Purchase Agreement) of not less than that of such ineligible assets.

Additional Portfolio Assets Sale Undertaking Deed

The Additional Portfolio Assets Sale Undertaking Deed will be executed by the ICD in favour of the Trustee on or about the Programme Date and will be governed by English law.

Pursuant to the Additional Portfolio Assets Sale Undertaking Deed, the Trustee has been granted the right to require the ICD to sell, in certain circumstances (as detailed below), to the Trustee on the relevant Settlement Date (as specified in the Additional Portfolio Assets Exercise Notice scheduled to the Additional Portfolio Assets Sale Undertaking Deed), at the relevant Purchase Price, the relevant Additional Portfolio Assets (as specified in the relevant Additional Portfolio Assets Exercise Notice).

The Purchase Price payable for the relevant Additional Portfolio Assets will be specified in the Additional Portfolio Assets Sale Agreement (scheduled to the Additional Portfolio Assets Sale Undertaking Deed) and will be an aggregate amount no greater than the relevant Revenue Generating Assets Make-Whole Amount (as defined in the Master Service Agency Agreement) in respect of the relevant Series.

This right granted under the Additional Portfolio Assets Sale Undertaking Deed may only be exercised by the Trustee if, and only to the extent that, the ICD has relevant Additional Portfolio Assets on its balance sheet and at its disposal for sale to the Trustee (as specified in the relevant Purchase Report) and if:

- (a) in respect of the relevant Series on the relevant Report Date prior to the relevant Settlement Date:
 - (i) the Tangibility of the Portfolio, as identified in the Servicing Report, is less than 33 per cent.; or
 - (ii) there is a Revenue Generating Assets Shortfall as set out in the relevant Servicing Report,
 by delivering an Additional Portfolio Assets Exercise Notice to the ICD specifying the Settlement Date and details of the Additional Portfolio Assets to be purchased; and
- (b) the Additional Portfolio Assets specified in the relevant Additional Portfolio Assets Exercise Notice comprise of:
 - (i) in the event that the relevant Additional Portfolio Assets Exercise Notice is delivered pursuant to (a)(i) above, the rights, title, interest and benefit of the ICD in, to and under, Leased Assets, Disbursing Istisna'a Assets, Wakala Assets, Restricted Fund Units, Shares and/or Sukuk (as, and only to the extent, specified in the relevant Purchase Report) the aggregate Net Asset Value (as defined in the Master Purchase Agreement) of

such Leased Assets, Shares and/or Sukuk being no greater than the relevant Tangibility Make-Whole Amount (as defined in the Master Service Agency Agreement); and

- (ii) in the event that the relevant Additional Portfolio Assets Exercise Notice is delivered pursuant to (a)(ii) above, Additional Portfolio Assets (as, and only to the extent, specified in the relevant Purchase Report) the aggregate Net Asset Value (as defined in the Master Purchase Agreement) of such Additional Portfolio Assets being no greater than the relevant Revenue Generating Assets Make-Whole Amount.

Following the exercise of this right, the Trustee will pay the relevant Purchase Price to the Trustee and the Trustee and the ICD will enter into an Additional Portfolio Assets Sale Agreement to effect the sale of the relevant Additional Portfolio Assets.

Master Service Agency Agreement, as supplemented by each Supplemental Service Agency Agreement

The Master Service Agency Agreement will be entered into on or about the Programme Date between the ICD, the Trustee and the Delegate, as supplemented and amended from time to time, and each Supplemental Service Agency Agreement applicable to a Series of Trust Certificates are, and will be, governed by English law (the Master Service Agency Agreement, together with each Supplemental Service Agency Agreement being referred to as the **Service Agency Agreement**).

Appointment of the ICD as Service Agent

The Trustee will appoint the ICD to act as its service agent (**Service Agent**) to perform limited actions in order to collect and service the Portfolio applicable to each Series of Trust Certificates. In particular, the Service Agent will prepare Servicing Reports (as defined below), hold records and apply collections in respect of the relevant Portfolio, and to carry out any incidental matters relating thereto.

Standard of Care

The Service Agent has agreed to exercise the same level of skill, care and attention in exercising its powers and performing its duties as it would exercise in servicing its own assets. In particular the Service Agent has agreed to (a) exercise at least the same standard of care in respect of the Portfolio as it exercises in respect of assets of a similar type and nature to any Portfolio of each Series of Trust Certificates of which it is and remains the legal and beneficial owner (apparent and real owner) and (b) in respect of the Portfolio of each Series of Trust Certificates act in accordance with its usual collection procedures at all times.

Delegation

The Service Agent shall be entitled to delegate its obligations under the Master Service Agency Agreement, as supplemented by the Supplemental Service Agency Agreement to any person approved by the Trustee provided that the Service Agent shall remain primarily liable for the obligations incurred by it hereunder notwithstanding any such delegation. Any determination as to Shariah compliance shall be made by the Shariah Committee of the ICD.

Share Ancillary Rights

The Trustee has appointed the ICD to exercise any and all Share Ancillary Rights (defined as any and all rights attaching to the Shares including the right to receive payments of dividends, including pre-emption rights, rights to participate in capital increases, consolidations and rights issues, as well as voting rights) in respect of Shares purchased by the Trustee. In exercising these Share Ancillary Rights, the ICD (as Service Agent) shall have no authority to bind or commit the Purchaser to incur any further indebtedness in respect of the corresponding Shares.

Fees

The Service Agent shall be entitled to receive a fee for acting as Service Agent which will comprise a fixed basic fee of U.S.\$100 payable on the date of each Supplemental Service Agency Agreement and

an incentive fee calculated as the remaining amounts available from the application of profit collections as more particularly described in "*Application of Collections*" below. Any amounts collected by the Service Agent in relation to the Portfolio remaining after application of such amounts in the order of priorities set out in Condition 5.3(a), (b) and (c), may be retained by the Service Agent as an incentive fee for the performance of its services pursuant to the Service Agency Agreement.

Application of Collections

For the period between each Calculation Date (each a **Collection Period**), the Service Agent will collect all amounts due in respect of the Portfolio of the relevant Series of Trust Certificates and identify such collections in a report (the **Servicing Report**). All collections in the nature of principal (the **Principal Collections**) will be deposited in a principal ledger account with the Service Agent. All collections in the nature of profit (the **Profit Collections**) will be deposited in a profit ledger account with the Service Agent. The Servicing Report will identify the amount of principal and profit collections. Subject to the terms of the Transaction Documents the Service Agent will be entitled to deal with any monies standing to the credit of the principal account or the profit account as if they were part of its own funds.

The Servicing Report will specify the amount by which the Aggregate Nominal Amount (as specified in the relevant Final Terms or Pricing Supplement, as the case may be,) of the relevant Series and is less than the Net Asset Value (as defined in the Master Purchase Agreement) of the Portfolio corresponding to such Series (the **Revenue Generating Assets Shortfall**) and the total amount of Principal Collections to be applied to the acquisition of Additional Portfolio Assets in order to address any Revenue Generating Assets Shortfall (the **Revenue Generating Assets Make-Whole Amount**).

In respect of each Series of Trust Certificates and unless otherwise specified in the relevant Final Terms or Pricing Supplement, as the case may be, on each Settlement Date, if (i) there is a Revenue Generating Assets Shortfall, the Service Agent will apply the Revenue Generating Assets Make-Whole Amount to pay the purchase price of any Additional Portfolio Assets purchased in accordance with the terms of the Additional Portfolio Assets Sale Undertaking, and (ii) if the Tangibility of the relevant Portfolio is less than 33 per cent., the Service Agent will apply the Tangibility Make-Whole Amount to pay the purchase price of any Additional Portfolio Assets purchased in accordance with the terms of the Additional Portfolio Assets Sale Undertaking.

In the event that the ICD does not have sufficient Additional Portfolio Assets on its balance sheet and at its disposal for sale to the Trustee in accordance with the terms of the Additional Portfolio Assets Sale Undertaking to reduce the Revenue Generating Assets Shortfall or to ensure that the tangibility of the relevant Portfolio is no less than 33 per cent., the Service Agent, if requested to do so by the Trustee, shall use any remaining Revenue Generating Assets Make-Whole Amount to acquire Shares and/or Sukuk in the open market in an amount required to reduce the Revenue Generating Assets Shortfall to zero.

In respect of each Series of Trust Certificates and unless otherwise specified in the relevant Final Terms or Pricing Supplement, as the case may be, on each Settlement Date, the Service Agent will apply the relevant Profit Collections received in the immediately preceding Calculation Period and all other amounts then standing to the credit of the Profit Account to pay the following amounts on behalf of the Trustee in accordance with the following order of priority:

- (a) first, to the Delegate in respect of all amounts owing to it under the Programme Documents and Transaction Documents in its capacity as Delegate 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;
- (b) second, *pro rata*, to pay an amount equal to any other sums payable by the Trustee (other than to Certificateholders or as otherwise provided in item (c) below) including rating fees, listing fees, paying agent's fees and corporate administrator fees together with any stamp, issue, registration, documentary and other fees, duties and taxes, including compensation and penalties, payable on or in connection with (i) the execution and delivery of the Master Trust Deed, the relevant Supplemental Trust Deed, the relevant Series of Trust Certificates and the Terms and Conditions and the constitution and original issue of the relevant Series of Trust

Certificates and any action taken by or on behalf of the Trustee or (where permitted by the Master Trust Deed, the relevant Supplemental Trust Deed, the Trust Certificates and the Terms and Conditions) any Certificateholder to enforce, or to resolve any doubt concerning, or for any other purpose in relation to, the Trust Deed, the Trust Certificates and the Terms and Conditions each of which such amounts shall have been properly incurred by the Trustee and to pay any remuneration agreed with the Trustee pursuant to such arrangements as the Service Agent, the Delegate and the Trustee shall separately agree;

- (c) third on any Settlement Date immediately preceding a Periodic Distribution Date, to pay to the Principal Paying Agent any Periodic Distribution Amounts due and payable on the immediately following Periodic Distribution Date; and
- (d) fourth, in respect of each Periodic Distribution Date, to pay any remaining amount into the Profit Account.

Notwithstanding the above, in respect of each Series of Trust Certificates and unless otherwise specified in the Final Terms or Pricing Supplement, as the case may be, applicable to the relevant Series, on the Dissolution Date the Service Agent will apply (a) any Principal Collections (including any residual Revenue Generating Assets Make-Whole Amount) and (b) any Profit Collections in accordance with the priority of payments set out in the Master Trust Deed as reproduced in the Terms and Conditions.

Representations and Warranties

The Service Agent shall make certain limited representations and warranties including, *inter alia*, as to due incorporation, power and authority, its constitution and composition, its liquidity and solvency and the validity of its obligations.

Termination of Appointment and ICD Events

Subject to finding a suitable replacement, the ICD may resign as Service Agent, or be dismissed by the Trustee upon 30 days' notice to the other party provided that a successor has been duly appointed in its place.

The Service Agent's appointment can also be terminated in certain other circumstances but in particular, the Service Agent's appointment as Service Agent may be terminated without notice upon the occurrence of any of the following events (each an **ICD Event**). However, the occurrence of an ICD Event will also be a Dissolution Event allowing the Delegate, at its option to declare (or shall declare upon written request of Certificateholders representing not less than one fifth in face amount of the relevant Series of Trust Certificates for the time being outstanding or if so directed by an Extraordinary Resolution) the Trust Certificates of the relevant Series to be immediately due and payable. The ICD Events are as follows:

- (a) the ICD fails to pay an amount under the Master Service Agency Agreement, the Guarantee, the Purchase Undertaking Deed, any ICD Purchase Agreement, any Sale Agreement or any other Transaction Document to which it is a party and such failure to pay remains unremedied for 7 days;
- (b) the ICD fails to perform or observe any of its covenants and/or obligations or is in breach of any of its representations and warranties in each case under the Master Service Agency Agreement or under any other Programme Document or Transaction Document to which it is a party and such failure or breach remains unremedied for 30 days after the Delegate has given written notice thereof to the ICD;
- (c) the ICD repudiates any Programme Document or Transaction Document to which it is a party or does or causes to be done any act or thing evidencing an intention to repudiate any Programme Document or Transaction Document to which it is a party;
- (d) at any time it is or will become unlawful or contrary to its Articles of Agreement for the ICD to perform or comply with any or all of its obligations under the Programme Documents or

Transaction Documents or any of its obligations under the Programme Documents or Transaction Documents are not or cease to be legal, valid, binding and enforceable;

- (e) the ICD temporarily suspends or temporarily terminates its operations or intends to temporarily suspend or temporarily terminate its operations;
- (f) there occurs any distribution of the assets of the ICD contrary to its Articles of Agreement;
- (g) the General Assembly of the ICD possess a resolution to terminate the operations of the ICD;
- (h) an order is made or an effective resolution passed for winding up the ICD (unless the order is made for the purpose of a reorganisation, whilst solvent, of the ICD); or
- (i) the ICD ceases to carry on its business or a substantial part of its business or stops payment of any amounts due to its creditors generally or becomes unable to pay its debts as they fall due or otherwise becomes insolvent (unless it does so for the purpose of a reorganisation, the terms of which have been approved in writing by the Trustee and where the ICD demonstrates to the satisfaction of the Trustee that it is solvent).

Guarantee

The Guarantee will be executed by the ICD in favour of the Trustee on or about the Programme Date and will be governed by English law. Pursuant to the Guarantee, the Guarantor has irrevocably and unconditionally guaranteed to the Trustee the punctual performance of any and all payment obligations arising or falling due under or in respect of each Portfolio Constituent Asset comprised in the Portfolio relating to the relevant Series of Trust Certificates (including the obligations of lessees in respect of any Leased Assets, issuers and obligors in respect of any Sukuk, debtors in respect of any Murabaha Receivables, Wakala Assets and Istisna'a Receivables and in respect of any Restricted Fund Units). Further, the Guarantor has agreed under the Guarantee that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, it shall indemnify the Trustee immediately on demand against any cost, loss or liability it incurs as a result of the principal debtor not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under the Portfolio on the date when it would have been due. The Guarantor has also agreed that if, on a day falling three Business Days prior to a Periodic Distribution Date in respect of the relevant Series of Trust Certificates, there is a shortfall between the Periodic Distribution Amounts due on the immediately following Periodic Distribution Date and the Profit Collections (as defined in the Master Service Agency Agreement) received in respect of the Portfolio Constituent Assets (as defined in the Master Trust Deed) comprised in the Portfolio relating to such Series of Trust Certificates (whether due to the maturity of obligations, the early repayment of amounts due or a failure by any person to pay amounts that have become due and payable, in respect of such Portfolio Constituent Assets or for any other reason), such that the Trustee would be unable to pay Periodic Distribution Amounts (including any additional amounts payable under Condition 13 (*Taxation*)) due to Certificateholders on such Periodic Distribution Date in full, the Guarantor shall immediately pay to the Trustee the amount of such shortfall in the manner and currency prescribed by the Conditions for payment by the Trustee in respect of the Trust Certificates.

It is expected that the amounts received by the Trustee pursuant to the Guarantee will be sufficient to allow it to make timely payment of Periodic Distribution Amounts due to Certificateholders under the Trust Certificates (including any additional amounts required to be paid in respect of the Trust Certificates pursuant to Condition 13 (*Taxation*)). The aggregate amounts recoverable by the Trustee under the Guarantee shall not exceed the sum of all such Periodic Distribution Amounts and any additional amounts (arising under Condition 13 (*Taxation*) on such amounts).

For the avoidance of doubt, the obligations guaranteed by the Guarantor pursuant to the Guarantee in respect of the assets comprised in the Portfolio relating to the relevant Series of Trust Certificates are solely those payment obligations which fall due under or in connection with such assets on and from the Issue Date to and including the Dissolution Date of the relevant Series of Trust Certificates (save that, where amounts continue to be payable on any Trust Certificate pursuant to Condition 7.6 (*Fixed Periodic Distribution Amount Provisions — Cessation of Profit Entitlement*) or Condition 8.4 (*Floating Periodic Distribution Amount Provisions — Cessation of Profit Entitlement*)), the obligations of the

Guarantor pursuant to the Guarantee shall continue in full force and effect in respect of any obligations arising or falling due under or in respect of each Portfolio Constituent Asset comprised in the Portfolio following such Dissolution Date relating to the relevant Series of Trust Certificates and until all amounts in the form of profit due to Certificateholders of that Series have been paid to such Certificateholders in full).

Purchase Undertaking Deed

The Purchase Undertaking Deed will be executed by the ICD in favour of the Trustee on or about the Programme Date and will be governed by English law.

The ICD will irrevocably undertake in favour of the Trustee and the Delegate to purchase all of the Trustee's rights, benefits and entitlements in and to the Portfolio on (a) the relevant Maturity Date of the relevant Series or, (b) prior thereto following the occurrence of a Dissolution Event (if applicable).

The purchase price payable to the Trustee shall be equal to (a) the Aggregate Nominal Amount (as specified in the relevant Final Terms or Pricing Supplement, as the case may be) of the relevant Series, plus (b) the amount of any accrued but unpaid Periodic Distribution Amounts. Payments of the purchase price are required to be made in the Specified Currency of the relevant Series (a) in accordance with the instructions of the ICD as Service Agent acting pursuant to the Master Service Agency Agreement or (b) if no such instructions are received within a reasonable time, to the account specified by the Principal Paying Agent.

The ICD will agree in the Purchase Undertaking Deed that all payments by it under the Purchase Undertaking Deed will be made without any deduction or withholding for or on account of tax unless required by law and without set-off or counterclaim and, in the event that there is any deduction, withholding, set off or counterclaim, the ICD shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no withholding, deduction, set-off or counterclaim had been made.

The specific terms applicable to each such sale will be confirmed in an ICD Purchase Agreement, to be executed by the Trustee and the ICD on the relevant Dissolution Date of the relevant Series of Trust Certificates. The form of each such ICD Purchase Agreement is appended to the Purchase Undertaking Deed.

Sale Undertaking Deed

The Sale Undertaking Deed will be executed by the Trustee in favour of the ICD on or about the Programme Date and will be governed by English law.

Pursuant to the Sale Undertaking Deed, subject to the Trustee being entitled to redeem the Trust Certificates pursuant to Condition 11.2 (*Early Dissolution for Tax Reasons*) or, if specified in the applicable Final Terms or Pricing Supplement, as the case may be, Condition 11.3 (*Dissolution at the Option of the Trustee*) being applicable to the relevant Series of Trust Certificates, the ICD may, by exercising its option under the Sale Undertaking Deed and serving notice on the Trustee specifying the relevant Dissolution Date, which must not be less than 30 nor more than 60 days after the date on which the notice is given and (if the Floating Periodic Distributions Amounts are specified as being in the Final Terms or Pricing Supplement, as the case may be) must also be a Periodic Distribution Date, oblige the Trustee to sell all the Trustee's rights, benefits and entitlements in and to the Portfolio to the ICD on the relevant Dissolution Date.

The purchase price payable by the ICD will be an amount equal to (a) the Aggregate Nominal Amount (as specified in the relevant Final Terms or Pricing Supplement, as the case may be) of the relevant Series, plus (b) the amount of any accrued but unpaid Periodic Distribution Amounts. Payments of the purchase price are required to be made in the Specified Currency of the relevant Series (a) in accordance with the instructions of the ICD as Service Agent acting pursuant to the Master Service Agency Agreement or (b) if no such instructions are received within a reasonable time, to the account specified by the Principal Paying Agent.

Pursuant to Condition 12 (*Purchase of Trust Certificates*), the ICD may at any time purchase Trust Certificates at any price in the open market or otherwise. Following any purchase of Trust Certificates pursuant to Condition 12, the Trustee may, pursuant to the Sale Undertaking Deed, transfer, assign and convey Trust Assets, of a total Net Asset Value (as defined in the Master Purchase Agreement) that is not greater than the aggregate face amount of the Trust Certificates so purchased in return for the delivery of such Trust Certificates to the Principal Paying Agent for cancellation.

The ICD will agree in the Sale Undertaking Deed that all payments by it under the Sale Undertaking Deed will be made without any deduction or withholding for or on account of tax unless required by law and without set-off or counterclaim and, in the event that there is any deduction, withholding, set off or counterclaim, the ICD shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no withholding, deduction, set-off or counterclaim had been made.

Representations of no Immunity

In each of the Programme Documents to which the ICD and the Delegate are parties, the ICD has represented and warranted that it has entered into each of such Programme Documents in connection with the exercise of its powers to raise money. Accordingly, the ICD has, in each of those Programme Documents, acknowledged and agreed that it is not entitled to claim for itself or any of its assets immunity from legal process in actions taken in relation to any Programme Document and brought against the ICD in a court of competent jurisdiction by the Trustee and/or the Delegate irrespective of the identity of the holders of beneficial interests in the Trust Certificates, provided that in respect of any action brought against the ICD, no form of seizure, attachment or execution may be exercised against the property and assets of the ICD wheresoever located and by whomsoever held before delivery of final judgment against the ICD.

TAXATION

THE FOLLOWING IS A GENERAL DESCRIPTION OF CERTAIN TAX CONSIDERATIONS RELATING TO THE TRUST CERTIFICATES. IT DOES NOT PURPORT TO BE A COMPLETE ANALYSIS OF ALL TAX CONSIDERATIONS RELATING TO THE TRUST CERTIFICATES. PROSPECTIVE PURCHASERS OF TRUST CERTIFICATES SHOULD CONSULT THEIR TAX ADVISERS AS TO THE CONSEQUENCES UNDER THE TAX LAWS OF THE COUNTRY OF WHICH THEY ARE RESIDENT FOR TAX PURPOSES OF ACQUIRING, HOLDING AND DISPOSING OF TRUST CERTIFICATES AND RECEIVING PAYMENTS OF PROFIT, PRINCIPAL AND/OR OTHER AMOUNTS UNDER THE TRUST CERTIFICATES. 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.

THE PROPOSED FINANCIAL TRANSACTIONS TAX (FTT)

On 14 February 2015, 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**).

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Trust Certificates (including secondary market transactions) in certain circumstances. The issuance and subscription of the Trust Certificates should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Trust 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 the 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 the Trust Certificates are advised to seek their own professional advice in relation to the FTT.

FOREIGN ACCOUNT TAX COMPLIANCE ACT

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a **foreign financial institution**, or **FFI** (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Trustee (a **Recalcitrant Holder**). The Trustee may be classified as an FFI.

The new withholding regime is now in effect for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Trust Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "**grandfathering date**", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Trust Certificates characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Trust Certificates are issued on or before the grandfathering date, and additional

Trust Certificates of the same series are issued after that date, the additional Trust Certificates may not be treated as grandfathered, which may have negative consequences for the existing Trust Certificates, including a negative impact on market price.

The United States and a number of other jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the “Model 1” and “Model 2” IGAs released by the United States, an FFI in an IGA signatory country could be treated as a “Reporting FI” not subject to withholding under FATCA on any payments it receives. Further, it is expected that an FFI in a Model 1 IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being a **FATCA Withholding**) from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

In particular, the Cayman Islands entered into a Model 1 IGA with the United States on 29 November 2013 (which came into force on 14 April 2014) (the **US IGA**) and have entered into a similar intergovernmental agreement (the **UK IGA**) with the United Kingdom. The Trustee will be required to comply with the Cayman Islands Tax Information Authority Law (2014 Revision)(as amended) together with regulations and guidance notes made pursuant to such Law (the **Cayman FATCA Legislation**) that give effect to the US IGA and the UK IGA. To the extent the Trustee cannot be treated as a Non-Reporting Cayman Islands Financial Institution (as defined in the US IGA and the UK IGA) by qualifying for one of the categories set out in Annex II thereto (for example by being a Sponsored Investment Entity (as defined therein)), the Trustee may be a “Reporting Cayman Islands Financial Institution” (as defined therein). As such, the Trustee would be required to register with the IRS to obtain a Global Intermediary Identification Number and to report to the Cayman Islands Tax Information Authority any payments made to (i) Specified US Persons with respect to US Reportable Accounts and (ii) Specified UK Persons with respect to UK Reportable Accounts (each such term as defined in the relevant IGA). The Cayman Islands Tax Information Authority will exchange such information with the IRS or HMRC as the case may be under the terms of the relevant IGA.

Under the terms of the US IGA, withholding generally should not be imposed on payments made to the Trustee unless the IRS has specifically listed the Trustee as a “Non Participating Financial Institution”, or on payments made by the Trustee to the Certificateholders unless the Trustee has assumed responsibility for withholding under United States tax law.

Whilst the Trust Certificates are in global form and held within Euroclear or Clearstream, Luxembourg (together, the **ICSDs**), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Trust Certificates by the Trustee, any paying agent and the Common Depository for ICSDs, given that each of the entities in the payment chain between the Trustee and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Trust Certificates. The documentation in respect of the Trust Certificates expressly contemplates the possibility that the Trust Certificates may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Trust Certificates will only be printed in remote circumstances.

If an amount in respect of FATCA Withholding were to be deducted or withheld from a Periodic Distribution Amount, Dissolution Distribution Amount or other payment on the Trust Certificates as a result of FATCA, none of the Trustee, the ICD, any Paying Agent or any other person would, pursuant to the Conditions of the Trust Certificates be required to pay Additional Amounts as a result of the deduction or withholding. As a result, investors may receive less profit or principal than expected.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and Model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Trustee and to payments they may receive in connection with the Trust Certificates.

CAYMAN ISLANDS TAXATION

The following is a discussion on certain Cayman Islands income tax consequences of an investment in Trust Certificates to be issued under the Programme. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws payments on Trust Certificates to be issued under the Programme will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of Certificates nor will gains derived from the disposal of Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

The Trustee has applied for and expects to receive an undertaking from the Governor in Cabinet of the Cayman Islands, pursuant to the Tax Concessions Law (as amended) of the Cayman Islands, that for a period of 20 years from the date of grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which includes the Trust Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment as defined in the Tax Concessions Law (as amended) of the Cayman Islands.

No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Certificates. An instrument transferring title to any Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is U.S.\$853.66. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

SUBSCRIPTION AND SALE

Trust Certificates may be sold from time to time by the Trustee to any one or more of CIMB Bank (L) Limited, Dubai Islamic Bank P.J.S.C., First Gulf Bank P.J.S.C., HSBC Bank plc, Maybank Investment Bank Berhad, National Bank of Abu Dhabi P.J.S.C., NCB Capital Company, Société Générale and Standard Chartered Bank or to any dealer appointed by the Trustee (with the prior consent of the ICD) for the purposes of a particular issue of Trust Certificates only (together, the Dealers). The arrangements under which Trust Certificates may from time to time be agreed to be sold by the Trustee to, and purchased by, Dealers are set out in a dealer agreement dated 21 December 2015 (the Dealer Agreement) and made between the Trustee, the ICD and the Dealers, as supplemented by a subscription agreement in relation to the relevant Series of Trust Certificates. Any such agreements together, will, inter alia, make provision for the form and terms and conditions of the relevant Trust Certificates, the price at which such Trust Certificates will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Trustee, in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Series of Trust Certificates.

UNITED STATES

The Trust Certificates have not been nor will be registered under the U.S. Securities Act of 1933 (the **Securities Act**) nor any state securities law, and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, US persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has offered and sold any Trust Certificates, and will offer and sell any Trust Certificates (i) as part of their distribution at any time, and (ii) otherwise until 40 days after the completion of the distribution of all Trust Certificates of the Series of which such Trust Certificates are a part, as determined and certified as provided below, only in accordance with Rule 903 of Regulation S under the Securities Act. Each Dealer who has purchased Trust Certificates of a Series hereunder (or in the case of a sale of a Series of Trust Certificates issued to or through more than one Dealer, each of such Dealers as to the Trust Certificates of such Series purchased by or through it or, in the case of a syndicated issue, the relevant Lead Manager) shall determine and certify to the Principal Paying Agent the completion of the distribution of the Trust Certificates of such Series. On the basis of such notification or notifications, the Principal Paying Agent has agreed to notify such Dealer/Lead Manager of the end of the distribution compliance period with respect to such Series. Each Dealer also agrees that, at or prior to confirmation of sale of Trust Certificates, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Trust Certificates from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, US persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

Each Dealer further represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts (as defined in Rule 902(c) under the Securities Act) with respect to any Trust Certificate, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

Public Offer Selling Restrictions under the Prospectus Directive

In relation to each Member State of the European Economic Area (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive was implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Trust Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms or Pricing Supplement, as the case may be, in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Trust Certificates to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Trustee and/or the ICD (if applicable) for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Trust Certificates referred to in (a) to (c) above shall require the Trustee, the ICD or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of Trust Certificates to the public in relation to any Trust Certificates in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Trust Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Trust Certificates, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

UNITED KINGDOM

The Dealers represent, warrant and agree, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) 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 the Trust Certificates in circumstances in which section 21(1) of FSMA does not or would not, if the Trustee was not an authorised person, apply to the Trustee; and
- (b) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to any Trust Certificates in, from or otherwise involving the United Kingdom.

Cayman Islands

Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that no invitation, whether directly or indirectly, has been or will be made to the public in the Cayman Islands to subscribe for the Trust Certificates.

The United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that Trust Certificates have not been and will not be publicly offered,

sold or publicly promoted or advertised by it in the United Arab Emirates (the **UAE**) other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer Trust Certificates to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules (MKT Module) of the Dubai Financial Services Authority (the **DFSA**); and
- (b) made only to persons who meet the "Professional Client" criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module.

State of Kuwait

Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree the following:

No Trust Certificates have been licensed for offering in the State of Kuwait by the Kuwait Capital Markets Authority or any other relevant Kuwaiti government agency. The offering of Notes in the State of Kuwait on the basis of a private placement or public offering is, therefore, restricted in accordance with Decree Law No. 31 1990, as amended, and Law No. 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities. No private or public offering of Trust Certificates is being made in the State of Kuwait, and no agreement relating to the sale of Trust Certificates will be concluded in the State of Kuwait. No marketing or solicitation or inducement activities are being used to offer or market Trust Certificates in the State of Kuwait.

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 any Trust Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a **Saudi Investor**) who acquires any Trust Certificates pursuant to an offering should note that the offer of Trust Certificates is a private placement under either Article 10 or Article 11 of the "Offer of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the **KSA Regulations**), through a person authorised by the Capital Market Authority (**CMA**) to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations.

The Trust 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 10 of the KSA Regulations or by way of a limited offer under Article 11 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 Trust Certificates to a Saudi Investor will be made in compliance with the KSA Regulations.

Investors are informed that Article 17 of the KSA Regulations places restrictions on secondary market activity with respect to the Trust Certificates, including as follows:

- (a) a Saudi Investor (referred to as a transferor) who has acquired Trust Certificates pursuant to a private placement may not offer or sell Trust Certificates to any person (referred to as a transferee) unless the offer or sale is made through an authorised person where one of the following requirements is met:
 - (i) the price to be paid for the Trust Certificates in any one transaction is equal to or exceeds Saudi Riyals one million or an equivalent amount;

- (ii) the Trust Certificates are offered or sold to a sophisticated investor; or
 - (iii) the Trust Certificates are being offered or sold in such other circumstances as the CMA may prescribe for these purposes;
- (b) if the requirement of paragraph (a)(i) above cannot be fulfilled because the price of the Trust Certificates being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Trust Certificates to the transferee if their purchase price during the period of the original private placement was equal to or exceeded Saudi Riyals 1 million or an equivalent amount;
 - (c) if the requirement in paragraph (b) above cannot be fulfilled, the transferor may offer or sell Trust Certificates if he/she sells his entire holding of Trust Certificates to one transferee; and
 - (d) the provisions of paragraphs (a), (b) and (c) above shall apply to all subsequent transferees of the Trust Certificates.

Kingdom of Bahrain

Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, and will not offer, Trust Certificates to (i) the Public (as defined in Articles 142-146 of the Commercial Companies Law (Decree Law No. 21/2001 of the laws of the Kingdom of Bahrain)); or (ii) any person in the Kingdom of Bahrain who is not an "accredited investor".

For this purpose, an **accredited investor** means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

State of Qatar (excluding the Qatar Financial Centre)

Each Dealer represents and agrees, 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, directly or indirectly, any Trust Certificates in the State of Qatar, including the Qatar Financial Centre, except: (a) in compliance with all applicable laws and regulations of the State of Qatar including the Qatar Financial Centre; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

Qatar Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that this Base Prospectus: (i) has not been, and will not be, registered with or approved by the Qatar Financial Centre Regulatory Authority and may not be publicly distributed in the Qatar Financial Centre; (ii) is intended for the original recipient only and must not be provided to any other person; and (iii) is not for general circulation in the Qatar Financial Centre and may not be reproduced or used for any other purpose.

Singapore

The Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore, and the Trust Certificates will be offered pursuant to exemptions under the Securities and

Futures Act, Chapter 289 of Singapore (the **Securities and Futures Act**). Accordingly, the Trust Certificates may not be offered or sold or made the subject of an invitation for subscription or purchase nor may the Base Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Trust Certificates be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person under Section 275(1) of the Securities and Futures Act or to any person pursuant to Section 275(1A) of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Trust Certificates, except for Trust Certificates which are "structured products" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**), other than (i) to "professional investors", as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, in each case whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Trust Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to any Trust Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

GENERAL

No action has been taken in any jurisdiction that would permit an offer to the public of any of the Trust Certificates. Neither the Trustee nor the Dealers represent that Trust Certificates may at any time lawfully be resold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any obligation or responsibility for facilitating such resale.

The Dealers have agreed that it will (to the best of its knowledge and belief) comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Trust Certificates or has in its possession or distributes this Base Prospectus or any other offering material relating to the Trust Certificates.

GLOSSARY OF ARABIC TERMS

Fiqh Academy means the institution established by the Organisation of the Islamic Conference to interpret and develop Islamic jurisprudence.

Ijara contracts means contracts where a lessor leases property to a lessee in respect of which regular payments are due from the lessee.

Istisna'a means a financing facility where the price is paid by the financiers to the contractor/supplier in accordance with the progress of the project being undertaken or goods being manufactured for selling the project/goods to the buyer. The payment by the buyer to the financier could be a lump sum or be paid over a period in various instalments (similar to a *murabaha*). The difference between this and a *murabaha* is that under a *murabaha* the goods already exist at the time of draw down whereas under an *istisna'a* the goods are manufactured and then sold to the buyer. Therefore an *istisna'a* is a sale contract where the buyer generally starts paying the instalments even before the goods/project are transferred.

Mudaraba means a partnership between two or more parties whereby a partner provides capital to the partnership and another partner provides managerial skills in respect of the management of the investment or venture which is the subject of the partnership.

Mudarib means a person who agrees to manage an investment or a venture in return for a percentage of the profit.

Musharaka means a partnership between two or more parties whereby each partner makes a capital contribution to the partnership (in cash or in kind) and shares the profit and loss in respect of that partnership in accordance with the terms agreed between the partners at the time of entering into the partnership arrangement.

Murabaha means a sale contract whereby the purchase price is determined on a cost plus a predetermined profit basis and such purchase price is payable either by instalments or through a single payment.

Ijara muntahia bittamleek means an *ijara* contract with an option for the lessee to purchase the leased asset at the end of the term of the lease.

Wakala means a contract of agency where one party (the principal or *muwakil*) appoints another party (the agent or *wakeel*) to perform a certain task on its behalf, usually for payment of a fee or commission.

Waqf means an endowment fund.

GENERAL INFORMATION

Authorisation

The establishment of the Programme has been duly authorised by a resolution of the board of directors of the Trustee passed on 27 October 2015. The Trustee has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme Documents and the issue of Trust Certificates pursuant thereto.

The granting of the Guarantee by the ICD together with the entering into each of the Programme Documents and any Transaction Documents to which it is a party has been duly authorised by a resolution of the Board of Directors the ICD passed on 7 June 2015.

Listing

It is expected that each Series of Trust Certificates which is to be admitted to the Official List and to trading on the London Stock Exchange will be admitted separately as and when issued, subject only to the issue of a Global Trust Certificate or Trust Certificates initially representing the Trust Certificates of such Series.

Application has been made to the FCA, in its capacity as the competent authority under the Financial Services & Markets Act 2000 for the Trust Certificates (other than Exempt 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 and to the London Stock Exchange for such Trust Certificates to be admitted to trading on the Market.

Application has been made to the DFSA and to NASDAQ Dubai for (A) Trust Certificates (where the relevant Series are also admitted to the Official List and admitted to trading on the Market) or (B) Exempt Certificates (where the relevant Series are not admitted to the Official List nor admitted to trading on the Market), issued under this Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the NASDAQ Dubai.

Clearing Systems

Trust Certificates issued under the Programme have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Trust Certificates of each Series will be specified in the Final Terms or Pricing Supplement, as the case may be. The relevant Final Terms or Pricing Supplement, as the case may be shall specify any other clearing system as shall have accepted the relevant Trust Certificates for clearance together with any further appropriate information.

No Significant Change

Since 30 June 2015 there has been no material adverse change in the prospects of the Trustee, nor any significant change in the financial or trading position of the Trustee. Since 30 Dhul Hijjah, 1435H (24 October 2014) there has been no material adverse change in the prospects of the ICD, nor any significant change in the financial or trading position of the ICD.

Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Trustee or the ICD is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Trustee or the ICD.

Auditors

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

The ICD's financial statements as of and for the years ended 30 Dhul Hijjah 1435H (24 October 2014) and 29 Dhul Hijjah 1434H (3 November 2013) included in this Base Prospectus have been audited by PricewaterhouseCoopers, independent auditors, as stated in their reports appearing herein.

Post-Issuance Information

Save as set out in the applicable Final Terms or Pricing Supplement, as the case may be, the Trustee does not intend to provide any post-issuance information in relation to any issues of Trust Certificates.

Documents

For so long as any Trust Certificates issued under the Programme remain outstanding, copies of the following documents will be available in physical form for inspection and obtainable free of charge, during normal business hours on any weekday (excluding public holidays) from the specified office of the Principal Paying Agent at HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom:

- (a) the constitutional documents of each of the Trustee and the ICD;
- (b) the most recent publicly available audited annual financial statements of the ICD, beginning with such financial statements for the years 1434H and 1435H, and the respective independent auditors' report thereon;
- (c) if produced, the most recent publicly available audited annual financial statements of the Trustee, and the respective auditors' report thereon;
- (d) the following Programme Documents, Transaction Documents and other documents:
 - (i) the Master Purchase Agreement;
 - (ii) any Supplemental Purchase Agreement in relation to Trust Certificates which are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system;
 - (iii) the Master Service Agency Agreement;
 - (iv) any Supplemental Service Agency Agreement in relation to the Trust Certificates which are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system;
 - (v) the Master Trust Deed;
 - (vi) any Supplemental Trust Deed in relation to Trust Certificates which are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system;
 - (vii) the Guarantee;
 - (viii) the Dealer Agreement;
 - (ix) the Sale Undertaking Deed;
 - (x) the Purchase Undertaking Deed, which contains the form of ICD Purchase Agreement;

- (xi) the Additional Portfolio Assets Sale Undertaking Deed which contains the form of the Additional Portfolio Assets Sale Agreement;
- (xii) the Agency Agreement;
- (xiii) the Corporate Services Agreement;
- (xiv) the opinion of the ICD Shariah Committee approving the transaction structure relating to the Trust Certificates (as described in this Base Prospectus);
- (xv) each Purchase Report (Settlement Dates will be specified in the Final Terms or Pricing Supplement, as the case may be, applicable to the relevant series of Trust Certificates) in respect of the Trust Certificates which are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system; and
- (xvi) each Servicing Report (Report Dates will be specified in the Final Terms or Pricing Supplement, as the case may be, applicable to the relevant Series of Trust Certificates) in respect of the Trust Certificates which are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.

This Base Prospectus will be available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

Copies of any Supplemental Purchase Agreement, any Supplemental Trust Deed, any Additional Portfolio Assets Sale Agreement, any Supplemental Service Agency Agreement, any Final Terms or Pricing Supplement, as the case may be, any Purchase Report and any Servicing Report in respect of Trust Certificates which are not admitted to listing, trading and/or quotation on any competent authority, stock exchange or quotation system will only be available for inspection and obtainable free of charge by the relevant Certificateholders.

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INDEPENDENT AUDITOR'S REPORT

The Members
Islamic Corporation for the Development of the Private Sector

We have audited the accompanying statement of financial position of Islamic Corporation for the Development of the Private Sector (the "Corporation") as of Dhul Hijjah 30, 1435H (October 24, 2014) and the related statements of income, cash flows and changes in members' equity for the year then ended. These financial statements and the Corporation's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards for Islamic Financial Institutions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of Dhul Hijjah 30, 1435H (October 24, 2014), and the results of its operations and its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Committee of the Corporation.

PricewaterhouseCoopers

By: _____
Ali A. Alotaibi
License Number 379

April 30, 2015
(Rajab 11, 1436H)



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ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

STATEMENT OF FINANCIAL POSITION

As of Dhul Hijjah 30, 1435H (October 24, 2014)

(All amounts in United States Dollars unless otherwise stated)

	Notes	Dhul Hijjah 30, 1435H	Dhul Hijjah 29, 1434H
<u>ASSETS:</u>			
Cash and cash equivalents	4	147,625,799	122,491,659
Commodity placements through financial institutions	5	188,009,961	84,613,501
Murabaha financing	6	65,262,314	56,563,550
Accrued income and other assets	7	150,141,747	134,985,621
Installment sales financing	8	152,858,054	117,506,933
Investments	9	741,696,887	635,476,848
Ijarah Muntahia Bittamleek	10	74,948,755	64,040,552
Property and equipment	11	1,527,205	1,769,032
TOTAL ASSETS		1,522,070,722	1,217,447,696
<u>LIABILITIES AND MEMBERS' EQUITY:</u>			
<u>Liabilities:</u>			
Wakala borrowings	12	509,665,780	208,207,268
Accruals and other liabilities	13	42,600,744	115,376,252
Amounts due to ICD Solidarity Fund	14	890,486	402,454
Total liabilities		553,157,010	323,985,974
<u>Members' equity:</u>			
Share capital	15	798,998,280	749,806,110
Reserve	16	169,915,432	143,655,612
Total members' equity		968,913,712	893,461,722
TOTAL LIABILITIES AND MEMBERS' EQUITY		1,522,070,722	1,217,447,696

The attached notes from 1 through 27 form an integral part of these financial statements

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

STATEMENT OF INCOME

For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)

(All amounts in United States Dollars unless otherwise stated)

	<u>Notes</u>	<u>1435H</u>	<u>1434H</u>
<u>Income:</u>			
Commodity placements through financial institutions		10,719,645	10,016,286
Murabaha financing		3,926,692	1,699,165
Installment sales financing		11,695,281	11,062,395
Istisna'a assets		-	19,443
Investments	9.6	48,411,687	26,211,408
Ijarah Muntahia Bittamleek		24,446,776	32,694,589
Administrative fees		4,550,885	4,280,364
Advisory fees		5,031,208	861,150
Mudarib fees	20	1,317,702	477,920
Total Shari'ah compliant income		110,099,876	87,322,720
Depreciation on assets under Ijarah Muntahia Bittmaleek	10	(18,040,229)	(26,214,925)
		92,059,647	61,107,795
Income from non-Shari'ah compliant placements	14	584,614	10,352
Transferred to ICD Solidarity Fund	14	(584,614)	(10,352)
Total operating income		92,059,647	61,107,795
<u>Expenses:</u>			
Staff cost		(23,180,204)	(18,841,574)
Other administrative expenses		(10,965,420)	(7,849,198)
Depreciation on property and equipment	11	(667,317)	(643,317)
Financing costs	12	(6,428,295)	(3,019,980)
Total expenses		(41,241,236)	(30,354,069)
Foreign exchange loss		(593,851)	(259,316)
Fair value gains on derivatives	7	1,171,182	-
Income before provision for impairment of financial assets		51,395,742	30,494,410
Provision for impairment of financial assets, net	19	(25,135,922)	(6,244,042)
Net income for the year		26,259,820	24,250,368

The attached notes from 1 through 27 form an integral part of these financial statements

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

STATEMENT OF CASH FLOWS

For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)

(All amounts in United States Dollars unless otherwise stated)

	<u>Notes</u>	<u>1435H</u>	<u>1434H</u>
Cash flows from operating activities			
Net income for the year		26,259,820	24,250,368
<u>Adjustments to reconcile net income to net cash utilized in operating activities:</u>			
Depreciation	17	18,707,546	26,858,242
Provision for impairment of financial assets, net	19	25,135,922	6,244,042
Unrealized fair value gain	9	(43,751,424)	(25,449,172)
Profit on disposal of vehicles		(19,449)	-
Fair value gains on derivatives		(1,171,182)	-
<u>Changes in operating assets and liabilities:</u>			
Commodity placements through financial institutions		(103,396,460)	2,077,412
Murabaha financing		(7,867,122)	(38,759,632)
Accrued income and other assets		(18,578,381)	(6,981,235)
Installment sales financing		(37,641,451)	(24,124,196)
Istisna'a assets		-	1,666,737
Investments		(71,509,670)	(230,493,964)
Ijarah Muntahia Bittamleek		(38,991,174)	(10,629,405)
Accruals and other liabilities		(72,775,508)	85,362,021
ICD Solidarity Fund		488,032	(261,655)
Net cash utilized in operating activities		<u>(325,110,501)</u>	<u>(190,240,437)</u>
Cash flows from investing activities			
Purchase of property and equipment	11	(439,015)	(131,682)
Proceed from disposal of motor vehicles		32,974	-
Net cash utilized in investing activities		<u>(406,041)</u>	<u>(131,682)</u>
Cash flows from financing activities			
Share capital contribution		49,192,170	98,976,896
Repayments against Wakala borrowings		(635,321,135)	(188,200,000)
Proceeds from Wakala borrowings		936,779,647	208,207,268
Cash generated from financing activities		<u>350,650,682</u>	<u>118,984,164</u>
Net change in cash and cash equivalents		25,134,140	(71,387,955)
Cash and cash equivalents at beginning of the year		<u>122,491,659</u>	<u>193,879,614</u>
Cash and cash equivalent at end of the year	4	<u><u>147,625,799</u></u>	<u><u>122,491,659</u></u>

The attached notes from 1 through 27 form an integral part of these financial statements

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

STATEMENT OF CHANGES IN MEMBERS' EQUITY

For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)

(All amounts in United States Dollars unless otherwise stated)

	Share capital	Reserve	Net income	Total
Balance as at 29 Dhul Hijjah, 1433H	650,829,214	119,405,244	-	770,234,458
Contributions during the year	98,976,896	-	-	98,976,896
Net income for the year	-	-	24,250,368	24,250,368
Transfer to reserve	-	24,250,368	(24,250,368)	-
Balance at Dhul Hijjah 29, 1434H	749,806,110	143,655,612	-	893,461,722
Contributions during the year	49,192,170	-	-	49,192,170
Net income for the year	-	-	26,259,820	26,259,820
Transfer to reserve	-	26,259,820	(26,259,820)	-
	-	-	-	-
Balance at Dhul Hijjah 30, 1435H	798,998,280	169,915,432	-	968,913,712

The attached notes from 1 through 27 form an integral part of these financial statements

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

NOTES TO THE FINANCIAL STATEMENTS

For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)

(All amounts in United States Dollars unless otherwise stated)

1. INCORPORATION AND ACTIVITIES

Islamic Corporation for the Development of the Private Sector (the "Corporation") is an international specialized institution established pursuant to the Articles of Agreement signed and ratified by its members. The Corporation commenced its operations following the inaugural meeting of the General Assembly held on Rabi Thani 6, 1421H, corresponding to July 8, 2000.

According to the Articles of Agreement establishing the Corporation, the objective of the Corporation is to promote, in accordance with principles of Shari'ah, the economic development of its member countries by encouraging the establishment, expansion, and modernization of private enterprises producing goods and services in such a way as to supplement the activities of Islamic Development Bank ("IDB").

The Corporation, as a multilateral financial institution, is not subject to any external regulatory authority. It operates in accordance with the Articles of Agreement establishing the Corporation and the internal rules and regulations of the Corporation.

The Corporation carries out its business activities through its headquarters in Jeddah, Saudi Arabia. The Corporation's financial year is the lunar Hijra year.

The financial statements were authorized for issue in accordance with the resolution of the Board of Directors dated Jumada II 12, 1436H (April 1, 2015).

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Committee of the Corporation. For matters, which are not covered by AAOIFI standards, the Corporation uses the relevant standard issued or adopted by the International Accounting Standards Board (IASB) and the relevant interpretation issued by the International Financial Reporting Interpretations Committee of IASB.

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

During the year ended Dhul hijjah 20, 1434H (Corresponding to November 3, 2013), the Corporation early adopted the Investment Entities amendments to IFRS 10 'Consolidated financial statements', IFRS 12 'Disclosure of interest in other entities' and IAS 27 'Separate financial statements' (the "Amendments") which are effective from the period beginning 1 January 2014. Accordingly, the Corporation has not prepared the consolidated financial statements and applied the transition guidance on amendments to IFRSs 10 and 12, all effective from the period beginning 1 January 2014, in so far it relates to the adoption of amendments related to investment entities.

IFRS 10 'Consolidated financial statements' and amendments to IFRS 10: the objective of IFRS 10 is to establish the principles for the presentation and preparation of consolidated financial statements. The amendments to IFRS 10 define an investment entity and introduce an exception from consolidation requirements for investment entities.

IFRS 12 'Disclosure of interest in other entities' and amendments to IFRS 12: The standard requires entities to disclose significant judgments and assumptions made in determining whether the entity controls, jointly controls and significantly influences or has some other interests in other entities. The amendments also introduce new disclosures requirements related to investment entities. Adoption of the standard has affected ICD's level of disclosure in certain of the above noted areas but has not affected the Corporation's financial position or results of operations.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

NOTES TO THE FINANCIAL STATEMENTS

For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)

(All amounts in United States Dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 27 (Revised), ‘Separate financial statements’ and amendment to IAS 27: The objective of the standard is to prescribe the accounting and disclosure requirements when an entity prepares financial statements. The Amendment requires an investment entity as defined in IFRS 10 to present the separate financial statements as its only financial statements where it measures all of its subsidiaries at fair value through statement of income and to disclose that fact.

Investment entity

An investment entity is an entity that: (a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services; (b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Corporation meets the definition and typical characteristics of an “investment entity” as described in the Amendments which are effective from 1 January 2014.

In accordance with the Amendments, an investment entity is required to account for its investments in subsidiaries and associates at fair value through statement of income

b) Accounting convention

The financial statements are prepared under the historical cost convention modified for the measurement at fair value of investments.

c) Foreign currency translations

i) Functional and presentation currency

These financial statements are presented in United States Dollars (“USD”) which is the functional and presentation currency of the Corporation.

ii) Transactions and balances

Transactions in currencies other than USD (“foreign currencies”) are recorded at the exchange rates prevailing at the dates of the respective transactions. Monetary assets and liabilities denominated in foreign currencies are translated to USD at the date of the statement of financial position. Foreign currency exchange gains and losses are credited or charged to the statement of income.

Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate ruling at the date of initial recognition.

d) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and commodity placements through financial institutions having a maturity of three months or less at the date of acquisition.

e) Commodity placements through financial institutions

Commodity placements are made through financial institutions and are utilized in the purchase and sale of commodities at a fixed profit. The buying and selling of commodities is limited by the terms of agreement between the Corporation and other Islamic and conventional financial institutions. Commodity placements are initially recorded at cost including acquisition charges associated with the placements and subsequently measured at cost less any provision for impairment.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

NOTES TO THE FINANCIAL STATEMENTS

For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)

(All amounts in United States Dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) **Murabaha**

Murabaha financing receivables are agreements whereby the Corporation sells to a customer a commodity or an asset, which the Corporation has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.

Amounts receivable from Murabaha receivables are stated at the cost of the commodity or assets plus accrued profits less repayments received and provision for impairment.

g) **Installment sales financing**

Installment sales financing receivables are agreements whereby the Corporation sells to a customer a commodity or an asset, which the Corporation has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.

Amounts receivable from Installment sales are stated at the selling price of the commodity or asset less unearned income to the date of the statement of financial position, less repayments received and provision for impairment.

h) **Investments**

Equity-type investments

(i) Subsidiaries

An entity is classified as a subsidiary of the Corporation if the Corporation can exercise control over the entity. Control is power to govern the financial and operating policies of an entity with the objective of earning benefits from its operation. Control is presumed to exist if the Corporation holds, directly or indirectly through its subsidiaries, 50 per cent or more of the voting rights in the entity, unless it can be clearly demonstrated otherwise. Conversely, control may also exist through agreement with the entity's other shareholders or the entity itself regardless of the level of shareholding that the Corporation has in the entity.

The adoption of the Amendments exempted ICD from the consolidation of the subsidiaries. The Corporation measures and evaluates the performance of substantially all its subsidiaries on a fair value basis because using fair values results in more relevant information. As per the Amendments, investments in subsidiaries are measured at fair value through statement of income. These investments are initially and subsequently measured at fair value. Any unrealized gains or losses arising from the measurement of subsidiaries at fair value are recognized directly in the statement of income.

(ii) Associates

An entity is classified as an associate of the Corporation if the Corporation can exercise significant influence on the entity. Significant influence is presumed to exist if the Corporation holds, directly or indirectly through its subsidiaries, 20 per cent or more of the voting rights in the entity, unless it can be clearly demonstrated otherwise. Conversely, significant influence may also exist through agreement with the entity's other shareholders or the entity itself regardless of the level of shareholding that the Corporation has in the entity.

The adoption of the Amendments requires investments in associates to be measured at fair value through statement of income. These investments are initially and subsequently measured at fair value. Any unrealized gains or losses arising from the measurement of associates at fair value are recognized directly in the statement of income.

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2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(iii) Other investments

The Corporation has investments in entities where the Corporation does not have significant influence or control. These investments are classified as investments at fair value through statement of income. Such investments are initially measured at fair value plus transaction costs and subsequently re-measured at fair value. Any unrealized gains and losses arising from the re-measurement in their fair value are recognized directly in the statement of income.

Equity investments whose fair value cannot be reliably measured are carried at cost, less provision for impairment, if any, in the value of these investments.

Debt-type investments

(iv) Investments in Sukuk

Investments in Sukuk are debt instruments and have determinable payments and fixed maturity dates and bear a coupon yield. Sukuk are acquired with the positive intent and ability to hold them to contractual maturity and are classified as investments carried at amortized cost. Investments in Sukuk are initially recognised at fair value plus transaction costs, if any, and subsequently measured at amortised cost less any impairment provision.

i) **Ijarah Muntahia Bittamleek**

These consist of assets purchased by the Corporation either individually or as part of syndication with other entities and leased to beneficiaries for their use in Ijarah Muntahia Bittamleek agreements whereby the ownership of the leased assets is transferred to the beneficiaries at the end of the lease term and the completion of all payments under the agreement. The assets are stated at their acquisition cost less accumulated depreciation up to the date of the statement of financial position. The assets are depreciated using the straight-line method over the related lease period. No depreciation is recorded in respect of assets not yet put to use.

j) **Istisna'a assets**

Istisna'a is an agreement between the Corporation and a customer whereby the Corporation sells to the customer an asset which is either manufactured or acquired by the purchaser on behalf of the Corporation according to agreed-upon specifications, for an agreed-upon price.

Istisna'a assets represent the disbursements made as of the date of the statement of financial position against the assets acquired for Istisna'a projects plus income recognized, less repayments received and provision for impairment.

After completion of the project, the Istisna'a asset is transferred to the Istisna'a receivable account.

k) **Impairment of financial assets**

(i) Investments

An assessment is made at each balance sheet date to determine whether there is objective evidence that an investment carried at cost may be impaired. If any evidence exists of impairment for the investment carried at cost, the cumulative loss, measured as the difference between the acquisition cost and the current recoverable amount or fair value, less any impairment loss on the investment in equity previously recognised in the statement of income is recognised in the statement of income. Impairment losses on equity investments previously recognised in the statement of income are not subsequently reversed through the statement of income.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Other financial assets

The Corporation determines the provision for impairment losses based on an assessment of incurred losses. An assessment is made at each financial position date to determine whether there is an objective evidence that a financial asset or a group of financial assets may be impaired. The impairment loss results from the difference between the carrying amount of the asset and the net present value of the expected future cash flows discounted at the implicit rate of return from the financial asset. The impairment provision is periodically adjusted based on a review of the prevailing circumstances. Impairment losses are adjusted through the use of an allowance account. When a financial asset is not considered recoverable, it is written off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to the statement of income.

l) **Property and equipment**

Property and equipment are recorded at cost and are depreciated using the straight-line method over their estimated useful lives as follows:

- Furniture and fixtures 15%
- Computers 33%
- Motor vehicles 25%
- Other equipment 20%

Maintenance and repair costs, if any, are expensed as incurred. When the carrying amount of an item of property and equipment is higher than its recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposals are determined by comparing sale proceeds with carrying amount. These are included in the statement of income.

m) **Post-employment benefits plan**

The Corporation subscribes to the group pension plan of IDB. Under the plan, the staff members contribute a fixed percentage of their remuneration monthly and the Corporation contributes the proportionate balance of the cost of funding the plan based on regular actuarial valuations. The contributions accumulated to date are managed and invested by IDB.

n) **Revenue recognition**

(i) Commodity placements through financial institutions

Income from commodity placements through financial institutions is recognized on a time apportionment basis over the period from the actual disbursement of funds to the date of maturity.

(ii) Non-Shari'ah compliant placements

Any income from cash and cash equivalents, commodity placements through financial institutions and other investments, which is considered by management as forbidden by Shari'ah, is not included in the Corporation's statement of income but is recorded as a liability to be utilized for charitable purposes.

(iii) Murabaha and Installment sales financing

Income from Murabaha and Installment financing receivables are accrued on a time apportionment basis over the period from the date of the actual disbursement of funds to the scheduled repayment date of installments.

(iv) Istisna'a

The Corporation uses the deferred profits method for recognizing Istisna'a income on Istisna'a assets whereby there is a proportionate allocation of deferred profits over the future financial period of the credit.

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2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(v) *Ijarah Muntahia Bittamleek*

Income from Ijarah Muntahia Bittamleek and operating Ijarah are allocated proportionately to the financial periods over the Ijarah contract.

(vi) *Dividends*

Dividends are recognized when the right to receive the dividends is established.

(vii) *Mudarib fee*

Mudarib fee is recognized on accrual basis when the services have been performed.

(viii) *Administrative fee and advisory fee*

Income from administrative and advisory services is recognized based on the rendering of services as per contractual arrangements.

(ix) *Investment in Sukuk*

Income from Sukuk investment is accrued on time apportionment basis in accordance with the terms of the sukuk investment with respect to the rate of return.

o) Zakat and tax

The Corporation, being a multilateral financial institution, is not subject to Zakat or taxation in the member countries. The Corporation's equity is part of Baitul Mal, which is not subject to Zakat.

p) Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Corporation intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

q) Derivative financial instruments

Derivatives financial instruments represent foreign currency forward contracts and are used by the Corporation to mitigate the risk of foreign currency exposure related to its investments in Sukuk. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting date. The resulting gains or losses on re-measurement are recognised in the statement of income. Derivatives with positive fair values or negative fair values are reported under the 'accrued income and other assets' or 'accruals and other liabilities', respectively, in the statement of financial position.

3. **CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES**

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including professional advices and expectation of future events that are believed to be reasonable under the circumstances. Significant areas where management has used estimates, assumptions or exercised judgments are as follows:

i) *Provision for impairment of financial assets*

The Corporation exercises judgment in the estimation of provision for impairment of financial assets. The methodology for the estimation of provision for impairment of financial assets is set out in Note 2 (k).

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3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

ii) Fair value determination

The Corporation determines the fair value of substantially all of its investments at each financial year end. The fair value of investment that are not quoted in an active market is determined by using valuation techniques, primarily discounted cash flow techniques (DCF) and comparable price/book (P/B) multiples. In case of certain investments the fair value is determined on a net asset value basis. Where relevant, the Corporation engages third party valuation experts. In the case of start-up companies and companies which are still in capital disbursement stage, management consider the cost of such investments (translated at the exchange rate ruling at the acquisition date) as an approximation of fair value at the statement of financial position date. The cost of investments in equity-type instruments made close to the reporting period date is considered by management to be equivalent to fair value.

The models used to determine fair values are validated and periodically reviewed by management. The inputs in the DCF and comparable P/B multiples models include observable data, such as discount rates, terminal growth rate, P/B multiples of comparable companies/banks to the relevant portfolio of company/bank, and unobservable data, such as the discount for marketability. The Corporation has also considered the geopolitical situation of the countries where the investee companies are situated and has taken appropriate discount on their values. In certain cases the Corporation has applied marketability and liquidity discounts from 10% to 35%.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of Dhul Hijjah comprised of the following:

	<u>1435H</u>	<u>1434H</u>
Cash at banks	30,717,834	97,074,146
Commodity placements through financial institutions (Note 5)	<u>116,000,000</u>	<u>25,000,000</u>
Cash and cash equivalent	<u>146,717,834</u>	<u>122,074,146</u>
Bank balance relating to ICD Solidarity Fund	907,965	417,513
	<u>147,625,799</u>	<u>122,491,659</u>

Certain bank accounts which are in the name of Islamic Development Bank are for the beneficial interest of the Corporation and such accounts are managed and operated by the Corporation.

5. COMMODITY PLACEMENTS THROUGH FINANCIAL INSTITUTIONS

Commodity placements through financial institutions at end of Dhul Hijjah comprised of the following:

	<u>1435H</u>	<u>1434H</u>
Commodity placements through financial institutions	304,009,961	109,613,501
Less: Commodity placements through financial institutions with an original maturity for a period of three months or less (Note 4)	<u>(116,000,000)</u>	<u>(25,000,000)</u>
	<u>188,009,961</u>	<u>84,613,501</u>

6. MURABAHA FINANCING

Murabaha financing at end of Dhul Hijjah comprised of the following:

	<u>1435H</u>	<u>1434H</u>
Murabaha financing	70,509,461	62,642,339
Less: Provision for impairment (Note 19)	<u>(5,247,147)</u>	<u>(6,078,789)</u>
	<u>65,262,314</u>	<u>56,563,550</u>

All goods purchased for resale under Murabaha financing are made on the basis of specific purchase for subsequent resale to the customer. The promise of the customer is considered to be binding. Consequently, any loss suffered by the Corporation as a result of default by the customer prior to the sale of goods is charged to the customer.

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7. ACCRUED INCOME AND OTHER ASSETS

Accrued income and other assets at end of Dhul Hijjah comprised of the following:

	<u>1435H</u>	<u>1434H</u>
Ijarah Muntahia Bittamleek installments receivable	94,150,640	84,592,376
Accrued income	17,961,540	8,686,990
Due from related parties (Note 18)	16,434,780	16,375,051
Proceeds receivable from sale of shares (Note 7 (a))	9,561,338	9,561,338
Proceeds receivable on maturity of government certificates/ Sukuk (Note 7 (b))	8,751,340	8,751,340
Housing advance and prepaid expenses	6,748,869	4,935,869
Arrangement fee receivable	2,144,660	2,144,660
Advances	1,648,625	1,263,157
Derivative financial instrument (Note 7 (c))	1,171,182	-
Other receivables	7,461,980	9,974,610
	166,034,954	146,285,391
Less: Provision for impairment (Note 19)	(15,893,207)	(11,299,770)
	150,141,747	134,985,621

- (a) The above amount of USD 9.56 million (included in 1434H: USD 9.56 million) represents proceeds receivable on sale of shares. The transaction was subject to arbitration proceedings with relevant regulatory authorities in a member country. The Arbitration Committee had awarded the case in favor of the Corporation and execution of the judgment is in progress.
- (b) The amount represents receivable on maturity of Sukuk. On July 23, 2008 (Rajab 20, 1429H), the Corporation entered into an agreement with the counterparty to invest in Sukuk with an option of conversion of it into shares of the latter at the time of its going for an IPO. These Sukuk matured during 1431H and as at the end of 1435H, the amount is receivable from the counterparty as the IPO formalities has not yet commenced.
- (c) The derivative financial instrument represents the foreign currency forward contract which is used to mitigate the risk of currency fluctuation for investments in Sukuk. The contractual amount of these derivatives is Euro 11.40 million (USD 15.80 million). The positive fair value of the derivative at the end of Dhul Hijjah 1435H is USD 1.17 million.

8. INSTALLMENT SALES FINANCING

Installment sales financing receivable at end of Dhul Hijjah comprised of the following:

	<u>1435H</u>	<u>1434H</u>
Gross amounts receivable	168,570,082	128,813,734
Less: Unearned income	(5,025,857)	(2,910,960)
	163,544,225	125,902,774
Less: Provision for impairment (Note 19)	(10,686,171)	(8,395,841)
	152,858,054	117,506,933

All goods purchased for resale under installment sales financing are made on the basis of specific purchase for subsequent resale to the customer. The promise of the customer is considered to be binding. Consequently, any loss suffered by the Corporation as a result of default by the customer prior to the sale of goods is charged to the customer.

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9. INVESTMENTS

Investments in equity capital and debt instruments as at the end of Dhul Hijjah comprised of the following:

	<u>1435H</u>	<u>1434H</u>
Equity investments	724,035,737	635,476,848
Sukuk investments	17,661,150	-
	<u>741,696,887</u>	<u>635,476,848</u>
Equity investments	<u>1435H</u>	<u>1434H</u>
Subsidiaries (Note 9.1)	307,560,612	287,288,944
Associates (Note 9.2)	330,658,206	259,584,775
Other	102,482,690	96,227,845
	<u>740,701,508</u>	<u>643,101,564</u>
Less: Provision for impairment (Note 9.4)	(16,665,771)	(7,624,716)
	<u>724,035,737</u>	<u>635,476,848</u>

The movement in investments for the year ended Dhul Hijjah is as follows:

	<u>1435H</u>	<u>1434H</u>
Balance at Muharram 1	635,476,848	382,196,526
Additions during the year	56,292,668	257,127,201
Disposals during the year	(2,444,148)	(26,633,237)
Provision for impairment (Note 9.4)	(9,041,055)	(2,662,814)
Unrealized fair value gains, net (Note 9.6)	43,751,424	25,449,172
Balance at end of Dhul Hijjah	<u>724,035,737</u>	<u>635,476,848</u>

9.1 Investments in subsidiaries

There are no regulatory or contractual arrangements that restrict the subsidiaries ability to transfer funds in the form of cash dividend or repay loans or advances made to them. The Corporation sometimes extends financial assistance in the form of advances to subsidiaries. However, it is not committed to provide financial or other support including commitments or intentions to assist the subsidiary in obtaining financial support.

Effective ownership percentage in subsidiaries and their countries of incorporation at the end of the years and nature of business are as follows:

	<u>Country of incorporation</u>	<u>Nature of Business</u>	<u>Effective ownership %</u>	
			<u>1435H</u>	<u>1434H</u>
Azerbaijan Leasing	Azerbaijan	Leasing	100	100
Ijarah Management Company	Saudi Arabia	Leasing	99	99
Taiba Leasing	Uzbekistan	Leasing	100	100
Alarabea Syrian Company	Syria	Manufacturing	100	100
Maldives Islamic Bank	Maldives	Banking	85	85
Tamweel Africa Holding	Senegal	Banking	60	60
Ewaan Al Fareeda Residential Co.	Saudi Arabia	Real estate	52	52
Capitas International	Saudi Arabia	Advisory service	51	51
Unit Investment Fund	Saudi Arabia	Mutual Fund	56	56
ICD Asset Management	Malaysia	Asset Management	100	100
ASR Leasing LLC	Tajikistan	Leasing	67	See Note 9.2

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9. INVESTMENTS (continued)

9.2 Investments in associates

Effective ownership percentage in associates and their countries of incorporation at the end of the years are as follows:

	<u>Country of incorporation</u>	<u>Effective ownership %</u>	
		<u>1435H</u>	<u>1434H</u>
Al Majmoua Al Mauritania	Mauritania	50	50
Felix Airways	Yemen	47	47
Anfaal Capital Company	Saudi Arabia	38	38
Sante Alexandra Company	Egypt	35	35
Burj Bank	Pakistan	34	34
Injazat Technology Fund	Bahrain	30	30
Jordan Pharmaceutical Manufacturing Company	Jordan	28	28
Royal Atlantic Residence	Gambia	25	25
Adritech Group International	Jordan	25	25
Saba Islamic Bank	Yemen	20	20
Arab Leasing Company	Sudan	20	20
Kazakhstan Ijara Company	Kazakhstan	36	36
Theemar Investment Fund	Tunisia	25	25
ASR Leasing LLC	Tajikistan	See Note 9.1	50
Albania Leasing	Albania	36	36
Saudi SME Fund	Saudi Arabi	25	25
Al Fareeda Residential Fund	Saudi Arabia	33	33
Al Sharkeya Sugar	Egypt	25	-
Bidaya Home Finance Company	Saudi Arabia	20	-
Palestine Ijarah Company	Palestine	33	-
PMB Tijari Berhad	Malaysia	20	-
Taha Alam Sdn Bhd	Malaysia	50	50
Kyrgyzstan Ijara Company	Kyrgyzstan	33	-

9.3 Fair value of investments

FAS 25 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Corporation's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical investments.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the investments, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – inputs for the investments that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Corporation considers relevant and observable market prices in its valuations where possible.

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9. INVESTMENTS (continued)

Investments measured at fair value

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
1435H				
Investments	<u>5,584,292</u>	-	<u>656,469,733</u>	<u>662,054,025</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
1434H				
Investments	<u>6,715,340</u>	-	<u>534,388,100</u>	<u>541,103,440</u>

Reconciliation of Level 3 items

	<u>1435H</u>	<u>1434H</u>
At Muharram 1	534,388,100	277,713,764
Unrealized fair value gains, net	44,882,472	27,608,239
Additions	43,658,051	252,961,509
Transfers from investment held at cost	35,205,116	-
Disposals	<u>(1,664,006)</u>	<u>(23,895,412)</u>
At end of Dhul Hijjah	<u>656,469,733</u>	<u>534,388,100</u>

Included in investments as at Dhul Hijjah 30, 1435H are investments amounting to USD 61.98 million (1434H: USD 94.37 million) where the fair value cannot be measured reliably because of non-availability of sufficiently reliable information for such determination. These investments are held net of provision for impairment of USD 16.67 million (1434H: USD 7.62 million).

9.4 Movement in provision for impairment on investments

	<u>1435H</u>	<u>1434H</u>
At Muharram 1	7,624,716	4,961,902
Impairment charges booked during the year	<u>9,041,055</u>	<u>2,662,814</u>
At end of Dhul Hijjah (Note 19)	<u>16,665,771</u>	<u>7,624,716</u>

9.5 Sukuk investments

Investments in Sukuk are in unrated Sukuk.

9.6 Investment income

	<u>1435H</u>	<u>1434H</u>
Unrealized fair value gains, net	43,751,424	25,449,172
Dividend	4,185,762	923,342
Income from Sukuk	474,501	-
Realized fair value loss	-	<u>(161,106)</u>
	<u>48,411,687</u>	<u>26,211,408</u>

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10. IJARAH MUNTAHIA BITTAMLEEK

Ijarah Muntahia Bittamleek at the end of Dhul Hijjah comprised of the following:

	<u>1435H</u>	<u>1434H</u>
<u>Cost:</u>		
<i>Assets not yet in use:</i>		
At Muharram 1	-	7,331,500
Additions	38,991,174	15,021,790
Transferred to assets in use	(38,991,174)	(22,353,290)
At the end of Dhul Hijjah	<u>-</u>	<u>-</u>
<i>Assets in use:</i>		
At Muharram 1	202,207,580	198,441,559
Transferred from assets acquired	38,991,174	22,353,290
Assets transferred to beneficiaries	(52,630,429)	(18,587,269)
At the end of Dhul Hijjah	188,568,325	202,207,580
Total costs	188,568,325	202,207,580
<u>Accumulated depreciation:</u>		
At Muharram 1	135,464,018	123,443,977
Charge for the year	18,040,229	26,214,925
Assets transferred to beneficiaries	(52,630,429)	(14,194,884)
At the end of Dhul Hijjah	100,873,818	135,464,018
Balance at the end of Dhul Hijjah	87,694,507	66,743,562
Less: Provision for impairment (Note 19)	(12,745,752)	(2,703,010)
Ijarah Muntahia Bittamleek, net	74,948,755	64,040,552

Certain of the assets referred to above represent the Corporation's share in joint Ijarah Muntahia Bittamleek agreements.

11. PROPERTY AND EQUIPMENT

Property and equipment at the end of Dhul Hijjah 1435H comprised of the following:

	<u>Furniture and fixtures</u>	<u>Computers</u>	<u>Motor vehicles</u>	<u>Other equipment</u>	<u>1435H Total</u>
<u>Cost:</u>					
At Muharram 1	590,430	3,169,651	342,176	205,262	4,307,519
Additions during the year	152,007	75,248	211,760	-	439,015
Disposal	-	-	(265,729)	-	(265,729)
At Dhul Hijjah 30	<u>742,437</u>	<u>3,244,899</u>	<u>288,207</u>	<u>205,262</u>	4,480,805
<u>Accumulated depreciation:</u>					
At Muharram 1	589,986	1,600,547	271,909	76,045	2,538,487
Charge for the year	1,337	578,427	61,217	26,336	667,317
Disposal	-	-	(252,204)	-	(252,204)
At Dhul Hijjah 30	<u>591,323</u>	<u>2,178,974</u>	<u>80,922</u>	<u>102,381</u>	2,953,600
<u>Net Book Value:</u>					
At Dhul Hijjah 30, 1435H	151,114	1,065,925	207,285	102,881	1,527,205

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11. PROPERTY AND EQUIPMENT (continued)

Property and equipment at the end of Dhul Hijjah 1434H comprised of the following:

	Furniture and fixtures	Computers	Motor vehicles	Other equipment	1434H Total
Cost:					
At Muharram 1	590,430	3,,169,651	342,176	73,580	4,175,837
Additions during the year	-	-	-	131,682	131,682
At Dhul Hijjah 29	590,430	3,169,651	342,176	205,262	4,307,519
Accumulated depreciation:					
At Muharram 1	586,419	1,003,592	231,578	73,580	1,895,169
Charge for the year	3,567	596,955	40,331	2,465	643,318
At Dhul Hijjah 29	589,986	1,600,547	271,909	76,045	2,538,487
Net Book Value:					
At Dhul Hijjah 29, 1434H	444	1,569,104	70,267	129,217	1,769,032

12. WAKALA BORROWINGS

The Wakala borrowings are received from other financial institutions on which the Corporation pays periodic Muwakkil profit ranging from 0.4% to 2.4% per annum. The borrowings have original maturities ranging from 1 month to 3 years.

13. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities at end of Dhul Hijjah comprised of the following:

	<u>1435H</u>	<u>1434H</u>
Due to related parties (Note 18)	34,750,720	102,608,656
Accrued profit payable on Wakala borrowing	2,537,115	1,779,749
Accrued expenses	445,267	195,248
Payable against Murabaha agreement	-	2,383,088
Payable to Bidaya Home Financing Company received by a shareholder	-	5,333,333
Other payables	4,867,642	3,076,178
	<u>42,600,744</u>	<u>115,376,252</u>

14. ICD SOLIDARITY FUND

This represents net accumulated income up to Dhul Hijjah 30, 1435H generated from liquid fund placements with certain conventional banks and financial institutions and donation which were not considered in compliance with the Shari'ah principles. As per the recommendation of the Shari'ah Committee of the Corporation, this income needs to be utilized for charitable purposes and, therefore, has been classified as a liability. The disposition of this liability is the responsibility of the Charity Committee formed within the Corporation. The sources and uses of ICD Solidarity Fund during the years ended are as follows:

	<u>1435H</u>	<u>1434H</u>
Sources		
Balance at Muharram 1	402,454	664,109
Amount transferred from income during the year	584,614	10,352
Income earned	980	710
	<u>988,048</u>	<u>675,171</u>
Uses		
Charitable disbursements	(97,562)	(272,717)
Balance at end of Dhul Hijjah	<u>890,486</u>	<u>402,454</u>

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NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in United States Dollars unless otherwise stated)

15. SHARE CAPITAL

The share capital of the Corporation at end of Dhul Hijjah comprised of the following:

	<u>1435H</u>	<u>1434H</u>
Authorized: 200,000 (1434H: 200,000) shares of US\$ 10,000 each	<u>2,000,000,000</u>	<u>2,000,000,000</u>
Subscribed capital:		
Available for subscription: 100,000 (1434H: 100,000) shares of US\$ 10,000 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Share capital not yet subscribed	<u>(161,040,000)</u>	<u>(161,040,000)</u>
Subscribed capital	<u>838,960,000</u>	<u>838,960,000</u>
Installments due not yet paid	<u>(39,961,720)</u>	<u>(89,153,890)</u>
Paid-up capital	<u>798,998,280</u>	<u>749,806,110</u>

The paid-up capital of the Corporation represents amounts received from the following members:

	<u>1435H</u>	<u>1434H</u>
Islamic Development Bank	<u>375,000,000</u>	<u>375,000,000</u>
Member countries	<u>350,429,256</u>	<u>304,437,086</u>
Iran Foreign Investment Company	<u>35,969,024</u>	<u>35,969,024</u>
Saudi Public Investment Fund	<u>30,000,000</u>	<u>27,000,000</u>
Bank Keshavarzi	<u>5,400,000</u>	<u>5,400,000</u>
Bank Mellī	<u>2,000,000</u>	<u>1,800,000</u>
Bank Nationale D'Algerie	<u>200,000</u>	<u>200,000</u>
	<u>798,998,280</u>	<u>749,806,110</u>

16. RESERVE

In accordance with Section 1 of Article No. 33 of the Articles of Agreement of the Corporation, the General Assembly shall determine what part of the Corporation's net income and surplus, after making provision for reserves, shall be distributed as dividends only after the reserves level reach 12.5% of the subscribed capital.

17. DEPRECIATION

Depreciation charge for the year ended Dhul Hijjah comprised of the following:

	<u>1435H</u>	<u>1434H</u>
Ijarah Muntahia Bittamleek (Note 10)	<u>18,040,229</u>	<u>26,214,925</u>
Property and equipment (Note 11)	<u>667,317</u>	<u>643,317</u>
	<u>18,707,546</u>	<u>26,858,242</u>

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

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(All amounts in United States Dollars unless otherwise stated)

18. RELATED PARTY TRANSACTIONS AND BALANCES

a) Transactions with related parties

Significant related party transactions for the year ended Dhul Hijjah are as follows:

	<u>Nature of Transactions</u>	<u>Amount of transactions</u>	
		<u>1435H</u>	<u>1434H</u>
IDB	Rent	747,963	1,021,200
Members of General Assembly, Board of Directors, Advisory Board, Shari'ah Committee & Executive Committee	Allowances and fee	1,017,556	471,909
Unit Investment Fund (UIF)	Mudarib fee	654,919	405,464
Money Market Fund (MMF)	Mudarib fee	662,782	72,456
Bidaya Home Financing Company	Set-up costs	542,015	754,312
Capitas International	Consultancy fee	1,108,267	-

All related party transactions are conducted at mutually agreed terms and approved by the Board of Directors.

b) Due from related parties:

	<u>1435H</u>	<u>1434H</u>
IDB	1,701,797	1,878,818
International Islamic Trade Finance Corporation (ITFC)	200,490	100,490
Islamic Corporation for Investments and Insurance of Export Credit (ICIEC)	105,960	54,888
MMF	238,619	72,456
Anfaal Capital Company	495,489	1,135,489
Al Fareeda Residential Fund	1,320,268	1,320,268
Tamweel Africa Holding	1,934,355	1,934,355
Bidaya Home Financing Company	10,437,802	9,878,287
	<u>16,434,780</u>	<u>16,375,051</u>

c) Due to related parties

	<u>1435H</u>	<u>1434H</u>
Waqf Fund	33,414,874	100,232,671
UIF	227,579	2,375,985
Capitas International	1,108,267	-
	<u>34,750,720</u>	<u>102,608,656</u>

The balances due to and from related parties are mark-up free with no fixed repayment terms.

d) Key management compensation

The compensation paid or payable to key management personnel is shown below:

	<u>1435H</u>	<u>1434H</u>
Salaries and other short-term benefits	732,000	607,604
Post-employment benefits	39,873	40,952
	<u>771,873</u>	<u>648,556</u>

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(All amounts in United States Dollars unless otherwise stated)

19. PROVISION FOR IMPAIRMENT OF ASSETS

The movements in the specific provision for impairment during the years ended at end of Dhul Hijjah are as follows:

	<u>1435H</u>	<u>1434H</u>
Balance at Muharram 1	36,102,126	29,858,084
Charge for the year	27,168,915	9,817,378
Reversal for the year	<u>(2,032,993)</u>	<u>(3,573,336)</u>
Balance at end of Dhul Hijjah	<u>61,238,048</u>	<u>36,102,126</u>

The breakup of provision for impairment of financial assets is as follows:

	<u>1435H</u>	<u>1434H</u>
Murabaha financing (Note 6)	5,247,147	6,078,789
Accrued income and other assets (Note 7)	15,893,207	11,299,770
Installment sales (Note 8)	10,686,171	8,395,841
Investments (Note 9)	16,665,771	7,624,716
Ijarah Muntahia Bittamleek (Note 10)	12,745,752	2,703,010
	<u>61,238,048</u>	<u>36,102,126</u>

20. ASSETS UNDER MANAGEMENT

a) **Unit investment fund**

The Unit Investment Fund (“UIF”) of IDB is a trust fund established under Article 23 of the Articles of Agreement of IDB. The purpose of UIF is to participate in the economic development of the member countries through the pooling of the saving of institutions and individual investors, and to invest these savings in producing projects in the said member countries.

UIF’s management is supervised by an Executive Committee, which is headed by the President of IDB. The Corporation manages UIF as a Mudarib and charges a Mudarib fee of 15% of UIF’s net income, which is included in the statement of income under Mudarib fees.

At the end of Dhul Hijjah 1435H the total assets of UIF under the management of the Corporation amounted to USD 282.43million (1434H: USD 275 million).

b) **Money Market Fund**

The ICD Money Market Fund (Labuan) LP (“MMF”) is a Labuan Islamic Limited Liability Partnership (LLP) registered under the Labuan Limited Partnerships and Limited Partnerships Act 2010 on July 22, 2014. The objective of the partnership is to earn periodic income by investing in Sharia compliant placement, investment and financing products. The Corporation acts as the Mudarib (Investment Manager), custodian and administrator of the fund and charges a Mudarib fee ranging from 0.001% to 30% of the return depending on the return percentage, which is included in the statement of income under Mudarib fees.

At the end of Dhul Hijjah 1435H the total assets of MMF under the management of the Corporation amounted to USD 85.45 million (1434H: USD 50.34 million).

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)

(All amounts in United States Dollars unless otherwise stated)

21. NET ASSETS IN FOREIGN CURRENCIES

The net assets denominated in foreign currencies as at Dhul Hijjah 30, 1435H were USD 109.1 million (1434H: USD 105.5 million).

The currency wise break-up of net assets in foreign currencies at the end of the years in USD equivalents are as follows:

	<u>1435H</u>	<u>1434H</u>
Saudi Riyals	66,442,509	45,632,906
Pakistani Rupees	18,323,483	30,554,243
Kazakhstani Tenge	8,334,485	10,000,000
Indonesian Rupee	5,907,154	8,751,340
Jordanian Dinar	8,297,468	6,138,401
Iranian Riyal	-	2,624,385
Euro	1,838,796	1,818,536
Sterling Pounds	1,542	1,542
	<u>109,145,437</u>	<u>105,521,353</u>

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(All amounts in United States Dollars unless otherwise stated)

22. CONCENTRATION OF ASSETS

(a) Concentration of assets by geographical areas at end of Dhul Hijjah is as follows:

	<u>Cash at banks</u>	<u>Commodity placements and Murabaha financing</u>	<u>Installment sales financing</u>	<u>Investments</u>	<u>Ijarah Muntahia Bittamleek</u>	<u>Accrued income and other assets and property and equipment</u>	<u>1435 Total</u>	<u>1434 Total</u>
Member Countries:								
Africa	-	79,182,867	1,863,322	240,195,170	27,657,975	16,166,158	365,065,492	235,756,910
Asia	31,625,799	290,089,408	150,994,732	501,501,717	47,290,780	135,502,794	1,157,005,230	981,690,786
Total assets	31,625,799	369,272,275	152,858,054	741,696,887	74,948,755	151,668,952	1,522,070,722	1,217,447,696

(b) Concentration of assets by economic sector at year end Dhul Hijjah is analyzed as under:

	<u>Cash at banks</u>	<u>Commodity placements and Murabaha Financing</u>	<u>Installment sales financing</u>	<u>Investments</u>	<u>Ijarah Muntahia Bittamleek</u>	<u>Accrued income and other assets and property and equipment</u>	<u>1435 Total</u>	<u>1434 Total</u>
Public utilities	-	-	-	-	-	850,000	850,000	2,801,459
Financial services	31,625,799	313,117,104	151,796,550	445,164,293	1,176,359	44,642,372	987,522,477	772,231,302
Industry and mining	-	43,183,119	1,061,504	176,516,054	55,264,569	88,337,901	364,363,147	363,734,041
Social services	-	12,972,052	-	120,016,540	18,507,827	9,731,846	161,228,265	69,140,643
Others	-	-	-	-	-	8,106,833	8,106,833	9,540,251
Total	31,625,799	369,272,275	152,858,054	741,696,887	74,948,755	151,668,952	1,522,070,722	1,217,447,696

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(All amounts in United States Dollars unless otherwise stated)

23. CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

The contractual maturities of the Corporation's assets and liabilities according to their respective periods to maturity or expected period to cash conversion at end of Dhul Hijjah are as follows:

	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Maturity period not determined</u>	<u>Total</u>
Assets						
Cash at banks	31,625,799	-	-	-	-	31,625,799
Commodity placements and Murabaha financing	194,968,782	119,019,695	55,283,798	-	-	369,272,275
Installment sales financing	16,075,495	41,362,572	95,419,987	-	-	152,858,054
Investments	315,000	1,250,000	16,096,150	-	724,035,737	741,696,887
Ijarah Muntahia Bittamleek	6,845,988	19,741,479	48,361,288	-	-	74,948,755
Accrued income and other assets and property and equipment	2,246,866	147,894,881	1,527,205	-	-	151,668,952
Total 1435H	<u>252,077,930</u>	<u>329,268,627</u>	<u>216,688,428</u>	<u>-</u>	<u>724,035,737</u>	<u>1,522,070,722</u>
Total 1434H	<u>215,815,140</u>	<u>225,577,993</u>	<u>140,577,715</u>	<u>-</u>	<u>635,476,848</u>	<u>1,217,447,696</u>
Liabilities						
Wakala borrowings	116,666,667	232,999,113	160,000,000	-	-	509,665,780
Accruals and other liabilities	42,600,744	-	-	-	-	42,600,744
ICD Solidarity Fund	890,486	-	-	-	-	890,486
Total 1435H	<u>160,157,897</u>	<u>232,999,113</u>	<u>160,000,000</u>	<u>-</u>	<u>-</u>	<u>553,157,010</u>
Total 1434H	<u>15,548,762</u>	<u>275,027,230</u>	<u>33,409,982</u>	<u>-</u>	<u>-</u>	<u>323,985,974</u>

24. SHARI'AH SUPERVISION

According to Article 29 (1) of the Articles of Agreement of the Corporation, the Corporation shall have a Shari'ah Committee. As a member of the IDB group, the Corporation utilizes the IDB Group Shari'ah Committee. The Committee rules on whether a certain category of investment is Shari'ah compliant and considers any questions referred to it by the Board of Directors, the Executive Committee or Management of the Corporation.

25. RISK MANAGEMENT

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Corporation is exposed to credit risk in both its financing operations and its treasury activities. Credit risk arises because beneficiaries and treasury counterparties could default on their contractual obligations or the Corporation's financial assets could decline in value.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

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For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)

(All amounts in United States Dollars unless otherwise stated)

25. RISK MANAGEMENT (continued)

For all classes of financial assets held by the Corporation, the maximum credit risk exposure is their carrying value as disclosed in the statement of financial position. The assets which subject the Corporation to credit risk principally consist of bank balances, commodity placements through financial institutions, Murabaha financing, Installment sales financing, Ijarah Muntahia Bittamleek financing and accrued income and other assets. This risk is mitigated as follows:

Liquid fund investments i.e. commodity placements through financial institutions are managed by the Corporation's Treasury department. The Corporation has made placements with financial institutions under the arrangement of Wakala Bil Istismar. Adequate due diligence is exercised prior to placement and as at the year end, management considers that there are no major credit risks posed to these investments.

The Corporation evaluates Murabaha financing, installment sales and Ijarah Muntahia Bittamleek financing (Term financing). Credit evaluation is performed internally and external expertise is used where required. The Executive Committee of the Board of Directors of the Corporation approves all the financing. Such financing is generally secured against adequate security for term financing projects. Under Ijarah Muntahia Bittamleek contracts, the Corporation is the owner of the related asset which is only transferred to the beneficiary upon payment of all the installments due at the end of the lease term. The net book value of Ijarah Muntahia Bittamleek assets after taking impairment provision as disclosed in the statement of financial position was considered fully recoverable by the management of the Corporation. The Corporation's credit risk concentration is disclosed in Note 22.

As of the reporting date, the ageing of the Corporation's financial assets which were overdue and considered for impairment was as follows:

	Murabaha financing	Installment sales financing	Ijarah Muntahia Bittamleek Receivables	Other receivables
<u>1435H</u>				
0-90 days	-	-	3,985,848	-
91-180 days	-	-	3,137,974	-
181 days and above	5,247,147	10,686,171	16,325,058	22,336,526
Total	<u>5,247,147</u>	<u>10,686,171</u>	<u>23,448,880</u>	<u>22,336,526</u>
<u>1434H</u>				
0-90 days	-	-	-	-
91-180 days	-	-	1,323,403	-
181 days and above	7,641,941	10,579,065	7,773,742	22,336,526
Total	<u>7,641,941</u>	<u>10,579,065</u>	<u>9,097,145</u>	<u>22,336,526</u>

The following is the aging of the Corporation's financial assets which were past due but were not considered impaired by the management since there was no change in the credit quality of these financial assets:

	Murabaha financing	Installment sales financing	Ijarah Muntahia Bittamleek Receivables	Other receivables
<u>1435H</u>				
0-90 days	13,063,062	220,606	8,939,585	-
91-180 days	588,620	58,108	5,636,953	-
181 days and above	1,464,784	-	24,381,796	2,187,943
Total	<u>15,116,466</u>	<u>278,714</u>	<u>38,958,334</u>	<u>2,187,943</u>

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For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)

(All amounts in United States Dollars unless otherwise stated)

25. RISK MANAGEMENT (continued)

<u>1434H</u>	<u>Murabaha financing</u>	<u>Installment sales financing</u>	<u>Ijarah Muntahia Bittamleek Receivables</u>	<u>Other receivables</u>
0-90 days	-	1,303,665	5,102,323	-
91-180 days	-	-	5,635,916	-
181 days and above	-	-	17,449,286	-
Total	-	<u>1,303,665</u>	<u>28,187,525</u>	-

The Corporation obtains adequate guarantees and employs other methods of credit enhancements that will protect the value of its investments. Guarantees and securities obtained by the Corporation include bank guarantees, corporate guarantees, pledge of assets, possession of title to the property being financed, etc. In general, the value of guarantees or other credit enhancements held by the Corporation against these assets as of the reporting date were considered adequate to cover the outstanding exposures. Where the Corporation's management and its provisioning committee assessed that value of the receivable may not be fully recovered, an appropriate provision is recorded. The policy of the Corporation in respect of securities and guarantees for term finance operations is that the sum of the securities package will be equal to or greater than 125% of the value of the assets financed.

b) Market Risk

The Corporation is exposed to market risk through its use of financial instruments and specifically to currency risks, mark up rate risk and certain other price risks.

i) Currency risk

Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial assets and liabilities denominated in foreign currencies, in case the entity does not hedge its currency exposure by means of hedging instruments.

The Corporation is exposed to currency risk as a portion of its liquid fund portfolio and some of the equity investments are in currencies other than US Dollars; the reporting currency of the Corporation. The Corporation has minimized its exposure to currency risk on liquid funds by ensuring that all liquid funds transactions are in US Dollars or currencies pegged to US Dollar. For monetary assets and liabilities foreign currency risk is managed through the alignment of the foreign currency denominated assets and liabilities.

The Corporation is exposed to market risks arising from adverse changes in foreign exchange for a Sukuk transaction that is denominated in foreign currency. The Corporation manages these risks through a variety of strategies, including foreign currency forward contract.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

NOTES TO THE FINANCIAL STATEMENTS

For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)

(All amounts in United States Dollars unless otherwise stated)

25. RISK MANAGEMENT (continued)

ii) Mark-up rate risk

Mark-up rate risk arises from the possibility that changes in mark-up rates will affect the value of the financial instruments. The Corporation is exposed to changes in mark-up rates mainly on its Murabaha, Installment Sales and Ijara Muntahia Bittamleek financing through changes in the benchmark of the market mark-up rate; LIBOR. Other financing arrangements are normally based on fixed rates. These mark-up rate risk exposures are not hedged.

iii) Price risk

The Corporation is exposed to equity price risk on its investments held at fair value. The Corporation has only one investment which is listed and, accordingly, the Corporation is not exposed to significant price risk.

c) Liquidity risk

Liquidity risk is the non-availability of sufficient funds to meet disbursements and other financial commitments as they fall due.

To guard against this risk, the Corporation follows a conservative approach by maintaining high liquidity levels invested in cash cash equivalents, commodity placements through financial institutions and Murabaha financing with short-term maturity of three to twelve months. Please see Note 23 for the maturity schedule of the assets.

26. FAIR VALUES

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Consequently differences can arise between carrying values and fair value estimates. Fair valuation with respect to investments is disclosed in Note 9.

27. COMMITMENTS

At Dhul Hijjah 30, 1435H, the un-disbursed commitments for investing in operations and other investments amounted to USD 298.1 million (1434H: USD 243.6 million).

28. SEGMENT INFORMATION

Management has determined the chief operating decision maker to be the Board of Directors as this body is responsible for overall decisions about resource allocation to development initiatives within its member countries. Development initiatives are undertaken through a number of Islamic finance products as disclosed on the face of the Statement of Financial Position which are financed centrally through the Corporation's equity capital and borrowings. Management has not identified separate operating segments within the definition of FAS 22 "Segment Reporting" since the Board of Directors monitor the performance and financial position of the Corporation as a whole. Further, the internal reports furnished to the Board of Directors do not present discrete financial information with respect to the Corporation's performance to the extent envisaged in FAS 22; geographical and economic sector distribution of the Corporation's assets is set out in Note 22.



INDEPENDENT AUDITOR'S REPORT

The Members
Islamic Corporation for the Development of the Private Sector

We have audited the accompanying statement of financial position of Islamic Corporation for the Development of the Private Sector (the "Corporation") as of Dhul Hijjah 29, 1434H (November 3, 2013) and the related statements of income, cash flows and changes in members' equity for the year then ended. These financial statements and the Corporation's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards for Islamic Financial Institutions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of Dhul Hijjah 29, 1434H (November 3, 2013), and the results of its operations and its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Committee of the Corporation.

PricewaterhouseCoopers

By: _____
Ali A. Alotaibi
License Number 379

May 26, 2014
(Rajab 27, 1435H)

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ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

STATEMENT OF FINANCIAL POSITION

As of Dhul Hijjah 29, 1434H (November 3, 2013)

(All amounts in United States Dollars unless otherwise stated)

	<u>Notes</u>	<u>Dhul Hijjah 29, 1434H</u>	<u>Dhul Hijjah 29, 1433H (Restated)</u>
<u>ASSETS:</u>			
Cash and cash equivalents	4	122,491,659	193,879,614
Commodity placements through financial institutions	5	84,613,501	86,690,913
Murabaha financing	6	56,563,550	17,876,006
Accrued income and other assets	7	134,985,621	131,294,873
Installment sales financing	8	117,506,933	95,673,067
Istisna'a assets		-	1,666,737
Investments	9	635,476,848	382,196,526
Ijarah Muntahia Bittamleek	10	64,040,552	77,554,395
Property and equipment	11	1,769,032	2,280,667
TOTAL ASSETS		<u>1,217,447,696</u>	<u>989,112,798</u>
<u>LIABILITIES AND MEMBERS' EQUITY:</u>			
<u>Liabilities:</u>			
Wakala borrowings	12	208,207,268	188,200,000
Accruals and other liabilities	13	115,376,252	30,014,231
Amounts due to ICD Solidarity Fund	14	402,454	664,109
Total liabilities		<u>323,985,974</u>	<u>218,878,340</u>
<u>Members' equity:</u>			
Share capital	15	749,806,110	650,829,214
Reserves	16	143,655,612	119,405,244
Total members' equity		<u>893,461,722</u>	<u>770,234,458</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY		<u>1,217,447,696</u>	<u>989,112,798</u>

The attached notes from 1 through 30 form an integral part of these financial statements

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

STATEMENT OF INCOME

For the year ended Dhul Hijjah 29, 1434H (November 3, 2013)

(All amounts in United States Dollars unless otherwise stated)

	Notes	1434H	1433H (Restated)
Income:			
Commodity placements through financial institutions		10,016,286	6,904,639
Murabaha financing		1,699,165	705,151
Installment sales financing		11,062,395	8,352,354
Istisna'a assets		19,443	136,111
Investments	9.5	26,211,408	20,160,505
Ijarah Muntahia Bittamleek		32,694,589	36,611,569
Administrative fees		4,280,364	4,619,877
Advisory fees		861,150	1,111,100
Mudarib fees	20	477,920	1,060,997
Total Shari'ah compliant income		<u>87,322,720</u>	<u>79,662,303</u>
Depreciation on assets under Ijarah Muntahia Bittmaleek	10	<u>(26,214,925)</u>	<u>(29,562,290)</u>
		61,107,795	50,100,013
Income from non-Shari'ah compliant placements	14	10,352	9,253
Transferred to ICD Solidarity Fund	14	<u>(10,352)</u>	<u>(9,253)</u>
Total operating income		<u>61,107,795</u>	<u>50,100,013</u>
Expenses:			
Staff cost		(18,841,574)	(16,783,531)
Other administrative expenses		(7,849,198)	(8,736,537)
Depreciation on property and equipment	11	(643,317)	(703,179)
Financing costs		<u>(3,019,980)</u>	<u>(2,882,126)</u>
Total expenses		<u>(30,354,069)</u>	<u>(29,105,373)</u>
Foreign exchange loss		<u>(259,316)</u>	<u>(6,139,190)</u>
Net income before provision for impairment of financial assets		30,494,410	14,855,450
Provision for impairment of financial assets, net	19	<u>(6,244,042)</u>	<u>(5,398,544)</u>
Net income for the year		<u>24,250,368</u>	<u>9,456,906</u>

The attached notes from 1 through 30 form an integral part of these financial statements

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

STATEMENT OF CASH FLOWS

For the year ended Dhul Hijjah 29, 1434H (November 3, 2013)

(All amounts in United States Dollars unless otherwise stated)

	<u>Notes</u>	<u>1434H</u>	<u>1433H</u> (Restated)
Cash flows from operating activities			
Net income for the year		24,250,368	9,456,906
<u>Adjustments to reconcile net income to net cash utilized in operating activities:</u>			
Depreciation	17	26,858,242	30,265,469
Provision for impairment of financial assets, net	19	6,244,042	5,398,544
Unrealized fair value (gain)/loss	9	(25,449,172)	2,794,389
<u>Changes in operating assets and liabilities:</u>			
Commodity placements through financial institutions		2,077,412	(6,834,238)
Murabaha financing		(38,759,632)	(10,223,100)
Accrued income and other assets		(6,981,235)	15,610,552
Installment sales financing		(24,124,196)	(21,295,038)
Istisna'a assets		1,666,737	3,333,263
Investments		(230,493,964)	(47,814,185)
Ijarah Muntahia Bittamleek		(10,629,405)	(37,129,917)
Accruals and other liabilities		85,362,021	(29,253,549)
ICD Solidarity Fund, net		(261,655)	(104,691)
Net cash utilized in operating activities		<u>(190,240,437)</u>	<u>(85,795,595)</u>
Cash flows from investing activity			
Purchase of property and equipment	11	<u>(131,682)</u>	<u>(10,296)</u>
Cash flows from financing activities			
Share capital contribution		98,976,896	85,009,320
Repayments against Wakala borrowings		(188,200,000)	(73,000,000)
Proceeds from Wakala borrowings		208,207,268	161,200,000
Cash generated from financing activities		<u>118,984,164</u>	<u>173,209,320</u>
Net change in cash and cash equivalents		(71,387,955)	87,403,429
Cash and cash equivalents at beginning of the year		193,879,614	106,476,185
Cash and cash equivalent at end of the year	4	<u><u>122,491,659</u></u>	<u><u>193,879,614</u></u>

The attached notes from 1 through 30 form an integral part of these financial statements

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

STATEMENT OF CHANGES IN MEMBERS' EQUITY

For the year ended Dhul Hijjah 29, 1434H (November 3, 2013)

(All amounts in United States Dollars unless otherwise stated)

	Paid-up capital	Reserve	Fair value reserve	Net income	Total
Balance at Muharram 1, 1433H (as previously reported)	565,819,894	74,639,880	44,254,299	-	684,714,073
Restatement (Note 24)	-	35,308,458	(28,281,908)	-	7,026,550
Balance at Muharram 1, 1433H (as restated)	565,819,894	109,948,338	15,972,391	-	691,740,623
Contributions during the year	85,009,320	-	-	-	85,009,320
Net income for the year	-	-	-	9,456,906	9,456,906
Transfer to reserve	-	9,456,906	-	(9,456,906)	-
Fair value reserve realized in statement of income on disposal of an investment	-	-	(15,972,391)	-	(15,972,391)
Balance at Dhul Hijjah 29, 1433H	650,829,214	119,405,244	-	-	770,234,458
Balance at Dhul Hijjah 29, 1433H (as previously reported)	650,829,214	86,891,175	25,951,023	-	763,671,412
Restatement (Note 24)	-	32,514,069	(25,951,023)	-	6,563,046
Balance at Dhul Hijjah 29, 1433H (as restated)	650,829,214	119,405,244	-	-	770,234,458
Contributions during the year	98,976,896	-	-	-	98,976,896
Net income for the year	-	-	-	24,250,368	24,250,368
Transfer to reserve	-	24,250,368	-	(24,250,368)	-
Balance at Dhul Hijjah 29, 1434H	<u>749,806,110</u>	<u>143,655,612</u>	-	-	<u>893,461,722</u>

The attached notes from I through 30 form an integral part of these financial statements

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

NOTES TO THE FINANCIAL STATEMENTS

For the year ended Dhul Hijjah 29, 1434H (November 3, 2013)
(All amounts in United States Dollars unless otherwise stated)

1. INCORPORATION AND ACTIVITIES

Islamic Corporation for the Development of the Private Sector (the "Corporation") is an international specialized institution established pursuant to the Articles of Agreement signed and ratified by its members. The Corporation commenced its operations following the inaugural meeting of the General Assembly held on Rabi Thani 6, 1421H, corresponding to July 8, 2000.

According to the Articles of Agreement establishing the Corporation, the objective of the Corporation is to promote, in accordance with principles of Shari'ah, the economic development of its member countries by encouraging the establishment, expansion, and modernization of private enterprises producing goods and services in such a way as to supplement the activities of Islamic Development Bank ("IDB").

The Corporation, as a multilateral financial institution, is not subject to any external regulatory authority. It operates in accordance with the Articles of Agreement establishing the Corporation and the internal rules and regulations of the Corporation.

The Corporation carries out its business activities through its headquarters in Jeddah, Saudi Arabia. The Corporation's financial year is the lunar Hijra year.

The financial statements were authorized in accordance with the resolution of the Board of Directors dated 29 Jumada'l, 1435H (April 29, 2014).

2. SIGNIFICANT ACCOUNTING POLICIES

a) **Basis of preparation**

These financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Committee of the Corporation. For matters, which are not covered by AAOIFI standards, the Corporation uses the relevant standard issued or adopted by the International Accounting Standards Board (IASB) and the relevant interpretation issued by the International Financial Reporting Interpretations Committee of IASB.

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The Corporation has early adopted the Investment Entities amendments to IFRS 10 'Consolidated financial statements', IFRS 12 'Disclosure of interest in other entities' and IAS 27 'Separate financial statements' (the "Amendments") which are effective from the period beginning 1 January 2014. Accordingly, the Corporation has not prepared the consolidated financial statements and applied the transition guidance on amendments to IFRSs 10 and 12, all effective from the period beginning 1 January 2013, in so far it relates to the adoption of amendments related to investment entities.

IFRS 10 'Consolidated financial statements' and amendments to IFRS 10: the objective of IFRS 10 is to establish the principles for the presentation and preparation of consolidated financial statements. The amendments to IFRS 10 define an investment entity and introduce an exception from consolidation requirements for investment entities.

IFRS 12 'Disclosure of interest in other entities' and amendments to IFRS 12: The standard requires entities to disclose significant judgments and assumptions made in determining whether the entity controls, jointly controls and significantly influences or has some other interests in other entities. The amendments also introduce new disclosures requirements related to investment entities. Adoption of the standard has affected ICD's level of disclosure in certain of the above noted areas but has not affected the Corporation's financial position or results of operations.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

NOTES TO THE FINANCIAL STATEMENTS

For the year ended Dhul Hijjah 29, 1434H (November 3, 2013)

(All amounts in United States Dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment entity

An investment entity is an entity that: (a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services; (b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Corporation meets the definition and typical characteristics of an “investment entity” as described in the Amendments which are effective from 1 January 2014.

In accordance with the Amendments, an investment entity is required to account for its investments in subsidiaries and associates at fair value through statement of income. The Group has early adopted the Amendments and has recognized substantially all its investments, including subsidiaries and associates as financial assets at fair value through statement of income and has recognized the fair value movement in the statement of income. Further details are provided in Note 24.

These financial statements are the only financial statements presented by the Corporation.

b) Accounting convention

The financial statements are prepared under the historical cost convention modified for the measurement at fair value of investments.

c) Foreign currency translations

i) Functional and presentation currency

These financial statements are presented in United States Dollars (“USD”) which is the functional and presentation currency of the Corporation.

ii) Transactions and balances

Transactions in currencies other than USD (“foreign currencies”) are recorded at the exchange rates prevailing at the dates of the respective transactions. Monetary assets and liabilities denominated in foreign currencies are translated to USD at the date of the statement of financial position. Foreign currency exchange gains and losses are credited or charged to the statement of income.

Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate ruling at the date of initial recognition.

d) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and commodity placements through financial institutions having a maturity of three months or less at the date of acquisition.

e) Commodity placements through financial institutions

Commodity placements are made through financial institutions and are utilized in the purchase and sale of commodities at fixed profit. The buying and selling of commodities is limited by the terms of agreement between the Corporation and other Islamic and conventional financial institutions. Commodity placements are initially recorded at cost including acquisition charges associated with the placements and subsequently measured at cost less any provision for impairment.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

NOTES TO THE FINANCIAL STATEMENTS

For the year ended Dhul Hijjah 29, 1434H (November 3, 2013)

(All amounts in United States Dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) **Murabaha and Installment sales financing receivables**

Murabaha financing and Installment sales financing receivables are agreements whereby the Corporation sells to a customer a commodity or an asset, which the Corporation has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.

Amounts receivable from Murabaha and Installment sales financing receivables are stated at the selling price of the commodity or asset less unearned income to the date of the statement of financial position, less repayments received and provision for impairment.

g) **Investments**

These are equity-type investments and are classified as follows:

(i) Subsidiaries

An entity is classified as a subsidiary of the Corporation if the Corporation can exercise control over the entity. Control is power to govern the financial and operating policies of an entity with the objective of earning benefits from its operation. Control is presumed to exist if the Corporation holds, directly or indirectly through its subsidiaries, 50 per cent or more of the voting rights in the entity, unless it can be clearly demonstrated otherwise. Conversely, control may also exist through agreement with the entity's other shareholders or the entity itself regardless of the level of shareholding that the Corporation has in the entity.

The early adoption of the Amendments exempted ICD from the consolidation of the subsidiaries. The Corporation measures and evaluates the performance of substantially all its subsidiaries on a fair value basis because using fair values results in more relevant information. As per the Amendments, investments in subsidiaries are measured at fair value through statement of income. These investments are initially measured at cost and subsequently measured at fair value. Any unrealized gains or losses arising from the measurement of subsidiaries at fair value are recognized directly in the statement of income.

(ii) Associates

An entity is classified as an associate of the Corporation if the Corporation can exercise significant influence on the entity. Significant influence is presumed to exist if the Corporation holds, directly or indirectly through its subsidiaries, 20 per cent or more of the voting rights in the entity, unless it can be clearly demonstrated otherwise. Conversely, significant influence may also exist through agreement with the entity's other shareholders or the entity itself regardless of the level of shareholding that the Corporation has in the entity.

The early adoption of the Amendments requires investments in associates to be measured at fair value through statement of income. These investments are initially measured at cost and subsequently measured at fair value. Any unrealized gains or losses arising from the measurement of associates at fair value are recognized directly in the statement of income.

(iii) Other investments

The Corporation has investments in companies, which are classified as investments at fair value through equity. These are equity-type instruments and do not exhibit the feature of debt type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities. These investments are intended to be held for long-term periods, and may be sold in response to needs for liquidity or changes in equity prices. Such investments are initially measured at cost plus transaction costs and subsequently re-measured at fair value. Any unrealized gains and losses arising from the re-measurement in their fair value are recognized directly in the fair value reserve under members' equity, until the investment is derecognized or impaired at which time the cumulative gains or losses previously recognized in members' equity are recognised in the statement of income.

Equity investments whose fair value cannot be reliably measured on a continuing basis are carried at cost, less provision for impairment, if any, in the value of these investments.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

NOTES TO THE FINANCIAL STATEMENTS

For the year ended Dhul Hijjah 29, 1434H (November 3, 2013)

(All amounts in United States Dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) **Ijarah Muntahia Bittamleek**

These consist of assets purchased by the Corporation either individually or as part of syndication with other entities and leased to beneficiaries for their use in Ijarah Muntahia Bittamleek agreements whereby the ownership of the leased assets is transferred to the beneficiaries at the end of the lease term and the completion of all payments under the agreement. The assets are stated at their acquisition cost less accumulated depreciation up to the date of the statement of financial position. The assets are depreciated using the straight-line method over the related lease period. No depreciation is recorded in respect of assets not yet put to use.

i) **Istisna'a assets**

Istisna'a is an agreement between the Corporation and a customer whereby the Corporation sells to the customer an asset which is either manufactured or acquired by the purchaser on behalf of the Corporation according to agreed-upon specifications, for an agreed-upon price.

Istisna'a assets represent the disbursements made as of the date of the statement of financial position against the assets acquired for Istisna'a projects plus income recognized, less repayments received and provision for impairment.

After completion of the project, the Istisna'a asset is transferred to the Istisna'a receivable account.

j) **Impairment of financial assets**

(i) Investments

An assessment is made at each balance sheet date to determine whether there is objective evidence that an investment at fair value through equity may be impaired. A significant or prolonged decline in fair value of the investment below the cost is considered in determining whether the assets are impaired. If any evidence exists of impairment for the investment carried at fair value through equity, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the investment in equity previously recognised in the statement of income is removed from equity and recognised in the statement of income. Impairment losses on equity investments previously recognised in the statement of income are not subsequently reversed through the statement of income.

(ii) Other financial assets

The Corporation determines the provision for impairment losses based on an assessment of incurred losses. An assessment is made at each financial position date to determine whether there is an objective evidence that a financial asset or a group of financial assets may be impaired. The impairment loss results from the difference between the carrying amount of the asset and the net present value of the expected future cash flows discounted at the implicit rate of return from the financial asset. The impairment provision is periodically adjusted based on a review of the prevailing circumstances. Impairment losses are adjusted through the use of an allowance account. When a financial asset is not considered recoverable, it is written off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to the statement of income.

k) **Property and equipment**

Property and equipment are recorded at cost and are depreciated using the straight-line method over their estimated useful lives as follows:

- Furniture and fixtures 15%
- Computers 33%
- Motor vehicles 25%
- Other equipment 20%

Maintenance and repair costs, if any, are expensed as incurred. When the carrying amount of an item of property and equipment is higher than its recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of income.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

NOTES TO THE FINANCIAL STATEMENTS

For the year ended Dhul Hijjah 29, 1434H (November 3, 2013)

(All amounts in United States Dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) **Post-employment benefits plan**

The Corporation subscribes to the group defined-benefits pension plan of IDB. Under the plan, the staff members contribute a fixed percentage of their remuneration monthly and the Corporation contributes the proportionate balance of the cost of funding the plan based on regular actuarial valuations. The contributions accumulated to date are managed and invested by IDB.

m) **Revenue recognition**

(i) Commodity placements through financial institutions

Income from commodity placements through financial institutions is recognized on a time apportionment basis over the period from the actual disbursement of funds to the date of maturity.

(ii) Non-Shari'ah compliant placements

Any income from cash and cash equivalents, commodity placements through financial institutions and other investments, which is considered by management as forbidden by Shari'ah, is not included in the Corporation's statement of income but is recorded as a liability to be utilized for charitable purposes.

(iii) Murabaha and Installment sales financing

Income from Murabaha and Installment financing receivables are accrued on a time apportionment basis over the period from the date of the actual disbursement of funds to the scheduled repayment date of installments.

(iv) Istisna'a

The Corporation uses the deferred profits method for recognizing Istisna'a income on Istisna'a assets whereby there is a proportionate allocation of deferred profits over the future financial period of the credit.

(v) Ijarah Muntahia Bittamleek

Income from Ijarah Muntahia Bittamleek and operating Ijarah are allocated proportionately to the financial periods over the Ijarah contract.

(vi) Dividends

Dividends are recognized when the right to receive the dividends is established.

(vii) Mudarib fee

Mudarib fee is recognized on accrual basis when the services have been performed.

(viii) Administrative fee and advisory fee

Income from administrative and advisory services is recognized based on the provision of services as per contractual arrangements.

n) **Zakat and tax**

The Corporation, being a multilateral financial institution, is not subject to Zakat or taxation in the member countries. The Corporation's equity is part of Baitul Mal, which is not subject to Zakat.

o) **Offsetting**

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Corporation intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

NOTES TO THE FINANCIAL STATEMENTS

For the year ended Dhul Hijjah 29, 1434H (November 3, 2013)

(All amounts in United States Dollars unless otherwise stated)

3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including professional advices and expectation of future events that are believed to be reasonable under the circumstances. Significant areas where management has used estimates, assumptions or exercised judgments are as follows:

i) Provision for impairment of financial assets

The Corporation exercises judgment in the estimation of provision for impairment of financial assets. For equity investments (investments at fair value through equity), the determination of whether a reduction in fair value compared to cost is significant or prolonged requires the exercise of judgment. Management uses a number of sources to determine if an investment in equity-type instrument is impaired. The methodology for the estimation of provision for impairment of financial assets is set out in note 2 (j).

ii) Fair value determination

The Corporation determines the fair value of substantially all of its investments at each financial year end. The fair value of investment that are not quoted in an active market is determined by using valuation techniques, primarily discounted cash flow techniques (DCF) and comparable price/book (P/B) multiples. In case of certain investments the fair value is determined on a net asset value basis. Where relevant, the Corporation engages third party valuation experts. In the case of start-up companies and companies which are still in capital disbursement stage, management consider the cost of such investments (translated at the exchange rate ruling at the acquisition date) as an approximation of fair value at the statement of financial position date. The cost of investments in equity-type instruments made close to the reporting period date is considered by management to be equivalent to fair value.

The models used to determine fair values are validated and periodically reviewed by management. The inputs in the DCF and comparable P/B multiples models include observable data, such as discount rates, terminal growth rate, P/B multiples of comparable companies/banks to the relevant portfolio company/bank, and unobservable data, such as the discount for marketability. In certain cases the Corporation has applied marketability and liquidity discounts from 20% to 50%.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of Dhul Hijjah comprised of the following:

	<u>1434H</u>	<u>1433H</u>
Cash at banks	97,074,146	49,302,517
Bank balance relating to ICD Solidarity Fund	417,513	683,100
	<u>97,491,659</u>	<u>49,985,617</u>
Commodity placements through financial institutions (Note 5)	25,000,000	143,893,997
	<u>122,491,659</u>	<u>193,879,614</u>

Certain bank accounts which are in the name of Islamic Development Bank are for the beneficial interest of the Corporation and such accounts are managed and operated by the Corporation.

5. COMMODITY PLACEMENTS THROUGH FINANCIAL INTITUTIONS

Commodity placements through financial institution at end of Dhul Hijjah comprised of the following:

	<u>1434H</u>	<u>1433H</u>
Commodity placements through financial institutions	109,613,501	230,584,910
Less: Commodity placements through financial institutions for a period of three months or less (Note 4)	<u>(25,000,000)</u>	<u>(143,893,997)</u>
	<u>84,613,501</u>	<u>86,690,913</u>

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

NOTES TO THE FINANCIAL STATEMENTS

For the year ended Dhul Hijjah 29, 1434H (November 3, 2013)

(All amounts in United States Dollars unless otherwise stated)

6. MURABAHA FINANCING

Murabaha financing at end of Dhul Hijjah comprised of the following:

	<u>1434H</u>	<u>1433H</u>
Murabaha financing	66,355,404	25,972,389
Less: Unearned income	<u>(3,713,065)</u>	<u>(2,089,682)</u>
	62,642,339	23,882,707
Less: Provision for impairment	<u>(6,078,789)</u>	<u>(6,006,701)</u>
	<u>56,563,550</u>	<u>17,876,006</u>

All goods purchased for resale under Murabaha financing are made on the basis of specific purchase for subsequent resale to the customer. The promise of the customer is considered to be binding. Consequently, any loss suffered by the Corporation as a result of default by the customer prior to the sale of goods is charged to the customer.

7. ACCRUED INCOME AND OTHER ASSETS

Accrued income and other assets at end of Dhul Hijjah comprised of the following:

	<u>1434H</u>	<u>1433H</u>
Ijarah Muntahia Bittamleek installments receivable	84,592,376	73,313,613
Proceeds receivable from sale of shares (Note 7 (a))	9,561,338	18,732,690
Proceeds receivable on maturity of government certificates/ Sukuk (Note 7 (b))	8,751,340	8,850,093
Due from related parties (Note 18)	16,375,051	13,802,632
Accrued income	8,686,990	8,371,362
Advances	1,263,157	834,937
Housing advance and prepaid expenses	4,935,869	4,439,140
Arrangement fee receivable	2,144,660	2,144,660
Other receivables	9,974,610	8,815,029
	146,285,391	139,304,156
Less: Provision for impairment (Note 19)	<u>(11,299,770)</u>	<u>(8,009,283)</u>
	<u>134,985,621</u>	<u>131,294,873</u>

- (a) The above amount of USD 9.56 million (included in 1433H: USD 18.73 million) represents proceeds receivable on sale of shares. The transaction was subject to arbitration proceedings with relevant regulatory authorities in a member country. The Arbitration Committee had awarded the case in favor of the Corporation and execution of the judgment is in progress.
- (b) The amount represents receivable on maturity of Sukuk. On July 23, 2008 (Rajab 20, 1429H) the Corporation entered into an agreement with the counterparty to invest in Sukuk with an option of conversion of it into shares of the latter at the time of its going for an IPO. These Sukuk matured during 1431H and as at the end of 1434H, the amount is receivable from the counterparty as the IPO formalities has not yet commenced.

8. INSTALLMENT SALES FINANCING

Installment sales financing receivable at end of Dhul Hijjah comprised of the following:

	<u>1434H</u>	<u>1433H</u>
Gross amounts receivable	132,805,832	103,355,091
Less: Unearned income	<u>(6,903,058)</u>	<u>(1,576,513)</u>
	125,902,774	101,778,578
Less: Provision for impairment	<u>(8,395,841)</u>	<u>(6,105,511)</u>
	<u>117,506,933</u>	<u>95,673,067</u>

All goods purchased for resale under installment sales financing are made on the basis of specific purchase for subsequent resale to the customer. The promise of the customer is considered to be binding. Consequently, any loss suffered by the Corporation as a result of default by the customer prior to the sale of goods is charged to the customer.

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9. INVESTMENTS

Investments in equity capital at the end of Dhul Hijjah comprised of the following:

	<u>1434H</u>	<u>1433H</u> (Restated)
Subsidiaries (Note 9.1)	287,288,944	153,576,087
Associates (Note 9.2)	259,584,775	144,438,333
Other investments	96,227,845	89,144,008
	<u>643,101,564</u>	<u>387,158,428</u>
Less: Provision for impairment (Note 9.4)	<u>(7,624,716)</u>	<u>(4,961,902)</u>
	<u>635,476,848</u>	<u>382,196,526</u>

The movement in investments for the year ended Dhul Hijjah is as follows:

	<u>1434H</u>	<u>1433H</u> (Restated)
Balance at Muharram 1	382,196,526	353,624,078
Additions during the year	257,127,201	100,033,051
Disposals during the year	(26,633,237)	(68,191,257)
Provision for impairment (Note 9.4)	(2,662,814)	(474,957)
Unrealized fair value gain/(loss) (Note 9.5)	25,449,172	(2,794,389)
Balance at end of Dhul Hijjah	<u>635,476,848</u>	<u>382,196,526</u>

9.1 Investments in subsidiaries

Effective ownership percentage in subsidiaries and their countries of incorporation at the end of the years are as follows:

	<u>Country of incorporation</u>	<u>Nature of Business</u>	<u>Effective ownership %</u>	
			<u>1434H</u>	<u>1433H</u>
Azerbaijan Leasing	Azerbaijan	Leasing	100	100
Ijarah Management Company	Saudi Arabia	Leasing	99	99
Taiba Leasing	Uzbekistan	Leasing	100	100
Alarabea Syrian Company	Syria	Manufacturing	100	100
Maldives Islamic Bank	Maldives	Banking	85	85
Tamweel Africa Holding	Senegal	Banking	60	60
Ewaan Al Fareeda Residential Co.	Saudi Arabia	Real estate	52	52
Capitas International	Saudi Arabia	Advisory service	51	51
Al Fareeda Residential Fund	Saudi Arabia	Real Estate Fund	see Note 9.2	52
Unit Investment Fund	Saudi Arabia	Mutual Fund	56	-
Money Market Fund	Saudi Arabia	Money market Fund	100	-
Taha Alam Sdn Bhd	Malaysia	Hajj and umrah services	100	100

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9. INVESTMENTS (continued)

9.2 Investments in associates

Effective ownership percentage in associates and their countries of incorporation at the end of the years are as follows:

	<u>Country of incorporation</u>	<u>Effective ownership %</u>	
		<u>1434H</u>	<u>1433H</u>
Al Majmoua Al Mauritania	Mauritania	50	50
Felix Airways	Yemen	47	47
Anfaal Capital Company	Saudi Arabia	38	37
Sante Alexandra Company	Egypt	38	34
Burj Bank	Pakistan	34	33
Injazat Technology Fund	Bahrain	30	30
Jordan Pharmaceutical Manufacturing Company	Jordan	28	28
Royal Atlantic Residence	Gambia	25	25
Adritech Group International	Jordan	25	25
Saba Islamic Bank	Yemen	20	20
Arab Leasing Company	Sudan	20	20
Kazakhstan Ijara Company	Kazakhstan	36	-
Theemar Investment Fund	Tunisia	25	-
ASR Leasing LLC	Tajikistan	50	-
Albania Leasing	Albania	36	-
Saudi SME Fund	Saudi Arabi	25	-
Al Fareeda Residential Fund	Saudi Arabia	33	see Note 9.1

9.3 Fair value of investments

FAS 25 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Corporation's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical investments.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the investments, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – inputs for the investments that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Corporation considers relevant and observable market prices in its valuations where possible.

Investments measured at fair value

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>1434H</u>				
Investments	6,715,340	-	534,388,100	541,103,440
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>1433H (Restated)</u>				
Investments	11,612,231	-	277,713,763	289,325,994

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9. INVESTMENTS (continued)

Reconciliation of Level 3 items

	<u>1434H</u>	<u>1433H</u> (Restated)
At Muharram 1	277,713,764	255,166,948
Unrealized gain/(loss) recognised	27,608,239	(463,504)
Additions	252,961,509	91,201,577
Disposals	<u>(23,895,412)</u>	<u>(68,191,257)</u>
At end of Dhul Hijjah	<u>534,388,100</u>	<u>277,713,764</u>

Included in investments as at Dhul Hijjah 29, 1434H are investments amounting to USD 94.37 million (1433H: USD 92.87 million) where the fair value cannot be measured reliably because of non-availability of sufficiently reliable information for such determination. These investments are held net of a provision for impairment of USD 7.62 million (1433H: USD 4.96 million).

9.4 Movement in provision for impairment on investments

	<u>1434H</u>	<u>1433H</u> (Restated)
At Muharram 1	4,961,902	4,486,945
Impairment charges booked during the year	<u>2,662,814</u>	<u>474,957</u>
At end of Dhul Hijjah (Note 19)	<u>7,624,716</u>	<u>4,961,902</u>

9.5 Investment Income

	<u>1434H</u>	<u>1433H</u> (Restated)
Unrealized fair value gain/(loss)	25,449,172	(2,794,389)
Dividend	923,342	2,257,175
Realized fair value (loss)/gain	<u>(161,106)</u>	<u>20,697,719</u>
	<u>26,211,408</u>	<u>20,160,505</u>

10. IJARAH MUNTAHIA BITTAMLEEK

Ijarah Muntahia Bittamleek at the end of Dhul Hijjah comprised of the following:

	<u>1434H</u>	<u>1433H</u>
<u>Cost:</u>		
<i>Assets not yet in use:</i>		
At beginning of the year	7,331,500	-
Additions	15,021,790	39,411,430
Transferred to assets in use	<u>(22,353,290)</u>	<u>(32,079,930)</u>
At end of the year	<u>-</u>	<u>7,331,500</u>
<i>Assets in use:</i>		
At beginning of the year	198,441,559	168,643,142
Transferred from assets acquired	22,353,290	32,079,930
Assets transferred to beneficiaries	<u>(18,587,269)</u>	<u>(2,281,513)</u>
At end of the year	<u>202,207,580</u>	<u>198,441,559</u>
Total costs	<u>202,207,580</u>	<u>205,773,059</u>

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10. **IJARAH MUNTAHIA BITTAMLEEK (continued)**

	<u>1434H</u>	<u>1433H</u>
<u>Accumulated depreciation:</u>		
At beginning of the year	123,443,977	93,881,687
Charge for the year	26,214,925	29,562,290
Assets transferred to beneficiaries	(14,194,884)	-
At end of the year	<u>135,464,018</u>	<u>123,443,977</u>
Balance at the end of the year	<u>66,743,562</u>	<u>82,329,082</u>
Less: Provision for impairment (Note 19)	<u>(2,703,010)</u>	<u>(4,774,687)</u>
Ijarah Muntahia Bittamleek, net	<u>64,040,552</u>	<u>77,554,395</u>

Certain of the assets referred to above represent the Corporation's share in joint Ijarah Muntahia Bittamleek agreements.

11. **PROPERTY AND EQUIPMENT**

Property and equipment at the end of Dhul Hijjah 1434H comprised of the following:

	<u>Furniture and fixtures</u>	<u>Computers</u>	<u>Motor vehicles</u>	<u>Other equipment</u>	<u>1434H Total</u>
<u>Cost:</u>					
At 1 Muharram	601,950	3,247,986	276,026	49,874	4,175,836
Additions during the year	-	-	-	131,682	131,682
At Dhul Hijjah 29	<u>601,950</u>	<u>3,247,986</u>	<u>276,026</u>	<u>181,556</u>	<u>4,307,518</u>
<u>Accumulated depreciation:</u>					
At 1 Muharram	586,419	1,003,592	255,284	49,874	1,895,169
Charge for the year	3,566	596,955	20,742	22,054	643,317
At Dhul Hijjah 29	<u>589,985</u>	<u>1,600,547</u>	<u>276,026</u>	<u>71,928</u>	<u>2,538,486</u>
<u>Net Book Value:</u>					
At Dhul Hijjah 29, 1434H	<u>11,965</u>	<u>1,647,439</u>	<u>-</u>	<u>109,628</u>	<u>1,769,032</u>

Property and equipment at the end of Dhul Hijjah 1433H comprised of the following:

	<u>Furniture and fixtures</u>	<u>Computers</u>	<u>Motor vehicles</u>	<u>Other equipment</u>	<u>1433H Total</u>
<u>Cost:</u>					
At 1 Muharram	601,950	3,247,986	265,730	49,874	4,165,540
Additions during the year	-	-	10,296	-	10,296
At Dhul Hijjah 29	<u>601,950</u>	<u>3,247,986</u>	<u>276,026</u>	<u>49,874</u>	<u>4,175,836</u>
<u>Accumulated depreciation:</u>					
At 1 Muharram	561,731	386,618	195,000	48,641	1,191,990
Charge for the year	24,688	616,974	60,284	1,233	703,179
At Dhul Hijjah 29	<u>586,419</u>	<u>1,003,592</u>	<u>255,284</u>	<u>49,874</u>	<u>1,895,169</u>
<u>Net Book Value:</u>					
At Dhul Hijjah 29, 1433H	<u>15,531</u>	<u>2,244,394</u>	<u>20,742</u>	<u>-</u>	<u>2,280,667</u>

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12. WAKALA BORROWINGS

The Wakala borrowings are received from other financial institutions on which the Corporation pays periodic Muwakkil profit ranging from 1.1% to 3.8% per annum. The borrowings have original maturities ranging from 2 months to 1 year.

13. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities at end of Dhul Hijjah comprised of the following:

	<u>1434H</u>	<u>1433H</u>
Due to related parties (Note 18)	102,608,656	20,238,727
Payable against Murabaha agreement (Note 13.1)	2,383,088	5,572,623
Accrued expenses	195,248	102,015
Other payables	10,189,260	4,100,866
	<u>115,376,252</u>	<u>30,014,231</u>

- 13.1 The Corporation entered into a murabaha agreement with one of its members for purchase of an asset on deferred repayments basis and simultaneously gave the same asset to a third party under Ijarah arrangement. The amount of USD 2.38 million (1433H: USD 5.57 million) represents the purchase price of the assets less repayments.

14. ICD SOLIDARITY FUND

This represents net accumulated income up to Dhul Hijjah 29, 1434H generated from liquid fund placements with certain conventional banks and financial institutions and donation which were not considered in compliance with the Shari'ah principles. As per the recommendation of the Shari'ah Committee of the Corporation, this income needs to be utilized for charitable purposes and, therefore, has been classified as a liability. The disposition of this liability is the responsibility of the Charity Committee formed within the Corporation. The sources and uses of ICD Solidarity Fund during the years ended Dhul Hijjah 29, are as follows:

	<u>1434H</u>	<u>1433H</u>
Sources		
Balance at beginning of the year	664,109	768,800
Amount transferred from income during the year	10,352	9,253
Income earned	710	1,056
	<u>675,171</u>	<u>779,109</u>
Uses		
Charitable disbursements	(272,717)	(115,000)
Balance at end of the year	<u>402,454</u>	<u>664,109</u>

15. SHARE CAPITAL

The share capital of the Corporation at end of Dhul Hijjah comprised of the following:

	<u>1434H</u>	<u>1433H</u>
Authorized: 200,000 (1433H: 200,000) shares of US\$ 10,000 each	<u>2,000,000,000</u>	<u>2,000,000,000</u>
Subscribed capital:		
Available for subscription: 100,000 (1433H: 100,000) shares of US\$ 10,000 each	1,000,000,000	1,000,000,000
Share capital not yet subscribed	<u>(161,040,000)</u>	<u>(176,300,000)</u>
Subscribed capital	838,960,000	823,700,000
Installments due not yet paid	<u>(89,153,890)</u>	<u>(172,870,786)</u>
Paid-up capital	<u>749,806,110</u>	<u>650,829,214</u>

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15. SHARE CAPITAL (continued)

The paid-up capital of the Corporation represents amounts received from the following members:

	<u>1434H</u>	<u>1433H</u>
Islamic Development Bank	375,000,000	350,000,000
Member countries	304,437,086	238,260,190
Iran Foreign Investment Company	35,969,024	31,969,024
Saudi Public Investment Fund	27,000,000	24,000,000
Bank Keshavarzi	5,400,000	4,800,000
Bank Melli	1,800,000	1,600,000
Bank Nationale D'Algerie	200,000	200,000
	<u>749,806,110</u>	<u>650,829,214</u>

16. RESERVE

In accordance with Section 1 of Article No. 33 of the Articles of Agreement of the Corporation, the annual net income of the Corporation is required to be transferred to this reserve until such reserve equals 12.5% of the Corporation's subscribed capital. Any excess of net income over the above limit will be available for distribution to the members.

17. DEPRECIATION

Depreciation charge for the year ended Dhul Hijjah comprised of the following:

	<u>1434H</u>	<u>1433H</u>
Ijarah Muntahia Bittamleek (Note 10)	26,214,925	29,562,290
Property and equipment (Note 11)	643,317	703,179
	<u>26,858,242</u>	<u>30,265,469</u>

18. RELATED PARTY TRANSACTIONS AND BALANCES

a) Transactions with related parties

Related party transactions for the year ended Dhul Hijjah are as follows:

	Nature of Transactions	Amount of transactions	
		<u>1434H</u>	<u>1433H</u>
IDB	Management, treasury, legal & HR services	20,103,168	18,974,913
Members of General Assembly, Board of Directors, Advisory Board, Shari'ah Committee & Executive Committee	Allowances	471,909	529,944
Unit Investment Fund (UIF)	Mudarib fee	405,464	1,060,997
Money Market Fund	Mudarib fee	72,456	-
Bidaya Home Financing Company	Set-up costs	754,312	1,558,272
Capitas Group International	Shareholders loan	-	1,000,000

All related party transactions are conducted at mutually agreed terms and approved by the Board of Directors.

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18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Due from related parties:

	<u>1434H</u>	<u>1433H</u>
IDB	1,878,818	-
International Islamic Trade Finance Corporation (ITFC)	100,490	-
Islamic Corporation for Investments and Insurance of Export Credit (ICIEC)	54,888	-
UIF	-	1,704,501
Money Market Fund	72,456	-
Anfaal Capital Company	1,135,489	1,974,156
Al Fareeda Residential Fund	1,320,268	-
Tamweel Africa Holding	1,934,355	-
Bidaya Home Financing Company	9,878,287	9,123,975
Capitas Group International	-	1,000,000
	<u>16,375,051</u>	<u>13,802,632</u>

c) Due to related parties

	<u>1434H</u>	<u>1433H</u>
Waqf Fund	100,232,671	-
UIF	2,375,985	-
IDB	-	20,238,727
	<u>102,608,656</u>	<u>20,238,727</u>

The balances due to and from related parties are mark-up free with no fixed repayment terms.

d) Key management compensation

The compensation paid or payable to key management personnel is shown below:

	<u>1434H</u>	<u>1433H</u>
Salaries and other short-term benefits	607,604	720,453
Post-employment benefits	40,952	38,296
	<u>648,556</u>	<u>758,749</u>

19. PROVISION FOR IMPAIRMENT OF ASSETS

The movements in the specific provision for impairment during the years ended at end of Dhul Hijjah are as follows:

	<u>1434H</u>	<u>1433H</u>
Balance at beginning of the year	29,858,084	24,459,540
Charge for the year	9,817,378	6,912,728
Reversal for the year	(3,573,336)	(1,514,184)
Balance at end of the year	<u>36,102,126</u>	<u>29,858,084</u>

The breakup of provision for impairment of financial assets is as follows:

	<u>1434H</u>	<u>1433H</u>
Murabaha financing (Note 6)	6,078,789	6,006,701
Accrued income and other assets (Note 7)	11,299,770	8,009,283
Installment sales (Note 8)	8,395,841	6,105,511
Investments (Note 9)	7,624,716	4,961,902
Ijarah Muntahia Bittamleek (Note 10)	2,703,010	4,774,687
	<u>36,102,126</u>	<u>29,858,084</u>

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20. ASSETS UNDER MANAGEMENT

a) Unit investment fund

The Unit Investment Fund (the "Fund") of Islamic Development Bank (the "Bank") is a trust fund established under Article 23 of the Articles of Agreement of the Bank. The purpose of the Fund is to participate in the economic development of the member countries through the pooling of the saving of institutions and individual investors, and to invest these savings in producing projects in the said member countries.

The Fund's management is supervised by an Executive Committee, which is headed by the President of IDB. The Corporation manages the Fund as a Sub-Mudarib and charges a Mudarib fee of 15% of the Fund's net income, which is included in the statement of income under Mudarib fees from trust funds.

At the end of Dhul Hijjah 1434H the total assets of the fund under the management of the Corporation amounted to USD 275 million (1433H: USD 280.7 million).

b) Money Market Fund

The ICD Money Market Fund (Labuan) LP is a Labuan Islamic Limited Liability Partnership (LLP) registered under the Labuan Limited Partnerships and Limited Partnerships Act 2010 on July 22, 2013. The objective of the partnership is to earn periodic income by investing in Sharia compliant placement, investment and financing products. The Islamic Corporation for the Development of the Private Sector acts as the Mudarib (Investment Manager), custodian and administrator of the fund.

At the end of Dhul Hijjah 1434H the total assets of the fund under the management of the Corporation amounted to USD 50.34 million (1433H: USD Nil).

21. NET ASSETS IN FOREIGN CURRENCIES

The net assets denominated in foreign currencies as at Dhul Hijjah 29, 1434H were USD 105.5 million (1433H: USD 119.3 million).

The currency wise break-up of net assets in foreign currencies at the end of the years in USD equivalents are as follows:

	<u>1434H</u>	<u>1433H</u>
Saudi Riyals	45,632,906	62,145,590
Pakistani Rupees	30,554,243	28,236,349
Kazakhstani Tenge	10,000,000	-
Indonesian Rupee	8,751,340	8,850,093
Jordanian Dinar	6,138,401	8,297,468
Iranian Riyal	2,624,385	11,795,737
Euro	1,818,536	-
Sterling Pounds	1,542	-
	<u>105,521,353</u>	<u>119,325,237</u>

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22. CONCENTRATION OF ASSETS

(a) Concentration of assets by geographical areas at end of Dhul Hijjah is as follows:

Member Countries:	Commodity placements and Murabaha financing		Installment sales & Istisna'a financing		Investments		Ijarah Muntahia Bittamleek		Accrued income and other assets and property and equipment	
	Cash at banks								1434 Total	1433 Total
Africa	-	34,021,919	3,194,746	169,876,677	15,263,068	13,400,500	235,756,910	162,521,261		
Asia	97,491,659	132,155,132	114,312,187	465,600,171	48,777,484	123,354,153	981,690,786	826,591,537		
Total assets	97,491,659	166,177,051	117,506,933	635,476,848	64,040,552	136,754,653	1,217,447,696	989,112,798		

(b) Concentration of assets by economic sector at year end Dhul Hijjah is analyzed as under:

	Commodity placements and Murabaha Financing		Installment sales & Istisna'a financing		Investments		Ijarah Muntahia Bittamleek		Accrued income and other assets and property and equipment	
	Cash at banks								1434 Total	1433 Total
Public utilities	-	-	-	-	-	2,801,459	2,801,459	2,406,111		
Financial services	97,491,659	119,372,996	109,351,222	404,240,580	1,952,508	39,822,337	772,231,302	568,752,061		
Industry and mining	-	27,411,166	4,911,612	208,993,535	45,817,534	76,600,194	363,734,041	173,814,841		
Social services	-	19,392,889	3,244,099	22,242,733	16,270,510	7,990,412	69,140,643	230,686,478		
Others	-	-	-	-	-	9,540,251	9,540,251	13,453,307		
Total	97,491,659	166,177,051	117,506,933	635,476,848	64,040,552	136,754,653	1,217,447,696	989,112,798		

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23. CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

The contractual maturities of the Corporation's assets and liabilities according to their respective periods to maturity or expected period to cash conversion at end of Dhul Hijjah are as follows:

	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Maturity period not determined	Total
Assets						
Cash at banks	97,491,659	-	-	-	-	97,491,659
Commodity placements and Murabaha financing	79,026,997	51,899,011	35,251,043	-	-	166,177,051
Installment sales financing and Istisna'a financing	13,541,155	29,249,455	74,716,323	-	-	117,506,933
Investments	-	-	-	-	635,476,848	635,476,848
Ijarah Muntahia Bittamleek	4,631,361	30,567,874	28,841,317	-	-	64,040,552
Accrued income and other assets and property and equipment	21,123,968	113,861,653	1,769,032	-	-	136,754,653
Total 1434H	<u>215,815,140</u>	<u>225,577,993</u>	<u>140,577,715</u>	<u>-</u>	<u>635,476,848</u>	<u>1,217,447,696</u>
Total 1433H	<u>280,507,892</u>	<u>159,094,893</u>	<u>161,647,968</u>	<u>5,665,519</u>	<u>382,196,526</u>	<u>989,112,798</u>
Liabilities						
Wakala borrowings	-	208,207,268	-	-	-	208,207,268
Accruals and other liabilities	15,146,308	66,819,962	33,409,982	-	-	115,376,252
ICD Solidarity Fund	402,454	-	-	-	-	402,454
Total 1434H	<u>15,548,762</u>	<u>275,027,230</u>	<u>33,409,982</u>	<u>-</u>	<u>-</u>	<u>323,985,974</u>
Total 1433H	<u>120,954,325</u>	<u>97,924,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>218,878,340</u>

24. CHANGE IN ACCOUNTING POLICY AND TRANSITION

In accordance with the requirements of the Amendments as explained in Note 2(a), the Corporation changed its accounting policy with respect to its investments in subsidiaries and associates. The subsidiaries and associates which were earlier presented at cost or fair value in its separate financial statements in accordance with the requirements of Financial Accounting Standard 23 'Consolidation' issued by AAOIFI are now accounted for at fair value through statement of income. The transition provisions in IFRS 10 require retrospective application in accordance with IAS 8 but taking into account the transition reliefs for determination of fair value, disposal of investments and comparatives for more than one period preceding the date of initial application. Comparative amounts have been restated in accordance with the transition guidelines.

	Amounts as previously reported	Restatement amounts	Restated amounts
<u>At beginning of 1433H</u>			
Investments	346,597,528	7,026,550	353,624,078
Reserve	74,639,880	35,308,458	109,948,338
Fair value reserve	(44,254,299)	(28,281,908)	15,972,391

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24. CHANGE IN ACCOUNTING POLICY AND TRANSITION (continued)

As of and for the year ended 29 Dhul Hijjah 1433H

Investments	375,633,480	6,563,046	382,196,526
Reserve	86,891,175	32,514,069	119,405,244
Fair value reserve	25,951,023	(25,951,023)	-
Investment income	22,954,894	(2,794,389)	20,160,505
Net income	12,251,295	(2,794,389)	9,456,906

25. SHARI'AH SUPERVISION

According to Article 29 (1) of the Articles of Agreement of the Corporation, the Corporation shall have a Shari'ah Committee. As a member of the IDB group, the Corporation utilizes the IDB Group Shari'ah Committee. The Committee rules on whether a certain category of investment is Shari'ah compliant and considers any questions referred to it by the Board of Directors, the Executive Committee or Management of the Corporation.

26. RISK MANAGEMENT

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Corporation is exposed to credit risk in both its financing operations and its treasury activities. Credit risk arises because beneficiaries and treasury counterparties could default on their contractual obligations or the Corporation's investment could decline in value.

For all classes of financial assets held by the Corporation, the maximum credit risk exposure is their carrying value as disclosed in the statement of financial position. The assets which subject the Corporation to credit risk principally consist of bank balances, commodity placements through financial institutions, Murabaha financing, Installment sales financing, Ijarah Muntahia Bittamleek financing and accrued income and other assets. This risk is mitigated as follows:

Liquid fund investments i.e. commodity placements through financial institutions are managed by the Corporation's Treasury department. The Corporation has made placements with financial institutions under the arrangement of Wakala Bil Istismar. Adequate due diligence is exercised prior to placement and as at the year end, management considers that there are no major credit risks posed to these investments.

The Corporation's Direct Investment Department and Financial Institutions Development Department evaluates Murabaha financing, installment sales and Ijarah Muntahia Bittamleek financing (Term financing). Credit evaluation is performed internally and external expertise is used where required. The Executive Committee of the Board of Directors of the Corporation approves all the financing. Such financing is generally secured against adequate security for term financing projects. Under Ijarah Muntahia Bittamleek contracts, the Corporation is the owner of the related asset which is only transferred to the beneficiary upon payment of all the installments due at the end of the lease term. The net book value of Ijarah Muntahia Bittamleek assets disclosed in the statement of financial position was considered fully recoverable by the management of the Corporation. The Corporation's credit risk concentration is disclosed in Note 22.

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26. RISK MANAGEMENT (continued)

As of the reporting date, the ageing of the Corporation's financial assets which were overdue and considered for impairment was as follows:

	<u>Murabaha financing</u>	<u>Installment sales financing</u>	<u>Ijarah Muntahia Bittamleek receivables</u>	<u>Others/ Receivables</u>
1434H				
0-90 days	-	-	-	-
91-180 days	-	-	1,323,403	-
181 days and above	7,641,941	10,579,065	7,773,742	22,336,526
Total	<u>7,641,941</u>	<u>10,579,065</u>	<u>9,097,145</u>	<u>22,336,526</u>
1433H				
0-90 days	-	-	-	-
91-180 days	-	-	-	-
181 days and above	7,702,514	10,685,763	23,397,177	18,732,690
Total	<u>7,702,514</u>	<u>10,685,763</u>	<u>23,397,177</u>	<u>18,732,690</u>

The following is the aging of the Corporation's financial assets which were past due but were not considered impaired by the management since there was no change in the credit quality of these financial assets:

	<u>Murabaha financing</u>	<u>Installment sales financing</u>	<u>Ijarah Muntahia Bittamleek receivables</u>	<u>Others/ Receivables</u>
1434H				
0-90 days	-	1,303,665	5,102,323	-
91-180 days	-	-	5,635,916	-
181 days and above	-	-	17,449,286	-
Total	<u>-</u>	<u>1,303,665</u>	<u>28,187,525</u>	<u>-</u>
1433H				
0-90 days	-	-	-	-
91-180 days	-	-	-	-
181 days and above	1,727,770	-	77,795,885	10,036,406
Total	<u>1,727,770</u>	<u>-</u>	<u>77,795,885</u>	<u>10,036,406</u>

The Corporation obtains adequate guarantees and employs other methods of credit enhancements that will protect the value of its investments. Guarantees and securities obtained by the Corporation include bank guarantees, corporate guarantees, pledge of assets, possession of title to the property being financed, etc. In general, the value of guarantees or other credit enhancements held by the Corporation against these assets as of the reporting date were considered adequate to cover the outstanding exposures. The policy of the Corporation in respect of securities and guarantees for term finance operations is that the sum of the securities package will be equal to or greater than 125% of the value of the assets financed.

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26. RISK MANAGEMENT (continued)

b) Market Risk

The Corporation is exposed to market risk through its use of financial instruments and specifically to currency risks, mark up rate risk and certain other price risks.

i) Currency risk

Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial assets and liabilities denominated in foreign currencies, in case the entity does not hedge its currency exposure by means of hedging instruments.

The Corporation is exposed to currency risk as a portion of its liquid fund portfolio and some of the equity investments are in currencies other than US Dollars; the reporting currency of the Corporation. The Corporation has minimized its exposure to currency risk on liquid funds by ensuring that all liquid funds transactions are in US Dollars or currencies pegged to US Dollar. The Corporation does not enter into any hedging contracts. For monetary assets and liabilities foreign currency risk is managed through the alignment of the foreign currency denominated assets and liabilities.

ii) Mark up rate risk

Mark up rate risk arises from the possibility that changes in mark-up rates will affect the value of the financial instruments. The Corporation is exposed to changes in mark-up rates mainly on its commodity placements through financial institution and Ijara Muntahia Bittamleek financing through changes in the benchmark of the market mark-up rate; LIBOR. Other financing arrangements are normally based on fixed rates. These mark-up rate risk exposures are not hedged.

Mark up rate sensitivity: The mark up rate during the year has not changed significantly and did not materially affect the Corporation's reported earnings. The mark up rate sensitivity has been determined based on the exposure to mark up rates on the overall portfolio. The sensitivity analysis below have been determined based on the exposure to mark up rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point (0.5%) change is used when reporting mark-up rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

At reporting date, if mark-up rates had been 50 basis points higher/lower and all the other variables were held constant, the Corporation's result would have increased/decreased by USD 0.161 million (1433H: increased/decreased by USD 0.375 million). This is mainly attributable to the Corporation's exposure to mark-up rate risk on its Ijara contracts and commodity placements through financial institutions. The mark-up rate risk on Ijara transactions is minimized through setting up range of mark-up rate in the financing agreements.

iii) Price risk

The Corporation is exposed to equity price risk on its investments held at fair value. The Corporation has only one investment which is listed and the remaining investments are unlisted. The Follow-up function of the Corporation regularly monitors all the investment portfolios and all underperforming investments held at fair value through equity are reviewed for impairment and specific provisioning.

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26. RISK MANAGEMENT (continued)

c) Liquidity risk

Liquidity risk is the non-availability of sufficient funds to meet disbursements and other financial commitments as they fall due.

To guard against this risk, the Corporation follows a conservative approach by maintaining high liquidity levels invested in cash cash equivalents, commodity placements through financial institutions and Murabaha financing with short-term maturity of three to twelve months. Please see Note 23 for the maturity schedule of the assets.

27. FAIR VALUES

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Consequently differences can arise between carrying values and fair value estimates.

The fair values of financial instruments are not significantly different from the carrying values as included in the financial statements. Fair valuation with respect to investments is disclosed in Note 9.

28. COMMITMENTS

At Dhul Hijjah 29, 1434H, the un-disbursed commitments for investing in operations and other investments amounted to USD 243.6 million (1433: USD 246.6 million).

29. SEGMENT INFORMATION

Management has determined the chief operating decision maker to be the Board of Directors as this body is responsible for overall decisions about resource allocation to development initiatives within its member countries. Development initiatives are undertaken through a number of Islamic finance products as disclosed on the face of the Statement of Financial Position which are financed centrally through the Corporation's equity capital and borrowings. Management has not identified separate operating segments within the definition of FAS 22 "Segment Reporting" since the Board of Directors monitor the performance and financial position of the Corporation as a whole. Further, the internal reports furnished to the Board of Directors do not present discrete financial information with respect to the Corporation's performance to the extent envisaged in FAS 22; geographical and economic sector distribution of the Corporation's assets is set out in Note 22.

30. COMPARATIVE AMOUNTS

Certain figures for 1433H have been reclassified and adjusted to conform to the current year's presentation. Such reclassification did not have any impact on the members' equity at the beginning of the 1434H or reported results of the period ended 1433H.

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