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THIS BASE PROSPECTUS MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE OUTSIDE OF THE UNITED STATES.

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UNDER NO CIRCUMSTANCES SHALL THIS DOCUMENT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL.

THIS DOCUMENT IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. RATHER, THE COMMUNICATION OF THIS DOCUMENT AS A FINANCIAL PROMOTION IS ONLY BEING MADE TO THOSE PERSONS FALLING WITHIN ARTICLE 19(5) OR ARTICLE 49 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, OR TO OTHER PERSONS TO WHOM THIS DOCUMENT MAY OTHERWISE BE DISTRIBUTED WITHOUT CONTRAVENTION OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, OR ANY PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE MADE. THIS COMMUNICATION IS BEING DIRECTED ONLY AT PERSONS HAVING PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND ANY INVESTMENT OR INVESTMENT ACTIVITY TOWHICH THIS COMMUNICATION RELATES WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. NO OTHER PERSON SHOULD RELY ON IT.

For a description of certain restrictions on offers, sales and deliveries of the trust certificates described in the document and on the distribution of offering material in the United States, the European

Economic Area (including the United Kingdom), the United Arab Emirates (excluding the DIFC), the DIFC, the KSA, Jersey, Malaysia, Hong Kong, Singapore, Qatar (including the Qatar Financial Centre) and Bahrain, see "*Subscription and Sale*" in the attached document.

Confirmation of your representation: The attached document is delivered to you at your request and on the basis that you have confirmed to CIMB Bank (L) Limited, First Abu Dhabi Bank PJSC, HSBC Bank plc, Natixis and Standard Chartered Bank (together, the **Dealers**), the Islamic Development Bank (the **IsDB**) and IDB Trust Services Limited (the **Issuer**) that (i) you are located outside the United States of America; (ii) you consent to delivery by electronic transmission; (iii) you will not transmit the attached document (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the prior written consent of the Dealers; and (iv) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the trust certificates.

This document has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the IsDB, the Issuer, the Dealers nor any person who controls or is a director, officer, employee or agent of the IsDB, the Issuer, the Dealers nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version. By accessing this document, you consent to receiving it in electronic form. A hard copy of the document will be made available to you only upon request to the Dealers.

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

None of the Dealers or any of their respective affiliates accepts any responsibility whatsoever for the contents of this document or for any statement made or purported to be made by any of them, or on any of their behalf, in connection with the IsDB, the Issuer or the offer or any responsibility for any acts or omissions of the Issuer, IsDB or any other person (other than the relevant Dealer) in connection with the attached document or the issue and offering of trust certificates. The Dealers and their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty, express or implied, is made by any of the Dealers or their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this document.

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

Recipients of the attached document who intend to subscribe for or purchase any securities to be issued are reminded that any subscription or purchase may only be made on the basis of the information contained in the final version of the attached document.

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

BASE PROSPECTUS

IDB TRUST SERVICES LIMITED

(incorporated as a limited par value company in Jersey with registered number 89541)

U.S.\$25,000,000,000

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 DEVELOPMENT BANK

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

Under the trust certificate issuance programme described in this base prospectus (the **Base Prospectus**) (the **Programme**), IDB Trust Services Limited (in its capacities as issuer and as trustee, the **Issuer** and **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 Issuer and the relevant Dealers (as defined below). The aggregate face amount of the Trust Certificates outstanding will not at any time exceed U.S.\$25,000,000,000 (or its equivalent in other currencies).

Each Series of Trust Certificates will be constituted by: (i) an amended and restated master trust deed (the **Master Trust Deed**) dated 22 February 2018 (the **Programme Date**) entered into between the Trustee, The Islamic Development Bank (the **IsDB**) 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 IsDB which shall be separate and independent from all other assets of the IsDB and shall comprise of: (a) at least 33 per cent. tangible assets comprising of Leased Assets (as defined below), Disbursing *Istisna'a* Assets (as defined below), *Shari'a* compliant equity instruments (and the assets underlying those equity instruments) (**Shares**), sukuk certificates (and the assets underlying those sukuk certificates) (**Sukuk**) and/or Restricted *Mudaraba* Assets (as defined below); and (b) no more than 67 per cent. intangible assets comprising of *Istisna'a* Receivables (as defined below), Loan Receivables (as defined below) and/or *Murabaha* Receivables (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 IsDB and the right to exercise all powers of the IsDB 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 relevant Trust, constitute the **Trust Assets**).

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

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 from the IsDB of all amounts due in respect of the Portfolio of the relevant Series of Trust Certificates (except Exempt Certificates) comprising profit and the performance by the IsDB of its obligations under the Programme Documents and the Transaction Documents (as defined herein).

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 Directive 2003/71/EC, as amended, which includes the amendments made by Directive 2010/73/EU and any implementing measures in the United Kingdom (the **Prospectus Directive**) 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 Issuer and the IsDB is an "Exempt Offeror" for the purposes of Article 13(1) of the DIFC Markets Law 2012 (the **Markets Law 2012**). Accordingly, the Issuer is 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: (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 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 Nasdaq Dubai**). An application may be made for any Series to be admitted to Nasdaq Dubai.

Approval has been obtained from Bursa Malaysia Securities Berhad (**Bursa Malaysia**) for the listing of the Programme pursuant to an exempt regime, where: (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) may be listed but not quoted for trading on Bursa Malaysia.

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 only; (ii) Trust Certificates have been admitted to the Official List and admitted to trading on the Market and admitted to one or both of Nasdaq Dubai and Bursa Malaysia; or (iii) Exempt Certificates have been admitted to Nasdaq Dubai and/or Bursa Malaysia. 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) of the European Union (**Member States**)).

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. 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 Dubai Official List and/or the Bursa Malaysia, as the case may be, or on such other or further stock exchanges or markets as may be agreed between the Issuer, the IsDB and the relevant Dealer. The Issuer may also issue unlisted Exempt Certificates and/or Exempt Certificates not admitted to trading on any market. The applicable 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 applicable Final Terms shall be read and construed as a reference to the applicable 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 applicable 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 19.

Each Series of Trust Certificates will be issued in registered form in the form of a global trust certificate (each a **Global Trust Certificate**) which will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S. A. (**Clearstream, Luxembourg**) on or about the relevant Issue Date (as specified in the applicable Final Terms or Pricing Supplement, as the case may be) of each such Series. Interests in Trust Certificates in individual registered form will only be issued in exchange for interests in the relevant 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 Ltd. (**Moody's**) and/or Fitch France S.A.S. (**Fitch** and together with S&P and Moody's, the **Rating Agencies**, and each a **Rating Agency**) has rated the IsDB. 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 established in the European Union and is registered under the CRA Regulation. As such, Fitch 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.

S&P has given the IsDB a long-term issuer rating of 'AAA' and a short-term issuer rating of 'A-1+' with a stable outlook. Moody's has given the IsDB a long-term issuer rating of 'Aaa' and a short-term issuer rating of P-1 with a stable outlook. Fitch has given the IsDB a long-term issuer rating of 'AAA' and a short-term issuer rating of 'F1+' with a stable outlook.

S&P has issued a 'AAA' rating, Moody's has issued a 'Aaa' rating and Fitch is expected to issue a 'AAA' 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 IsDB 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

Standard Chartered Bank

Dealers

CIMB

First Abu Dhabi Bank PJSC

HSBC

NATIXIS

Standard Chartered Bank

The date of this Base Prospectus is 22 February 2018.

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 the Prospectus Directive.

Each of the Issuer and the IsDB (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.

The DFSA does not accept any responsibility for the content of the information included in this Base Prospectus, including the accuracy or completeness of such information. The liability for the content of this Base Prospectus lies with the Issuer and the IsDB. The DFSA has also not assessed the suitability of any Trust Certificates issued under this Programme to any particular investor or type of investor and has not determined whether they are *Shari'a* compliant. 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.

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 of Trust Certificates, should be read and construed together with the applicable Final Terms or in the case of Exempt Certificates, the applicable Pricing Supplement, as the case may be.

Copies of the applicable Final Terms or the applicable Pricing Supplement, as the case may be, will be available from the registered office of the Issuer 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 their holding of such Trust Certificates.

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 Programme and, if given or made, such information or representation must not be relied upon as having been authorised by the Trustee, the IsDB, the Dealers (as defined in the "*General Description of 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 IsDB 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 IsDB, 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 and 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 IsDB in connection with the Trust Certificates or their distribution. None of the Dealers nor any of their respective affiliates accepts any responsibility for any acts or omissions of the Trustee, IsDB or any other person (other than the relevant Dealer) in connection with the Base Prospectus or the issue and offering of the Trust Certificates.

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 IsDB, the Trustee, 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 IsDB. 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 IsDB, 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 IsDB 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 of America (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*").

Amounts payable under the Trust Certificates may be calculated by reference to:

- EURIBOR (as defined in the Conditions), which is provided by the European Money Markets Institute; and
- LIBOR (as defined in the Conditions), which is provided by the ICE Benchmark Administration,

each such provider together referred to as the **Administrators**.

As at the date of this Base Prospectus, the Administrators do not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (**ESMA**) pursuant to article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the **Benchmark Regulations**). As far as the Trustee and the IsDB are aware, the transitional provisions in Article 51 of the Benchmark Regulations apply, such that the Administrators are not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

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 IsDB, 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 IsDB, 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 European Economic Area (including the United Kingdom), the United Arab Emirates (excluding the Dubai International Financial Centre (the **DIFC**)), the DIFC, the Kingdom of Saudi Arabia (**KSA**), Jersey, Malaysia, Hong Kong, Republic of Singapore (**Singapore**), Qatar (including the Qatar Financial Centre) and the Kingdom of Bahrain (**Bahrain**) (see "*Subscription and Sale*").

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

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

IMPORTANT – EEA RETAIL INVESTORS – If a Final Terms (or a Pricing Supplement, as the case may be) in respect of any Trust Certificates includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the relevant Trust Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Trust Certificates or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Trust Certificates or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The maximum aggregate nominal amount of Trust Certificates outstanding at any one time under the Programme will not exceed U.S.\$25,000,000,000 and for this purpose, any Trust Certificates denominated in another currency shall be translated into U.S.\$ at the date of the agreement to issue such Trust Certificates (calculated in accordance with the provisions of the Dealer Agreement (as defined herein)). The maximum aggregate nominal amount of Trust Certificates which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement.

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 IsDB believes that the expectations reflected in its forward-looking statements are reasonable as at the date of this Base Prospectus, 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 (the **Treaty**); references to **Japanese Yen** are to the lawful currency of Japan; references to **Chinese Renminbi** are to the lawful currency of the People's Republic of China; references to **ID** or **Islamic Dinar** are to the unit account of the IsDB; and references to **SDR** are to Special Drawing Right of the International Monetary Fund.

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.

In this Base Prospectus all references to **the period ended 31 December 2016** are to the financial year of the IsDB – OCR started on 14 October 2015 and ended on 31 December 2016.

Presentation of Alternative Performance Measures

In this Base Prospectus, the IsDB – Ordinary Capital Resources (**IsDB-OCR**) uses the following metrics in the analysis of its business and financial position, which the IsDB-OCR considers to constitute Alternative Performance Measures as defined in the European Securities and Markets Authority Guidelines on Alternative Performance Measures.

Metric	Definition and method of calculation	Rationale for inclusion
Debt / equity	Total debt of the IsDB-OCR divided by total members' equity of the IsDB-OCR.	Leverage measure. The ratio indicates how much debt the IsDB-OCR is using to finance its assets relative to the amount of value represented in members' equity. A low percentage would indicate that the IsDB-OCR is using less leverage and has a stronger equity position. Total debt for these purposes comprises sukuk issued and commodity purchase liabilities.
Assets / total liabilities	Total assets of the IsDB-OCR divided by its total liabilities.	The ratio compares the assets accumulated by the IsDB-OCR against its existing short and long-term liabilities. A high percentage would indicate that the IsDB-OCR has a better ability to satisfy

Metric	Definition and method of calculation	Rationale for inclusion
Liquid assets / total liabilities	Liquid assets of the IsDB-OCR divided by its total liabilities.	<p>its financial obligations using its total assets.</p> <p>Liquidity measure. The ratio compares the liquid assets accumulated by the IsDB-OCR against its existing short and long-term liabilities. A high percentage would indicate that the IsDB-OCR has a better ability to satisfy its financial obligations using its liquid assets.</p> <p>For these purposes, liquid assets comprise treasury assets which include cash and cash equivalents, commodity placements, sukuk investments and <i>Murabaha</i> financings.</p>
Liquid assets / short term liabilities	Liquid assets of the IsDB-OCR divided by its short-term liabilities.	<p>Liquidity measure. The ratio compares the liquid assets accumulated by the IsDB-OCR against its existing short-term liabilities. A high percentage would indicate that the IsDB-OCR has a better ability to satisfy its short term financial obligations using its liquid assets.</p> <p>For these purposes, liquid assets comprise treasury assets which include cash and cash equivalents, commodity placements, sukuk investments and <i>Murabaha</i> financings, and short-term liabilities include commodity purchase liabilities and other liabilities.</p>
Equity / total liabilities	Total members' equity of the IsDB-OCR divided by the total liabilities of the IsDB-OCR.	<p>Capitalisation measure. The ratio measures the amount of the IsDB-OCR's members' equity as compared to its short and long-term liabilities. A high percentage would indicate that the IsDB-OCR has enough equity to cover its financial obligations.</p>
Top five exposures / total gross loans	Total top five countries outstanding exposure of the IsDB-OCR on its sovereign and non-sovereign project assets and <i>Murabaha</i> financing divided by total gross loans.	<p>Risk management measure. The ratio measures the amount of top five countries outstanding exposure of the IsDB-OCR compared to its total gross loans. A lower ratio indicates less risk concentration.</p> <p>Total gross loans for these purposes includes project assets (gross) plus <i>Murabaha</i> financings (gross).</p>
Equity/assets	Total members' equity of the IsDB-OCR divided by the total assets of the IsDB-OCR.	<p>Solvency measure. The ratio is an indicator of the level of leverage used by the IsDB-OCR and represents the amount of assets on which the IsDB-OCR's Member Countries (as defined herein) have a residual claim. The higher the ratio, the less leveraged the IsDB-OCR is,</p>

Metric	Definition and method of calculation	Rationale for inclusion
		meaning that a larger percentage of its assets are owned by the IsDB-OCR and its Member Countries.

These Alternative Performance Measures are not defined by, or presented in accordance with, the Accounting and Auditing Organization for Islamic Financial Institutions (**AAOIFI**). The Alternative Performance Measures are not measurements of the IsDB-OCR's operating performance under AAOIFI and should not be considered as alternatives to any measures of performance under AAOIFI or as measures of the IsDB-OCR's liquidity.

GENERAL NOTICE TO INVESTORS

The transaction structure relating to the Trust Certificates (as described in this Base Prospectus) has been approved by the IsDB Group *Shariah* Board. 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 *Shari'a* requirements.

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 any 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 FCA.

JERSEY NOTICE

The Jersey Financial Services Commission (the *Commission*) has given, and has not withdrawn, its consent under Article 9(1) of the Control of Borrowing (Jersey) Order 1958 as amended to the raising of money in Jersey by the issue of Trust Certificates from time to time under the Programme by the Issuer. The Commission is protected by the Borrowing (Control) (Jersey) Law 1947, as amended, against liability arising from the discharge of its functions under that Law.

The investments described in this Base Prospectus do not constitute a collective investment fund for the purpose of the Collective Investment Funds (Jersey) Law 1988, as amended, on the basis that they are investment products designed for financially sophisticated investors with specialist knowledge of, and experience of investing in, such investments, who are capable of fully evaluating the risks involved in making such investments and who have an asset base sufficiently substantial as to enable them to sustain any loss that they might suffer as a result of making such investments. These investments are not regarded by the Jersey Financial Services Commission as suitable investments for any other type of investor.

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 has sufficient financial resources to sustain any loss that may arise from it.

Potential investors who are in any doubt about the contents of this Base Prospectus should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser.

The price of the Trust Certificates and the profit distributions from them can go down as well as up.

NOTICE TO BAHRAIN RESIDENTS

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

This Base Prospectus does not constitute an offer of securities in 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 Bahrain, other than to accredited investors for an offer outside Bahrain.

The CBB has not reviewed, approved or registered the 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 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.

KINGDOM OF SAUDI ARABIA NOTICE

This Base Prospectus may not be distributed in the KSA 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 issued under the Programme 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 RESIDENTS OF MALAYSIA

Pursuant to the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, issued by the Securities Commission Malaysia (the SC) on 9 March 2015, effective from 15 June 2015 and revised on 8 November 2017 (the *Guidelines on Unlisted Capital Market Products*), the lodgement in relation to the Programme has been made with the SC on 5 October 2015. A copy of the Base Prospectus will be deposited by CIMB Investment Bank Berhad, who has been appointed as principal adviser in connection with any dealing with Malaysian authorities, with the SC in accordance with the Capital Markets and Services Act 2007 of Malaysia (the *CMSA*), and the Guidelines on Unlisted Capital Markets Products.

The Trust Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase the Trust Certificates may be made in Malaysia and this Base Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia directly or indirectly for the purpose of any sale of the Trust Certificates in Malaysia, unless such offer for subscription or purchase, invitation to subscribe or purchase or sale falls within: (i) if at issuance of the Trust Certificates, Part 1 of Schedule 6 (or Section 229(1)(b)), Part 1 of Schedule 7 (or Section 230(1)(b)) and Schedule 8 (or Section 257(3)), read together with Schedule 9 (or Section 257(3)) of the *CMSA*; or (ii) if after the issuance of the Trust Certificates, Part 1 of Schedule 6 (or Section 229(1)(b)) and Schedule 8 (or Section 257(3)), read together with Schedule 9 (or Section 257(3)) of the *CMSA*.

Neither the SC nor Bursa Malaysia takes any responsibility for the contents of this Base Prospectus or makes any representation as to its accuracy or completeness and each of the SC and Bursa Malaysia expressly disclaims any liability whatsoever for any loss howsoever arising from, or as a result of any reliance upon, any part of the contents of this Base Prospectus. The lodgement with the SC and the admission of the Trust Certificates for listing on Bursa Malaysia under the Bursa Malaysia (Exempt Regime) shall not be taken to indicate that the SC or Bursa Malaysia recommends any subscription or purchase of the Trust Certificates or as any indication of the merits of the Trustee, the IsDB, the Delegate or the Trust Certificates. Investors are advised to read and understand the contents of this Base Prospectus before investing. If in any doubt, an investor should consult its advisers.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

Any Trust Certificates to be issued under the Programme will not be offered or sold at any time, directly or indirectly, in the State of Qatar (Qatar) (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Base Prospectus has not been and will not be reviewed or approved by, or registered with, the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority in accordance with their regulations or any other regulations in Qatar. The Trust Certificates are not and will not be traded on the Qatar Stock Exchange. The Trust Certificates and interests therein will not be offered to investors domiciled or resident in Qatar and do not constitute debt financing in Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of Qatar.

VOLCKER RULE

The Trustee may be a “covered fund” for the purposes of Section 13 of the Bank Holding Company Act of 1956, as amended, and any implementing regulations and related guidance (the **Volcker Rule**). Further, the Trust Certificates may constitute an “ownership interest” for the purposes of the Volcker Rule. As a result, the Volcker Rule may, subject to certain exemptions, prohibit certain banking institutions from, directly or indirectly, acquiring or retaining the Trust Certificates. This prohibition may adversely affect the liquidity and market price of the Trust Certificates. In addition, any entity that is a “banking entity” under the Volcker Rule and is considering an investment in the Trust Certificates should consider the potential impact of the Volcker Rule in respect of such investment and on its portfolio generally.

STABILISATION

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

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- (1) the audited financial statements of the Trustee as at and for the period ended 31 December 2016 together with the audit report thereon and the notes thereto;
- (2) the audited financial statements of the Trustee as at and for the 12 months ended 30 Dhul Hijjah 1436H (13 October 2015) together with the audit report thereon and the notes thereto;
- (3) the audited financial statements of the IsDB – OCR as at and for the period ended 31 December 2016 together with the audit report thereon and the notes thereto;
- (4) the audited financial statements of the IsDB – OCR as at and for the 12 months ended 30 Dhul Hijjah 1436H (13 October 2015) together with the audit report thereon and the notes thereto;
- (5) the Terms and Conditions of the Trust Certificates set out in pages 26 to 51 of the Base Prospectus dated 8 June 2012 in respect of the Programme;
- (6) the Terms and Conditions of the Trust Certificates set out in pages 34 to 64 of the Base Prospectus dated 24 December 2013 in respect of the Programme;
- (7) the Terms and Conditions of the Trust Certificates set out in pages 37 to 72 of the Base Prospectus dated 24 February 2015 in respect of the Programme;
- (8) the Terms and Conditions of the Trust Certificates set out in pages 37 to 73 of the Base Prospectus dated 7 October 2015 in respect of the Programme; and
- (9) the Terms and Conditions of the Trust Certificates set out in pages 31 to 66 of the Base Prospectus dated 17 October 2016 in respect of the Programme.

Each of the financial statements for the IsDB and the Trustee are prepared for the relevant periods corresponding to the *Hijri* calendar. Each of the audited financial statements listed above include audit reports from the relevant auditors.

The Trustee will, at the specified office of the Principal Paying Agent, provide, free of charge, upon oral or written request, a copy of this Base Prospectus (or any document incorporated by reference in this Base Prospectus). Written or telephone requests for such documents should be directed to the specified office of the Principal Paying Agent set out at the end of this Base Prospectus. Copies of the documents incorporated by reference in this Base Prospectus can also be obtained from the London Stock Exchange's website at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

Any information incorporated by reference in any of items (1) to (9) above does not form part of this Base Prospectus for the purpose of the Prospectus Directive. Any information contained in any of the documents specified above which is not incorporated by reference in the Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

This Base Prospectus should be read and construed with any amendment or supplement hereto and with any other document incorporated by reference herein.

GENERAL DESCRIPTION OF THE PROGRAMME

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

Reference to a "Condition" is to a numbered condition of the "Terms and Conditions of the Trust Certificates".

Words and expressions defined in "Form of Trust Certificates" and "Terms and Conditions of the Trust Certificates" shall have the same meanings in this general description.

The Programme provides a facility for the issuance of Trust Certificates in Series. The terms and conditions governing each Series of Trust Certificates will be the "Terms and Conditions of the Trust Certificates" as described herein, as completed by the applicable Final Terms or as completed, modified or supplemented by the applicable Pricing Supplement, as the case may be. The following is a summary of the principal features of the Trust Certificates.

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

The Issuer 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 from the IsDB a portfolio of assets created by the IsDB (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 IsDB and shall comprise:

- (a) at least 33 per cent. tangible assets comprising of Leased Assets, Disbursing *Istisna'a* Assets, Shares, Sukuk and/or Restricted *Mudaraba* Assets; and
- (b) no more than 67 per cent. intangible assets comprising of *Istisna'a* Receivables, Loan Receivables and/or *Murabaha* Receivables,

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 IsDB and the right to exercise all powers of the IsDB thereunder, the constituent elements of which may be supplemented from time to time with Additional Portfolio Assets (the **Portfolio**), in accordance with the Master Purchase Agreement and, in respect of each Series, a Supplemental Purchase Agreement.

Pursuant to the Master Purchase Agreement, on the date of each Supplemental Purchase Agreement, the IsDB shall, 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 the Issuer the expected maximum rate of return on the Portfolio as a percentage of the purchase price proposed to be paid by the Issuer for such Portfolio. Pursuant to the Master Wakala Agreement, on the date of each Supplemental Wakala Agreement, the IsDB and the Issuer shall also agree that on the relevant Dissolution Date, the amount by which the return on such Portfolio exceeds the Periodic Distribution Amounts due to Certificateholders in respect of the relevant Series of Trust Certificates (as specified in the applicable Final Terms or the applicable Pricing Supplement, as the case may be, and whether

relating to Fixed Periodic Distribution Amounts or Floating Periodic Distribution Amounts) shall be retained by the IsDB as Incentive Fee (as defined in the Master Wakala Agreement) for its services as Wakeel in relation to the Programme. In addition, the Wakeel shall be paid a nominal amount of U.S.\$100, on the date of each Supplemental Wakala Agreement, as a basic fee (the **Basic Fee**).

Pursuant to an Additional Portfolio Assets Sale Undertaking, the Trustee has been granted the right to require the IsDB 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 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 to zero (the **Revenue Generating Assets Make-Whole Amount**) in respect of the relevant Series.

The right granted under the Additional Portfolio Assets Sale Undertaking Deed may only be exercised by the Trustee, and only to the extent that, the IsDB 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 and Restricted *Mudaraba* Assets comprised in the relevant Portfolio (less all principal collections (if any) received in respect of those assets during the period from the closing date or the relevant settlement date (as applicable) to but excluding the relevant Report Date) divided by the net asset value of the relevant 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 Wakala 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 IsDB 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 paragraph (a)(i) above, the rights, title, interest and benefit of the IsDB in, to and under Leased Assets, Disbursing *Istisna'a* Assets, Shares, Sukuk and/or Restricted *Mudaraba* 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 Leased Assets, Disbursing *Istisna'a* Assets, Shares, Sukuk and/or Restricted *Mudaraba* Assets being no greater than the relevant Tangibility Make-Whole Amount (as defined in the Master Wakala 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 will pay the relevant Purchase Price to the IsDB and the Trustee and the IsDB 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 IsDB 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 Wakeel to purchase additional Sukuk and Shares from the open market on its behalf in accordance with the terms of the Master Wakala Agreement.

Pursuant to the 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 relevant Trust in accordance with the Trust Deed. In accordance with 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 of the Trust Deed and in accordance with the terms of the Trust Deed at all times.

The Trustee has appointed the IsDB to perform limited actions in order to manage the Portfolio of each Series of Trust Certificates pursuant to the Master Wakala Agreement, as supplemented by the Supplemental Wakala 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 of Trust Certificates on the relevant Periodic Distribution Date(s), as more particularly described in the Terms and Conditions. If on the Dissolution Date, the amount of profit collected by the IsDB as Wakeel in respect of the Portfolio is in excess of the Periodic Distribution Amounts payable by the Trustee to the Certificateholders of the relevant Series on the relevant Periodic Distribution Date, the IsDB shall retain such excess, in accordance with the Master Wakala Agreement, as an incentive fee for the performance of its services as Wakeel.

Principal amounts received in respect of the Portfolio of each Series of Trust Certificates will be credited to the Principal Account 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 IsDB Additional Portfolio Assets pursuant to the Additional Portfolio Assets Sale Undertaking Deed and secondly, to the extent that the IsDB 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 IsDB as its *wakeel*). Any such Additional Portfolio Assets, Shares and Sukuk will form part of the Portfolio of the relevant Series of Trust Certificates.

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

The Trustee has agreed to sell the outstanding Portfolio, upon the occurrence of an early dissolution for taxation reasons under 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 IsDB pursuant to each such IsDB 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 applicable Final Terms or the applicable 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 together with any additional amounts required to be paid in respect of the relevant Series pursuant to Condition 12 (*Taxation*), as more particularly described in "*Summary of the Principal Programme Documents*".

Pursuant to the Guarantee (as defined in the Terms and Conditions as defined herein), the IsDB 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 12 (*Taxation*)).

Certificateholders, by subscribing for or acquiring Trust Certificates, acknowledge that no recourse may be had for the payment of any amount owing in respect of any Trust Certificates against the Trustee or the Delegate, in any circumstances whatsoever, or the relevant Trust to the extent the relevant Trust Assets (as defined in the Terms and Conditions) have been exhausted, following which all obligations of the Trustee, the Delegate 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 IsDB and the ability of the Trustee to pay the amounts due in respect of the Trust Certificates will ultimately be dependent on the IsDB.

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

The Master Purchase Agreement, the Master Wakala 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.

Parties

Issuer / Trustee

IDB Trust Services Limited, a company incorporated in accordance with the laws of, and formed and registered in, Jersey.

The authorised share capital of the Trustee is £10,000 divided into 10,000 shares with a nominal value of £1.00. All of the Trustee's shares have been issued and are held by Intertrust Corporate Trustee (Jersey) Limited under the terms of a trust for charitable purposes.

The Trustee will act as trustee in respect of the Trust Assets (in its capacity as trustee) for the benefit of Certificateholders in accordance with the Trust Deed and the Terms and Conditions of the Trust Certificates. 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 affairs of the Trustee are managed by Intertrust SPV Services Limited (formerly known as Elian SPV Services Limited and Ogier SPV Services Limited) (as provider of corporate services to the Trustee) pursuant to a corporate services agreement entered into on or about 23 May 2005 (the **Corporate Services Agreement**).

Guarantor (in respect of payment obligations under the Portfolio)	The Islamic Development Bank.
Arranger	Standard Chartered Bank.
Dealers	CIMB Bank (L) Limited, First Abu Dhabi Bank PJSC, HSBC Bank plc, Natixis and Standard Chartered Bank and any other Dealers appointed in accordance with the Dealer Agreement.
Delegate	The Law Debenture Trust Corporation p.l.c.
Principal Paying Agent and Calculation Agent	HSBC Bank plc.
Registrar, Replacement Agent and Transfer Agent	Intertrust SPV Services Limited (formerly known as Elian SPV Services Limited and Ogier SPV Services Limited).
Corporate Administrator	Intertrust SPV Services Limited (formerly known as Elian SPV Services Limited and Ogier SPV Services Limited).

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.

Approval has been obtained from Bursa Malaysia for the listing of the Programme pursuant to an exempt regime, where: (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) may

be listed but not quoted for trading on Bursa Malaysia.

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 Issuer, the IsDB 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.

Programme Amount:

Up to U.S.\$25,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Trust Certificates outstanding at any one time. The size of the Programme may be increased in accordance with the terms of the Dealer Agreement.

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 Issuer 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 applicable Final Terms or the applicable Pricing Supplement (as the case may be).

Trust Certificates which may be admitted to trading on the Market 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 its equivalent in another currency), or (b) carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose group the Issuer 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 and Pricing Supplement:

Each Series will be the subject of Final Terms or a Pricing Supplement, as the case may be, which, for the purposes of that Series only, completes, or, in the case of Exempt Certificates, completes, supplements or modifies 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 applicable Final Terms or as completed, supplemented, modified, amended and/or replaced

by the applicable 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 applicable 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 *pari passu*, without any preference or priority, with all other present and future Trust Certificates issued under the Programme.

Guarantee:

Pursuant to the Guarantee, the IsDB 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. Further, the IsDB 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 12 (*Taxation*)), it will pay to the Trustee the amount of such shortfall. See "*Summary of the Principal Programme Documents*". For the avoidance of doubt, the Guarantor shall confirm in a certificate given on each separate issue of a Series of Trust Certificates that the guarantee, undertakings and indemnity (as set out in the Guarantee) shall extend to the Portfolio in respect of such Series (the **Guarantor Certificate**).

Form and Delivery of the Trust Certificates:

Trust Certificates will be issued in registered form only, initially (unless otherwise specified in the applicable Final Terms or the applicable Pricing Supplement, as the case may be) in the form of a permanent Global Trust Certificate which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg or such other depositary as may be specified in the applicable Final Terms or the applicable Pricing Supplement, as the case may be. Only in exceptional circumstances or unless otherwise specified in the applicable Final Terms or the applicable Pricing Supplement, as the case may be, will individual registered trust certificates (**Individual Trust Certificates**) evidencing holdings of trust certificates be issued in exchange for the relevant Global Trust Certificate. See "*Form of Trust Certificates*" 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 applicable Final Terms or the applicable 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 final 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 applicable Final Terms or the applicable 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. On the relevant Dissolution Date, if the amounts collected by the IsDB as Wakeel in respect of the Portfolio are in excess of the Periodic Distribution Amounts payable by the Trustee to the Certificateholders of the relevant Series of Trust Certificates on the relevant corresponding final Periodic Distribution Date, the IsDB shall retain such excess, in accordance with the Wakala Agreement, as an incentive fee for the performance of its services as Wakeel.
Redemption of Trust Certificates:	Trust Certificates shall be redeemed at the Final Dissolution Amount as may be specified in the applicable Final Terms or the applicable 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 Optional Dissolution (as described 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 applicable Final Terms or the applicable 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 applicable Final Terms or the applicable Pricing Supplement, as the case may be. See Condition 14 (<i>Dissolution Events</i>).
Optional Dissolution:	If so specified in the applicable Final Terms or the applicable Pricing Supplement, as the case may be, a Series of Trust Certificates may be dissolved prior to its scheduled dissolution in the circumstances set out in Condition 11.2 (<i>Early</i>

Dissolution for Tax Reasons) and Condition 11.3 (*Dissolution at the Option of the Trustee*).

Withholding Tax:

All payments in respect of Trust Certificates by the Trustee shall be made without withholding or deduction for, or on account of, any taxes, levies, imposts, duties, fees, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any Relevant Jurisdiction (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 12 (*Taxation*), 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 Wakala 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 Wakala Agreement, any Supplemental Purchase Agreement, any Supplemental Trust Deed, any IsDB Purchase Agreement, any Sale Agreement, any Additional Portfolio Assets Sale Agreement and Guarantor Certificate and any Relevant Agreement (as defined in the Dealer Agreement).

**Governing Law
and Dispute Resolution:**

The Programme Documents (with the exception of the Corporate Services Agreement) will be governed by English law. The Corporate Services Agreement will be governed by the laws of Jersey. The Transaction Documents (with the exception of the Relevant Agreement) will be governed by English law. The Relevant Agreement will be governed by the law stated therein.

In respect of any dispute under such agreement or deed to which it is a party (with the exception of the Corporate Services Agreement), the Trustee and the IsDB have agreed to submit to arbitration in London under the London Court of International Arbitration rules (the **LCIA Rules**). The IsDB 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 Programme Documents (with the exception of the Corporate Services Agreement) and the Transaction Documents, 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.

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, the European Economic Area (including the United Kingdom), the United Arab Emirates

(excluding the DIFC), the DIFC, the KSA, Jersey, Malaysia, Hong Kong, Singapore, Qatar (including the Qatar Financial Centre) and Bahrain, see "*Subscription and Sale*" below.

Covenants:

The Trustee has agreed to certain restrictive covenants in the Master Trust Deed, as more fully set out in Condition 6 (*Covenants*).

Cross Default:

None.

Limited Recourse:

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 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 (other than the relevant Trust Assets) or the IsDB (to the extent that it fulfils all of its obligations under the Programme Documents and the Transaction Documents to which it is a party) or the Delegate or any Agent or any of their respective affiliates in respect of any shortfall in the expected amounts from the relevant Trust Assets, to the extent the relevant Trust Assets have been enforced, realised and fully discharged, following which all obligations of the Trustee and the IsDB 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 IsDB 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 IsDB is in a position to express a view on the likelihood of any such contingency occurring. The Trustee and the IsDB believe that the factors described below represent the principal risks inherent in investing in 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 IsDB 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 IsDB or which the Trustee or the IsDB 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 is a special purpose company in the form of a limited par value company pursuant to the Companies (Jersey) Law 1991 incorporated on 17 February 2005. 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 IsDB to make payments under the Transaction Documents to the Trustee. Therefore, the Trustee is subject to all risks to which the IsDB is subject to the extent that such risks could limit the IsDB's ability to satisfy in full and on a timely basis its obligations under the Programme Documents and the Transaction Documents to which it is a party. See "*Risk Factors relating to the IsDB*" 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.

Risk factors relating to the IsDB

In the course of its business activities, the IsDB is exposed to a variety of risks, the most significant of which are set out below. Whilst the IsDB 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 IsDB's business, financial condition, results of operations, prospects and/or reputation.

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

The IsDB currently has all of its operations and projects in the countries that are shareholders in the IsDB (**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 2011 there has been political unrest in a range of countries in Eastern Europe, the Middle East and North

Africa region, including Algeria, Bahrain, Iraq, Lebanon, Libya, Nigeria, Oman, Saudi Arabia, Sudan, Syria, Turkey and Yemen, all of which are Member Countries. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and civil war, has led to the collapse of political regimes in Tunisia, Egypt and Libya and civil war and armed conflict in Syria, Libya, Iraq and Yemen as well as a recent coup d'état attempt on the Turkish government. It has also given rise to significantly increased political uncertainty across the region. This situation has caused significant disruption to the economies of affected countries and has had a destabilising effect on international oil and gas prices.

Although, due to the nature of the IsDB's operations in Member Countries to date (including the fact that a substantial proportion of the IsDB's activities relate to dealings with governmental authorities), the IsDB's business has not been materially adversely affected by the unrest in certain Member Countries, there can be no assurance that the IsDB'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 IsDB operates.

The economies of many Member Countries are dependent on oil and gas and related industries, as well as the prices and production quantities of these commodities. Oil prices have been volatile in recent years, which has impacted economic growth in such Member Countries. Since the middle of 2014, international oil prices have fallen significantly, with the monthly average price of the Organization of the Petroleum Exporting Countries (**OPEC**) reference basket falling from U.S.\$105.61 in July 2014 to a low of U.S.\$26.50 in January 2016, although prices have subsequently recovered slowly and the monthly average price of the OPEC reference basket was U.S.\$62.06 in December 2017. This deterioration in pricing has adversely affected the economies of certain Member Countries. Should international oil prices fall further or continue to remain at low levels for an extended period, this will be likely to continue to adversely affect the economies of such Member Countries, which could materially adversely affect many of the IsDB's borrowers and contractual counterparties.

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.

Credit risks

Credit risks arising from adverse changes in the credit quality and recoverability of loans, advances and amounts due from counterparties are inherent in a wide range of the IsDB's businesses. Credit risks could arise from a deterioration in the credit quality of specific counterparties of the IsDB, 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 IsDB's assets and require an increase in the IsDB'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 IsDB's counterparties or vendors) and occurrence of natural disasters. Although the IsDB 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 IsDB will be unable to comply with its obligations as a company with securities admitted to the Official List of the FCA.

Liquidity risks

Liquidity risks could arise from the inability of the IsDB to anticipate and provide for unforeseen decreases or changes in funding sources which could have adverse consequences on the IsDB's ability to meet its obligations when they fall due. The IsDB 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 IsDB's liquid funds with banks in both Member Countries and non-Member Countries in a *Shari'a* compliant manner. The IsDB has in place comprehensive guidelines regarding how the placement of liquid funds should be managed which assigns: (i) minimum ratings, (ii) country limits and (iii) 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 foreign currencies, in case the IsDB does not hedge its currency exposure by means of hedging instruments. Since most of the IsDB's financing operations are denominated in SDR (the reporting currency) and/or SDR component currencies, the IsDB is naturally hedged against this currency exposure. Hence the IsDB does not trade in currencies as it is not currently exposed to exchange rate risk. The IsDB's investment portfolio is held in major currencies in line with the composition of the Islamic Dinar basket, namely the U.S. Dollar, Sterling, euro and Japanese Yen. While currency risk is managed by the IsDB, there can be no assurance that the exchange rate risk may not have a material adverse effect on the business, financial position, results of operations and/or prospects of the IsDB in the future.

Equity and capital impairment risk

The IsDB is exposed to equity and capital impairment risks arising from equity investments. Equity investments are generally held for strategic rather than trading purposes. The IsDB does not actively trade in equity investments and so equity investments are generally classified as available-for-sale. That said, the IsDB 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 IsDB is exposed to equity price risk. There can be no assurance that the IsDB will be able to liquidate its equity holdings at a price which is not substantially lower than that which the IsDB paid for such equity investments so as to entirely eliminate capital impairment risk. Any such capital impairment may have a material adverse effect on the business, financial position, results of operations and/or prospects of the IsDB.

Mark-up risk

The IsDB is exposed to mark-up risk on its investments in cash and cash equivalents, commodity placements, *Murabaha* financing, *Istisna'a* assets, *Ijarah* assets, investments in Sukuk and Sukuk liabilities. In respect of the financial assets, the IsDB's returns are based on a benchmark and hence vary according to the market conditions. The IsDB generally uses the London Interbank Offered Rate as a benchmark to determine the mark-up rate on its financing. The ultimate mark-up rate on financings is determined after adding a margin to the relevant benchmark rate. The IsDB attempts to manage mark-up risk through *Shari'a* compliant hedging arrangements, such as fixed-floating rate swaps. There can be no assurance that the IsDB can at all times fully manage mark-up risks so as to entirely eliminate mark-up risks. Such mark-up risks may have a material adverse effect on the business, financial position, results of operations and/or prospects of the IsDB.

Risk factors relating to the Trust Certificates

Absence of secondary market / limited liquidity

There is no assurance that a market for the Trust Certificates of any Series will develop or, if it does develop, 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 a price that will enable the Certificateholder to realise a desired yield. The market value of the Trust Certificates may fluctuate. 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 the other risks associated with an investment in 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 IsDB fulfilling its obligations under the Purchase Undertaking Deed (and relevant IsDB Purchase Agreement), its obligations under the Guarantee and the Master Trust Deed (and relevant Supplemental Trust Deed) to make payments to, and indemnify, the Trustee and its obligations under the Programme Documents and the Transaction Documents to which the IsDB is a party.

The Trust Certificates are Limited Recourse Obligations

Trust Certificates issued under the Programme are not debt obligations of the Trustee. Instead, the Trust Certificates represent an undivided beneficial ownership interest in the relevant Trust Assets. Recourse to the Trustee in respect of each Series of Trust Certificates therefore is limited to the Trust Assets of that relevant Series of Trust Certificates and the proceeds of such Trust Assets are the primary source of payments on the relevant Series of Trust Certificates. Following a Dissolution Event, or early dissolution pursuant to Condition 11.2 (*Early Dissolution for Tax Reasons*) or Condition 11.3 (*Dissolution at the Option of the Trustee*), the sole rights of each of the Trustee, the Delegate and the Certificateholders of the relevant Series of Trust Certificates will be against the IsDB to pay the Exercise Price in respect of such Series together with any amounts due to the Trustee pursuant to the Guarantee, the Master Trust Deed and the relevant Supplemental Trust Deed. Certificateholders will otherwise have no recourse to any assets of the Delegate, the IsDB, the Dealers or the Agents or any affiliate of any of the foregoing entities in respect of any shortfall in the expected amounts due under the relevant Trust Assets. The IsDB is obliged to make its payments under the Purchase Undertaking Deed and the relevant IsDB Purchase Agreement or other Programme Documents or Transaction Documents to which IsDB is a party (including the Master Trust Deed and the relevant Supplemental Trust Deed), and to issue a Guarantee (in respect of payment obligations relating to the assets constituting the Portfolio of the relevant Series of Trust Certificates) in favour of the Trustee.

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 IsDB 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 Jersey, 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. See Condition 11.2 (*Early Dissolution for Tax Reasons*).

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 Series 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 IsDB at an aggregate price that is equal to the original sale price of the Portfolio originally sold by the IsDB to the Trustee on the Issue Date of the relevant Series.

Risks related to Trust Certificates which are linked to “benchmarks”

The London Interbank Offered Rate (**LIBOR**), the Euro Interbank Offered Rate (**EURIBOR**) and other interest rate or other types of rates and indices which are deemed to be “benchmarks” are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on 27 July 2017, the FCA announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the **FCA Announcement**). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Trust Certificates linked to such benchmark (including but not limited to Trust Certificates whose profit rates are linked to LIBOR). Any such consequence could have a material adverse effect on the value of and return on any such Trust Certificates.

Risk factors relating to the Portfolio

Liability attaching to owners of assets

In order to comply with the requirements of *Shari'a*, the interests in the constituent assets comprised in the Portfolio will pass to the Issuer 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 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 IsDB has agreed in the Master Trust Deed to indemnify the Trustee and Certificateholders against any such liabilities. In the event that the IsDB 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 IsDB 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 IsDB. The constituent assets in the Portfolio shall be selected by the IsDB following the adoption of internal resolutions at the IsDB to segregate such assets for the purposes of the relevant Series of Trust Certificates and the Certificateholders shall have no ability to influence this selection. Only limited representations will be obtained from the IsDB 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 IsDB 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 IsDB 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 IsDB fails to perform its obligations under the Purchase Undertaking, the Guarantee and the other Programme Documents and Transaction Documents to which it is, or will be, a party.

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 Issuer.

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 IsDB 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 IsDB 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 Issuer) on trust for the Trustee. The IsDB (in the Master Purchase Agreement) has provided indemnities for, *inter alia*, any losses suffered as a result of any failure to transfer any constituent asset comprised in the Portfolio. Ultimately payments of amounts due in respect of the Trust Certificates will however be dependent on the IsDB fulfilling its obligations under the Purchase

Undertaking Deed (and the relevant IsDB Purchase Agreement) and its obligations under the Guarantee (and the Guarantee Confirmation) and the Master Trust Deed (and the relevant Supplemental Trust Deed) to make payments to, and indemnify, the Trustee its obligations under the Programme Documents and the Transaction Documents to which the IsDB is a party.

Pronouncement

The IsDB Group *Shariah* Board (as defined herein) has issued a pronouncement in the Arabic language on 29 December 2017 (the **Pronouncement**) that the structure and mechanism of the Programme Documents and the Transaction Documents are acceptable within the principles of *Shari'a*, although English courts will not apply the principles of the *Shari'a* 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 *Shari'a* advisers as to whether the proposed transaction meets their respective *Shari'a* requirements. None of the Dealers, the Agents or the Delegate makes any representation as to the *Shari'a* compliance of the Programme or the Trust Certificates. At the time of each issue of Trust Certificates under the Programme, the IsDB will represent that the then current Pronouncement remains in force. In addition, the IsDB 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 retained by the IsDB as an incentive fee (the **Incentive Fee**) in accordance with the Wakala 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 relevant Portfolio and that such amounts will be invested in purchasing Additional Portfolio Assets (comprising: (i) tangible assets only, consisting of Leased Assets, Disbursing *Istisna'a* Assets, Shares, Sukuk and/or Restricted *Mudaraba* Assets, (ii) sub-participation interests of the Trustee (which shall be managed by the IsDB for and on behalf of the Trustee) in *Istisna'a* or *Murabaha* financing activities or investments in *Murabaha* Receivables, Loan Receivables or *Istisna'a* Receivables chosen by the IsDB in its absolute discretion and/or (iii) a new Portfolio) or as otherwise specified in the Wakala Agreement, 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 IsDB has on the date hereof issued in favour of the Trustee a Guarantee pursuant to which the IsDB 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 12 (*Taxation*)) to Certificateholders.

Credit risk in respect of constituent assets

The Trustee is subject to the risk of default in payment by the obligors under each of the Leased Assets, Restricted *Mudaraba* Assets, Disbursing *Istisna'a* Assets, Loan Receivables, *Murabaha* Receivables, *Istisna'a* Receivables and/or Sukuk 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 IsDB, primarily pursuant to a combination of the Guarantee and the Purchase Undertaking Deed (and the relevant IsDB Purchase Agreement). Pursuant to the Guarantee, the IsDB 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 12 (*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 12 (*Taxation*)), the IsDB has undertaken to pay to the Trustee the amount of such shortfall. Furthermore, the Exercise Price payable by the IsDB in respect of any Portfolio under the Purchase Undertaking Deed (and to be specified in the relevant IsDB Purchase Agreement) will be based on: (a) the Aggregate Nominal Amount (specified in the applicable Final Terms or the applicable 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 12 (*Taxation*)).

Currency risk

The payments made by obligors in respect of the constituent assets comprised in any 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 applicable Final Terms or the applicable 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 IsDB will prepare a schedule of payments in the Specified Currency in respect of the Portfolio of the relevant Series of Trust Certificates. In addition, the IsDB 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 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 12 (*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 12 (*Taxation*)), the IsDB has undertaken to pay to the Trustee the amount of such shortfall. Furthermore, the Exercise Price payable by the IsDB in respect of any Portfolio under the Purchase Undertaking Deed (and to be specified in the relevant IsDB Purchase Agreement) will be based on: (a) the Aggregate Nominal Amount (specified in the applicable Final Terms or the applicable 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 12 (*Taxation*)).

Risk factors relating to taxation

Taxation risks on payments

Payments made by the IsDB to the Trustee under the Transaction Documents or by the Trustee in respect of the Trust Certificates could become subject to taxation. Condition 12 (*Taxation*) provides

that the Trustee is required to gross-up for any such withholdings or deductions imposed by Jersey and any Member Country in certain circumstances (management of the IsDB believe that the circumstances in which a Member Country may impose withholding or deductions are rare). 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 IsDB 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 12 (*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 IsDB are obliged to pay additional amounts to cover the amounts so deducted to Certificateholders, save in the limited circumstances set out in Condition 12 (*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.

Payments on the Trust Certificates may be subject to U.S. withholding tax under FATCA

The United States has enacted rules, commonly referred to as **FATCA**, that generally impose a new reporting and withholding regime with respect to certain payments made after 31 December 2016 by entities that are classified as financial institutions under FATCA. Whilst the Trustee does not expect payments made on or with respect to the Trust Certificates to be subject to withholding under FATCA, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the Trust Certificates in the future. Prospective investors should consult their own tax advisors regarding the potential impact of FATCA.

The Trust Certificates may be an ownership interest for the purposes of the Volcker Rule

The Trustee may be a “covered fund” for the purposes of the Volcker Rule. Further, the Trust Certificates may constitute an “ownership interest” for the purposes of the Volcker Rule. As a result, the Volcker Rule may, subject to certain exemptions, prohibit certain banking institutions from, directly or indirectly, acquiring or retaining the Trust Certificates. This prohibition may adversely affect the liquidity and market price of the Trust Certificates. In addition, any entity that is a “banking entity” under the Volcker Rule and is considering an investment in the Trust Certificates should consider the potential impact of the Volcker Rule in respect of such investment and on its portfolio generally.

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 IsDB 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 IsDB making payments in the manner contemplated under the Purchase Undertaking Deed (and the relevant IsDB Purchase Agreement), providing and performing its obligations under, the Guarantee and making payments as provided in the Master Trust Deed, the Programme Documents and the Transaction Documents to which the IsDB is a party.

If the IsDB should fail to do so, it may be necessary to bring an action against the IsDB to enforce its obligations which could be time consuming and costly. The IsDB 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 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 IsDB's Member Countries. The IsDB 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 Trust Certificates and the Programme Documents and Transaction Documents. Notwithstanding that a judgment may be obtained in favour of the Certificateholders, there is no assurance that the IsDB 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 IsDB'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 may 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 IsDB's Articles of Agreement provide that all property and assets of the IsDB shall, wherever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of a final judgment against it. The Articles of Agreement require each Member Country, in accordance with its judicial system, to promptly take such action as is necessary to make effective in its own territory the provisions as to, *inter alia*, immunity.

Claims for specific performance

In the event that the IsDB fails to perform its obligations under the Purchase Undertaking Deed or the relevant IsDB 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 IsDB'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 its loss. No assurance is provided on the level of damages which a court may award in the event of a failure by the IsDB to perform its obligations set out in the Purchase Undertaking Deed, the Master Trust Deed, the Guarantee and the other Programme Documents and Transaction Documents to which it is a party.

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 definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and

indirect participants will maintain records of the beneficial interests in the Global 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.

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 (acting as directed by the Certificateholders), 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. 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.

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, supplement or modify the following Terms and Conditions for such Trust Certificates.

IDB Trust Services Limited (in its capacities as issuer and as trustee, the **Issuer** and the **Trustee**) has established a programme (the **Programme**) for the issuance of up to U.S.\$25,000,000,000 in aggregate principal amount 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 applicable Final Terms or the applicable Pricing Supplement, as the case may be, for this Trust Certificate (or the applicable provisions thereof) are set out in Part A of the applicable Final Terms or the applicable 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 applicable Final Terms or as completed, modified and/or supplemented by the applicable Pricing Supplement, as the case may be. In the event of any inconsistency between these Conditions and the applicable Final Terms or the applicable Pricing Supplement, as the case may be, the applicable Final Terms or the applicable Pricing Supplement, as the case may be shall prevail.

In these Conditions, references to **Trust Certificates** shall be references to the Trust Certificates which are the subject of the applicable Final Terms or the applicable Pricing Supplement, as the case may be. References to **Exempt Certificates** are to Trust Certificates for which no prospectus is required to be published under Directive 2003/71/EC, as amended, which includes the amendments made by Directive 2010/73/EU and any implementing measures in the relevant Member State (the **Prospectus Directive**).

Each of the Trust Certificates 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: (i) an amended and restated master trust deed (the **Master Trust Deed**) dated 22 February 2018 and made between the Trustee, The Islamic Development Bank (the **IsDB**) and The Law Debenture Trust Corporation p.l.c. (the **Delegate**); as well as (ii) 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 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 Trust Deed and in accordance with the terms of the 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 Certificateholder Entitlement (as defined below) in the distributions of Trust Assets (as defined below) ahead of the distributions to Certificateholders.

Payments relating to the Trust Certificates will be made pursuant to an amended and restated issue and paying agency agreement dated 22 February 2018 (the **Agency Agreement**) made between the Trustee, the IsDB, 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 the **Calculation Agent**), and Intertrust SPV Services Limited as registrar (in such capacity the **Registrar**), as replacement agent (in such capacity, the **Replacement Agent**) and as transfer agent (in such capacity,

the **Transfer Agent**, and together with the Calculation Agent, the Transfer Agent, the Registrar and the Principal Paying Agent, 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 to which the Trustee is a party:

- (a) an amended and restated master purchase agreement between the Issuer and the IsDB dated 22 February 2018 (the **Master Purchase Agreement**);
- (b) any supplemental purchase agreement (each, a **Supplemental Purchase Agreement**) in relation to the Trust Certificates;
- (c) a master wakala agreement between the Trustee and the IsDB as wakeel (the **Wakeel**) dated 22 February 2018 (the **Master Wakala Agreement**);
- (d) any supplemental wakala agreement (each, a **Supplemental Wakala Agreement**, and together with the **Master Wakala Agreement**, the **Wakala Agreement**) in relation to the Trust Certificates;
- (e) a guarantee issued by the IsDB in favour of the Trustee dated 22 February 2018 (the **Guarantee**), and each separate guarantor certificate given in relation to the Trust Certificates on the Issue Date (the **Guarantor Certificate**);
- (f) an amended and restated purchase undertaking deed dated 22 February 2018 (the **Purchase Undertaking Deed**), containing the form of a purchase agreement (the **IsDB Purchase Agreement**) to be executed by the IsDB and the Trustee on the relevant Dissolution Date of the relevant Series of Trust Certificates;
- (g) an amended and restated sale undertaking deed executed by the Trustee in favour of the IsDB dated 22 February 2018, (the **Sale Undertaking Deed**) containing the form of sale agreement (the **Sale Agreement**) to be executed by the IsDB and the Trustee on the relevant Dissolution Date of the relevant Series of Trust Certificate;
- (h) an amended and restated additional portfolio assets sale undertaking deed executed by the IsDB in favour of the Trustee dated 22 February 2018, (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 IsDB and the Trustee on any relevant Settlement Dates 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) a corporate services agreement between Intertrust SPV Services Limited (as provider of corporate services to the Trustee) and the Trustee dated 23 May 2005 (the **Corporate Services Agreement**);
- (m) an amended and restated dealer agreement between the Issuer, the IsDB and the Dealers dated 22 February 2018 (the **Dealer Agreement**);

- (n) any Final Terms or any Pricing Supplement, as the case may be, in relation to Trust Certificates;
- (o) copies of each purchase report (**Purchase Report**) produced on each Report Date (as defined herein) by the IsDB substantively in the form set out in Schedule 2 (*Purchase Report*) of the Master Purchase Agreement in respect of any Series of Trust Certificates; and
- (p) copies of each servicing report (**Servicing Report**) produced by the Wakeel substantively in the form set out in Schedule 2 (*Form of Servicing Report*) of the Master Wakala Agreement in respect of any Series of Trust Certificates.

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, Disbursing *Istisna'a* Assets, Restricted *Mudaraba* Assets, *Murabaha* Receivables and *Istisna'a* Receivables (each as defined herein), as well as the service fees received in respect of Loan Receivables and the dividends and other receivables in respect of Shares and Sukuk since the previous Servicing Report. Each Purchase Report will detail, in respect of the relevant Series of Trust Certificates, the Leased Assets, Disbursing *Istisna'a* Assets, Restricted *Mudaraba* Assets, *Murabaha* Receivables, Loan Receivables and *Istisna'a* Receivables 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 Wakala Agreement, the Supplemental Trust Deed, the applicable Final Terms or the applicable 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.

The statements in the Conditions include 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 IsDB; 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 applicable Final Terms or Pricing Supplement, as the case may be;

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

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

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 applicable Final Terms or Pricing Supplement, as the case may be and, if so specified in the applicable 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) **Modified Following Business Day Convention** or **Modified Business Day Convention** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) **Preceding Business Day Convention** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) **FRN Convention, Floating Rate Convention** or **Eurodollar Convention** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the applicable 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;

No Adjustment means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

Calculation Amount has the meaning given in the applicable Final Terms or the applicable 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 means an amount equal to the Aggregate Nominal Amount of each Series;

Certificateholder Entitlement has the meaning given in the Master Trust Deed;

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 applicable 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 *Istisna'a* assets in respect of which the IsDB pays instalment amounts to a contractor (which are subsequently capitalised) during, but prior to the completion of, the construction of such assets and whilst legal title to such assets is vested in the IsDB;

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 applicable Final Terms or the applicable Pricing Supplement, as the case may be;

Dissolution Date means, as the case may be: (a) the Maturity Date; (b) following the occurrence of a Dissolution Event (as defined in Condition 14 (*Dissolution Events*)), the date on which a Series of Trust Certificates is dissolved in accordance with the provisions of Condition 14 (*Dissolution Events*); (c) the date on which a Series of Trust Certificates is dissolved in accordance with the provisions of Condition 11.2 (*Early Dissolution for Tax Reasons*); or (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 applicable Final Terms or Pricing Supplement, as the case may be;

Extraordinary Resolution has the meaning given in the Schedule 5 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 applicable Final Terms or the applicable Pricing Supplement, as the case may be;

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

Global Trust Certificate means the global trust certificate issued in registered form for each Series of Trust Certificates;

Issue Date has the meaning given in the applicable Final Terms or the applicable 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 IsDB has sold certain assets to a beneficiary 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 IsDB, 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* contract);

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;

Loan Receivables means receivables under long term concessional facilities provided to Member Countries which bear a service fee payable to the IsDB;

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

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

Maximum Rate of Return means the maximum rate of return of profit (if any) specified in the relevant Supplemental Purchase Agreement in respect of the relevant Portfolio;

Member Country means a country being a shareholder from time to time of the IsDB;

Murabaha Receivables means the receivables (i) under a sale contract whereby the purchase price is determined on a cost plus a predetermined profit basis and such purchase price is payable by instalments or (ii) derived from the placements of funds which are made by the IsDB with other banks and financial institutions and which comprise the purchase and sale of commodities at fixed or floating rate profit;

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 applicable Final Terms or the applicable Pricing Supplement, as the case may be;

Optional Dissolution Date (Call) has the meaning given in the applicable Final Terms or the applicable 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 a definitive Trust Certificate is required before payment can be made, a day on which banks in the relevant place of

surrender of the definitive 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 applicable Final Terms or Pricing Supplement, as the case may be and, if a Business Day Convention is specified in the applicable Final Terms or the applicable 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 applicable Final Terms or Pricing Supplement, 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 applicable Final Terms or the applicable 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 IsDB and comprising:

- (a) at least 33 per cent. tangible assets comprising of Leased Assets, Disbursing *Istisna'a* Assets, Shares, Sukuk and/or Restricted *Mudaraba* Assets; and
- (b) no more than 67 per cent. intangible assets comprising of *Istisna'a* Receivables, Loan Receivables and/or *Murabaha* Receivables,

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 IsDB and the

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

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 Wakala Agreement, the Purchase Undertaking Deed, the Master Trust Deed, the Sale Undertaking Deed, the Additional Portfolio Assets Sale Undertaking Deed, the Guarantee, the Agency Agreement, the Corporate Services Agreement and the Dealer 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 applicable 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 applicable Final Terms or Pricing Supplement, as the case may be;

Rating Agencies means Standard & Poor's Credit Market Services Europe Limited, Moody's Investors Service Ltd. and Fitch France S.A.S.;

Record Date means:

- (c) 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
- (d) whilst Trust Certificates are in individual registered 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 applicable Final Terms or the applicable Pricing Supplement, 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 means the reference rate appearing on the agreed screen page of a commercial quotation service, being EURIBOR, LIBOR or such other reference rate as may be specified in the applicable Final Terms or the applicable 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 otherwise specified in the applicable Final Terms or Pricing Supplement, as the case may be, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent on or prior to such due date, the date on which the Certificateholders have been notified by the Trustee in accordance with Condition 17 (*Notices*);

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

Relevant Jurisdiction means Jersey, any Member Country or any political subdivision therein;

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 applicable Final Terms or the applicable 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 applicable Final Terms or the applicable 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 Mudaraba Assets means *Mudaraba* assets which are subject to a *Mudaraba* contract under which the IsDB as a “Rab al Maal” provides capital under a line of financing facility to an intermediary as a “Mudarib” who then invests such capital based on prescribed investment criteria;

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 applicable Final Terms or Pricing Supplement, as the case may be;

Return Accumulation Period means each period beginning on (and including) the Return Accrual Commencement Date or any Periodic Distribution Date 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 settlement 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 *Shari'a* compliant equity instruments (and the assets underlying those equity instruments);

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

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

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

Specified Office has the meaning given in the Agency Agreement;

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;

Subsidiary means, in relation to any Person (the **first Person**) at any particular time, any other Person (the **second Person**):

- (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

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 Wakala Agreement, any Supplemental Purchase Agreement, any Supplemental Trust Deed, any Relevant Agreement (as defined in the Dealer Agreement), any Sale Agreement, any IsDB Purchase Agreement, any Guarantor Certificate and any Additional Portfolio Assets Sale Agreement;

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

Trust Assets means the assets, rights, cash or investments described in Condition 5.1 (*Trust 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 12 (*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 12 (*Taxation*) and any other amount in the nature of a profit distribution payable pursuant to these Conditions;
- (c) references to Trust Certificates being outstanding shall be construed in accordance with the Agency Agreement;
- (d) if an expression is stated in Condition 1.1 (*Definitions*) to have the meaning given in the applicable Final Terms or Pricing Supplement, as the case may be, but the applicable 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;
- (e) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement as amended and/or supplemented up to and including the Issue Date of the Trust Certificates; and
- (f) words and expressions defined and rules of construction and interpretation set out in each of the Programme Documents shall, unless the context otherwise requires, have the same meanings in these Conditions.

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 Certificates of Registration*), 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 are not issuable in bearer form.

For so long as any of the Trust Certificates is represented by a Global Trust Certificate held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S. A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular face amount of such 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 by the Trustee, the Delegate, the IsDB and the Agents as the holder of such face amount of such Trust Certificates for all purposes other than with respect to payment in respect of such Trust Certificates, for which purpose the registered holder of the Global Trust Certificate shall be treated by the Trustee, the Delegate, the IsDB and any Agent as the holder of such face amount of such Trust Certificates in accordance with and subject to the terms of the relevant Global Trust Certificate and the expressions **Certificateholder** and **holder** in relation to any Trust Certificates and related expressions shall be construed accordingly.

Trust Certificates which are represented by a Global Trust Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

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.

2.2 **Register**

The Registrar will maintain a register (the **Register**) of Certificateholders in respect of each Series of 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 certificate of registration (each a **Certificate of Registration**) will be issued to each Certificateholder in respect of its registered holding of Trust Certificates serially numbered with an identifying number which will be recorded also on the relevant Register.

2.3 **Title**

The IsDB, the Trustee, the Delegate and the Agents may (to the fullest extent permitted by applicable laws) deem and treat the person in whose name any outstanding Trust Certificate is for the time being registered (as set out in the relevant Register) as the holder of such Trust Certificate or of a particular principal amount of the Trust Certificates for all purposes (whether or not such Trust Certificate or principal 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 IsDB, the Delegate and the Agents shall not be affected by any notice to the contrary. The registered holder of a Certificate will be recognised by the Trustee as entitled to the Trust Certificate free from an 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 principal 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 Certificate of Registration 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.

3.2 **Delivery of new Certificates of Registration**

Each new Certificate of Registration 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 Certificate of Registration, 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 Certificate of Registration is deposited in connection with a transfer is located.

Where some but not all of the Trust Certificates in respect of which a Certificate of Registration is issued are to be transferred a new Certificate of Registration 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 Certificate of Registration, 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 Certificate of Registration 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 Certificate of Registration 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 Certificates of Registration*).

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 IsDB Purchase Agreement, the relevant Sale Agreement and these Conditions, and will be 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 and with all other present and future Trust Certificates.

4.2 **Status of the Guarantee**

The obligations of the IsDB pursuant to the Guarantee are direct, unsubordinated and unsecured obligations of the IsDB 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 IsDB 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 IsDB to perform limited actions in order to service the Portfolio of each Series of Trust Certificates pursuant to the Wakala Agreement. The Trustee shall pay the Wakeel a nominal amount of U.S.\$100 as a basic fee on the date of each Supplemental Wakala Agreement and an Incentive Fee (as defined in the Master Wakala Agreement).

Profit received in respect of the Portfolio of each Series of Trust Certificates will, after paying the expenses of the relevant 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), as more particularly described in 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 IsDB Additional Portfolio Assets pursuant to the Additional Portfolio Assets Sale Undertaking Deed and secondly, to the extent that the IsDB 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 IsDB as its Wakeel). Any such Additional Portfolio Assets, Shares and Sukuk will form part of the Portfolio of the relevant Series of Trust Certificates.

The IsDB 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 IsDB 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 purchase, by the Sale Agreement containing the specific terms applicable to the relevant sale. The purchase price payable by the IsDB pursuant to each such IsDB 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 applicable 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 applicable Final Terms or the applicable Pricing Supplement, as the case may be, applicable to such Series.

Pursuant to the Guarantee, the IsDB 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 IsDB 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 the 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 12 (*Taxation*)) due to Certificateholders on such Periodic Distribution Date in full, the IsDB 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 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 (excluding any representation given to the Trustee by the IsDB 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 Wakala Agreement), and the rights and interests of the Trustee in any assets held by the IsDB on trust for it, which are attributable to, arise from, or are in any way connected with such Series of 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 Supplemental Trust Deed; 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 Supplemental Wakala Agreement), *inter alia*, distributions from: (a) profit collections received by or on behalf of the Trustee from the IsDB in its capacity as Wakeel in respect of the relevant Portfolio (and, if applicable, the proceeds of certain indemnities from the IsDB) 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 IsDB pursuant to the Guarantee, the Master Trust Deed and the relevant Supplemental Trust Deed.

Unless otherwise specified in the relevant Supplemental Wakala Agreement, on each Settlement Date the Wakeel 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 (by way of partial distribution of the relevant Certificateholder Entitlement);
- (b) SECONDLY *pro rata*, to pay 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; (ii) the constitution and original issue of the relevant Series; and (iii) 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 Conditions) any Certificateholder 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 Wakeel, the Delegate and the Trustee shall separately agree; and
- (c) THIRDLY, 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.

5.3 Application of Trust Assets on the Dissolution Date

On the Dissolution Date, the Portfolio will be transferred by the Trustee to the IsDB pursuant to the Purchase Undertaking Deed and the relevant IsDB Purchase Agreement or, as the case may be, pursuant to the Sale Undertaking Deed and the relevant Sale Agreement, in return for a purchase price (to be specified in the relevant IsDB Purchase Agreement or Sale Agreement, as the case may be) equal to: (a) the Aggregate Nominal Amount specified in the applicable Final Terms (or the applicable 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 12 (*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 IsDB 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 Supplemental Trust Deed, 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 Supplemental Trust Deed, 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 Trust Deed (by way of partial distribution of the relevant Certificateholder Entitlement);
- (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 or (where permitted under the Master Trust Deed, the relevant Supplemental Trust Deed, the Trust Certificates and the Conditions so to do) any Certificateholder 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 Deed, the relevant Series of 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 IsDB, the Delegate and the Trustee shall 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 by way of distributing the remainder of the relevant Certificateholder Entitlement; and
- (d) FOURTHLY to pay all remaining amounts to the IsDB by way of an Incentive Fee (as defined in the Master Wakala Agreement), for acting as Wakeel in relation to the Programme.

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 (subject to contrary instructions or an Extraordinary Resolution of Certificateholders provided to the Delegate):

- (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 IsDB 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 or the relevant Supplemental Trust Deed, 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 Programme without: (i) the prior approval of the Certificateholders of the relevant Series by way of Extraordinary Resolution or otherwise in accordance with Clause 15 (*Waiver and Amendments*) of the Master Trust Deed; and (ii) first notifying the Rating Agencies of the proposed amendments and subsequently providing the Rating Agencies with copies of the relevant executed amended Programme Documents or Transaction Documents;
- (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 or the relevant Transaction Documents, as the case may be;
 - (ii) the ownership, management and disposal of Trust Assets as provided in the Programme Documents or the relevant Transaction Documents, 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 applicable Final Terms or Pricing Supplement, as the case may be, as being applicable.

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 Fixed Amount

The Periodic Distribution Amount payable in respect of each Trust Certificate for any Return Accumulation Period shall be the relevant Fixed Amount and, if the Trust Certificates are in more than one Specified Denomination, shall be the relevant Fixed Amount in respect of the relevant Specified Denomination.

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 14 (*Dissolution Events*) below, and unless otherwise specified in the applicable Final Terms or the applicable Pricing Supplement, as the case may be, each Periodic Distribution Amount will be made in respect of the relevant Trust Certificates in arrear 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 applicable Final Terms or the applicable 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 **Calculation of Periodic Distribution Amount**

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 calculated by the Calculation Agent 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.

7.8 **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 Condition 7.7 (*Calculation of Periodic Distribution Amount*) above and any such determination shall be deemed to be a determination by the Calculation Agent.

7.9 **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 (in the absence as referred to above). No liability to the Trustee, the IsDB, 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 applicable Final Terms or the applicable Pricing Supplement, as the case may be, as being applicable.

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 applicable Final Terms or the applicable 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 applicable Final Terms or the applicable 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.

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: (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).

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 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 the relevant 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.

8.6 **Calculation of Other Amounts**

If the applicable Final Terms or the applicable 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 applicable Final Terms or the applicable Pricing Supplement, as the case may be.

8.7 **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 8.6 (*Calculation of Other Amounts*) above and any such determination shall be deemed to be a determination by the Calculation Agent.

8.8 **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, as the case may be) 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.

8.9 **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 IsDB, 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 Certificate of Registration 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 relevant 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 relevant Register at that time.

All such payments will be made subject to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions described in Condition 12 (*Taxation*).

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 Certificate of Registration is surrendered at the Specified Office of an Agent.

Unless otherwise specified in the applicable Final Terms or the applicable 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 Certificate of Registration (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 relevant 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 the IsDB 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 their Specified Offices at the date of the Base Prospectus are set out at the end of the Base Prospectus. Each of the Trustee and the IsDB 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 and/or Replacement Agent having its Specified Office in any place required by such competent authority, stock exchange and/or quotation system;
- (d) it will at all times maintain a Replacement Agent; and
- (e) 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 17 (*Notices*).

11 CAPITAL DISTRIBUTIONS OF TRUST

11.1 Scheduled Dissolution

Unless the Trust Certificates are redeemed earlier, each Series of Trust Certificates will be dissolved 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 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.

11.2 Early Dissolution for Tax Reasons

The Trust in respect of a Series of Trust Certificates may be dissolved at the option of the Trustee (with the prior written consent of the IsDB) in whole, but not in part:

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

- (c) 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) the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*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 date of issue of the Trust Certificates in respect of such Series; and
 - (ii) such obligation cannot be avoided by the Trustee taking reasonable measures available to it,

provided, however, that no such notice of dissolution shall be given unless the Trustee has received the relevant notice from the IsDB under the Sale Undertaking Deed and no such notice of dissolution shall be given earlier than:

- (d) where the relevant Series of Trust Certificates may be dissolved at any time, 90 days prior to the earliest date 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

where the relevant Series of Trust Certificates may be dissolved only on a Periodic Distribution Date, 60 days prior to the Periodic Distribution Date occurring immediately before the earliest date on which the Trustee would be obliged to pay such additional amounts if a payment in respect of the Trust Certificates 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, which shall be binding on the Certificateholders, stating that the Trustee is entitled to effect such dissolution and setting forth a statement of facts showing that the conditions precedent in (A) and (B) above to the right of the Trustee so to dissolve have occurred; and (b) an opinion of independent legal advisors of recognised standing to the effect that the Trustee has or will become obliged to pay such additional amounts as a result of such change or amendment. 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 dissolve the Trust Certificates in accordance with this Condition 11.2 (*Early Dissolution for Tax Reasons*). Upon such 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 applicable Final Terms or the applicable Pricing Supplement, as the case may be, as being applicable, the relevant Trust in respect of such Series of Trust Certificates may be dissolved at the option of the Trustee (with the prior written consent of the IsDB) 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 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*) above.

11.5 **Cancellation**

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

12 **TAXATION**

All payments in respect of the Trust Certificates 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 Certificate of Registration 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 Certificate of Registration 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 12.

13 **PRESCRIPTION**

The rights to receive distributions in respect of the Trust Certificates will be forfeited unless presented for payment within periods of 10 years (in the case of Final Dissolution Amounts) and five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof.

14 **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;
- (c) an IsDB Event occurs under the Wakala 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 IsDB's balance sheet; or
- (e) the Trustee repudiates any Programme 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 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, 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, 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 principal amount of the Trust Certificates of the relevant Series for the time being outstanding, and subject to the provisions of Condition 15.2 (*Enforcement by the Delegate*) shall, by written notice addressed to the Trustee and the IsDB and delivered to the Trustee and the IsDB or to the Specified Office of the Principal Paying Agent, declare the Trust in respect of the Trust Certificates of the relevant Series to be dissolved and the relevant Trust Certificates immediately due and payable, whereupon they shall become immediately due and payable at their Dissolution Amount together with accrued Periodic Distribution Amounts (if any). Notice of any such declaration shall promptly be given to the Certificateholders of the relevant Series in accordance with Condition 17 (*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 applicable Final Terms or the applicable 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 IsDB shall notify the Delegate promptly following the occurrence of a Dissolution Event.

15 ENFORCEMENT AND EXERCISE OF RIGHTS

15.1 Enforcement

The Delegate may at any time, at its discretion and without notice, take such proceedings and/or other steps as it may think fit against or in relation to each of the Trustee and/or the IsDB to enforce their respective obligations under the Guarantee, the Master Trust Deed, the applicable Supplemental Trust Deed, the Conditions and the relevant Trust Certificates or any other Programme Document or Transaction Document.

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 IsDB) to recover any such sum in respect of the Trust Certificates or the relevant Trust Assets.

15.2 Enforcement by the Delegate

The Delegate shall not be bound to take any action to enforce or to realise the Trust Assets or take any proceedings or any other steps against the Trustee and/or the IsDB under any Programme Documents or Transaction Documents to which the Trustee or the IsDB is a party unless requested to do so (a) by an Extraordinary Resolution or (b) in writing by the Certificateholders holding at least one-fifth in principal amount of the Trust Certificates then outstanding and in either case then only if it shall be indemnified, 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.

In addition, the Delegate shall not be bound to provide any instructions to the Trustee to take any action pursuant to Condition 15.1 (*Enforcement*) unless it has express notice of the occurrence of a Dissolution Event.

15.3 Direct enforcement by Certificateholders

No Certificateholder shall be entitled to proceed directly against the Trustee or the IsDB unless (a) the Delegate, having become bound so to proceed, fails to do so within a reasonable period 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 IsDB, as the case may be) holds at least 20 per cent. of the then outstanding aggregate face amount of the relevant Series. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the relevant Trust Assets and the sole right of the Delegate and the Certificateholders against the Trustee and the IsDB shall be to enforce their respective obligations under the Programme Documents and Transaction Documents.

The foregoing paragraphs in Condition 15 (*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 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.

15.4 **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 by the Trustee or the Trust or any agents thereof except to the extent that funds are available therefor from the Trust Assets of the relevant Series of Trust Certificates.

Certificateholders by subscribing for or acquiring the Trust Certificates acknowledge that no recourse may be had for the payment of any amount owing in respect of the Trust Certificates against the Trustee or the Trust to the extent the Trust Assets have been exhausted.

In addition, no Certificateholder will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, *désastre*, 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 Trust Certificates do not represent an interest in or obligation of any of the Trustee, the Delegate, the Agents or any of their affiliates. The proceeds of the relevant Trust Assets are the sole source of payment on the Trust Certificates of such Series and the net proceed 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 (other than Trust Assets of the relevant Series of Trust Certificates), the IsDB, to the extent it fulfils its obligations under the Programme Documents and Transaction Documents to which it is a party, the Delegate or 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 enforced, realised and fully discharged following which all the obligations of the Trustee shall be extinguished. The Delegate will, as delegate to the Trustee for the Certificateholders, have direct recourse against the IsDB to recover payments due to the Trustee from the IsDB pursuant to such Transaction Document.

16 **REPLACEMENT OF CERTIFICATES OF REGISTRATION**

Should any Certificate of Registration 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 Certificates of Registration must be surrendered before replacements will be issued.

17 **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.

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

No Certificateholder may directly provide instructions to the Trustee.

The Master Trust Deed contains provisions for the Delegate and/or the IsDB 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 or any of the provisions of the Master Trust Deed, any other Programme Document, any Supplemental Purchase Agreement, any Additional Portfolio Assets Sale Agreement, any Supplemental Wakala Agreement or any Supplemental Trust Deed, provided that the IsDB shall not be entitled to 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 not less than one-fifth in principal amount of the relevant Series of the Trust Certificates for the time being outstanding, or at any adjourned such meeting one or more Certificateholders, proxies or representatives present whatever the principal amount of the Trust Certificates held or represented by him or them. To be passed, an Extraordinary Resolution requires a majority in favour consisting of not less than two-thirds of the persons voting on a show of hands or, if a poll is duly demanded, a majority of not less than two-thirds 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 90 per cent. 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, 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. In addition, the Delegate may from time to time and at any time without any consent or sanction of the Certificateholders: (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 Transaction Document; or (ii) determine that any 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. The Delegate shall be entitled to assume, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to the Trust Certificates, that such exercise will not be

materially prejudicial to the interests of the Certificateholders of the relevant Series if each Rating Agency that has assigned a rating to such Series has confirmed in writing (whether or not addressed to the Delegate) that its rating would not be adversely affected by such exercise.

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 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 12 (*Taxation*).

Any modification, abrogation, waiver, authorisation or determination shall be binding on all the Certificateholders and, unless the Delegate otherwise decides, the Delegate shall be required to notify the Certificateholders of any modification as soon as practicable thereafter in accordance with Condition 17 (*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 IsDB and the Certificateholders of each Series of Trust Certificates then outstanding, provided that no such removal or retirement may become effective until a successor Delegate is appointed.

19 PURCHASES OF CERTIFICATES

The IsDB and/or any Subsidiary of the IsDB may at any time purchase Trust Certificates at any price in the open market or otherwise.

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 it from taking action unless indemnified and/or secured to its satisfaction.

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 any 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 IsDB; 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 IsDB 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 Programme Documents (other than the Corporate Services Agreement), each Supplemental Purchase Agreement, each Additional Portfolio Assets Sale Agreement, each Supplemental Trust Deed, each Supplemental Wakala Agreement, each IsDB Purchase Agreement and each Guarantor Certificate, and any non-contractual obligations arising out of or in connection with any of them (other than the Corporate Services Agreement) 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 Certificates and these Conditions (including any dispute as to the existence, validity, interpretation, performance, breach or termination of Trust Deed, the 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 (each as defined in the Rules) (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 IsDB:

- (a) within 28 days of service of a Request for Arbitration; 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 IsDB), 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 IsDB submits to the exclusive jurisdiction of such courts;
- (b) each of the Trustee and the IsDB 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**

Each of the Trustee and the IsDB has in the Master Trust Deed appointed Intertrust Corporate Services (UK) Limited at its registered office 6th Floor, 11 Old Jewry, London EC2R 8DU, United Kingdom as its agent for service of process and has undertaken that, in the event of Intertrust Corporate Services (UK) Limited ceasing so to act or ceasing to be registered in England, it will appoint another person approved by the IsDB 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 IsDB 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 in a Member Country of the IsDB, no form of service, attachment or execution may be exercised against the property and assets of the IsDB before delivery of final judgment against the IsDB.

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 *Shari'a* 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 or the Transaction Documents, the parties expressly waive and reject the entitlement to recover interest from the other party.

FORM OF FINAL TERMS

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

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Trust Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); (ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRiIPs Regulation**) for offering or selling the Trust Certificates or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Trust Certificates or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[•]

IDB Trust Services Limited

Issue of [•] [•]

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 DEVELOPMENT BANK

under the

U.S.\$25,000,000,000

Trust Certificate Issuance Programme

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Trust Certificates in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) as amended (which includes the amendments made by Directive 2010/73/EU (the **2010 PD Amending Directive**)) and any implementing measures in the relevant Member State (the **Prospectus Directive**) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of 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 Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer, the IsDB 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 the Base Prospectus dated 22 February 2018 [and the supplemental Base Prospectus dated [•] 201[•]] which [together] constitute[s] a base prospectus (the **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 and must be read in conjunction with the base prospectus dated 22 February 2018 [and supplement(s) to it dated [date]].

Full information on the Issuer, the IsDB and the offer of the Trust Certificates described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The 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 the Base Prospectus.]

[Terms used herein shall be deemed to be defined as such for the purposes of the [*Insert relevant date of the Conditions*] Conditions (the **Conditions**) incorporated by reference in the base prospectus dated 22 February 2018. These Final Terms contain the final terms of the Trust Certificates and must be read in conjunction with the base prospectus dated 17 October 2016 [and supplement(s) to it dated [date]] which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of Directive 2003/71/EC, as amended (the **Prospectus Directive**), save in respect of the Conditions which are set forth in the base prospectus dated [*original date*] and are incorporated by reference in the Base Prospectus. This document constitutes the Final Terms relating to the issue of Trust Certificates described herein for the purposes of Article 5.4 of the Prospectus Directive.

Full information on the Issuer, the IsDB and the offer of Trust Certificates defined herein is only available on the basis of the combination of these Final Terms, the base prospectus dated 22 February 2018 [and the supplement[s] dated [•] [and[•]]]. The Base Prospectus has been published on the London Stock Exchange's website at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.]

1	(i) Issuer, Trustee:	IDB Trust Services Limited
	(ii) Guarantor (in respect of payment obligations under the Portfolio):	The Islamic Development Bank (the IsDB)
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. per annum 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 (i) Call Options: [Not Applicable/Optional Dissolution Call]
[*further particulars specified below*]
- (ii) Date Board approval for issuance of Trust Certificates obtained: [Not Applicable] []
- 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)]
- 15 Floating Periodic Distribution [Applicable/Not Applicable]

Amount Provisions

- (i) Specified Periodic Distribution Dates: []
- (ii) Specified Period: []
- (iii) Business Day Convention: [Floating Rate Convention/FRN 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 (*Screen Rate Determination*) applies)] []
- (vi) Party responsible for calculating the Rate(s) and/or Periodic Distribution Amount(s) (if not the Principal Paying Agent): [Not Applicable/[Name] shall be the Calculation Agent]
- (vii) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: [] calculated in accordance with Condition 8.3 (*Screen Rate Determination*)
 - 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] |
| | – Optional Dissolution Amount (Call) | [Final Dissolution Amount/[] per Calculation Amount] |
| | – Optional Dissolution Date (Call) | [Any Periodic Distribution Date] [] |
| | – 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 [(e)] inclusive of Condition 14 (<i>Dissolution Events</i>) |

GENERAL PROVISIONS APPLICABLE TO THE TRUST CERTIFICATES

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

DISTRIBUTION

- | | | |
|----|-----------------------------------------------|-------------------------------------------------------------------------------|
| 22 | If syndicated, names of Managers: | [Not Applicable] [] |
| 23 | If non-syndicated, name of Dealer: | [Not Applicable] [] |
| 24 | Additional selling restrictions: | [Not Applicable] [See Schedule [] of the [subscription] agreement dated []] |
| 25 | Prohibition of Sales to EEA Retail Investors: | [Applicable/Not Applicable] |

[RESPONSIBILITY]

[*Relevant third party information*] has been extracted from [*specify source*]. Each of the Issuer and the IsDB 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 **IDB Trust Services Limited:**

By:
Duly authorised

Signed on behalf of the **Islamic Development Bank:**

By:
Duly authorised

Part B– Other Information

1 LISTING

- (i) Listing [London] [London and Bursa Malaysia [and Nasdaq Dubai]]
- (ii) Admission to trading [Application has been made by the Issuer (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 Issuer (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 [].]

2 RATINGS

- Ratings: The Trust Certificates to be issued have been rated:
- [S & P: []]
- [Moody's: []]
- [Fitch: []]

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 the Base Prospectus, so far as the Issuer or the IsDB 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 Issuer or the Guarantor 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 Issuer [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:
- (ii) Common Code:
- (iii) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S. A. 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):

8 USE OF PROCEEDS

In accordance with the section of the Base Prospectus titled "*Use of Proceeds*".

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.

[MIFID II PRODUCT GOVERNANCE – [appropriate target market legend to be included].]

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Trust Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); (ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Trust Certificates or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Trust Certificates or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

Dated []

IDB Trust Services Limited Issue of [•] [•]

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 DEVELOPMENT BANK under the U.S.\$25,000,000,000 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 22 February 2018 [as supplemented by the supplement[s] dated [date[s]]] (the **Base Prospectus**). Full information on the Issuer [, 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.

[Terms used herein shall be deemed to be defined as such for the purposes of the [*Insert relevant date of the Conditions*] Conditions (the **Conditions**) incorporated by reference in the base prospectus dated 22 February 2018. This Pricing Supplement contains the pricing supplement of the Trust Certificates and must be read in conjunction with the base prospectus dated 22 February 2018 [and the supplement(s) to it dated [*date*]] which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of Directive 2003/71/EC, as amended (the **Prospectus Directive**), save in respect of the Conditions which are set forth in the base prospectus dated [*original date*] and are incorporated by reference in the Base Prospectus. This document constitutes the Pricing Supplement relating to the issue of Trust Certificates described herein for the purposes of Article 5.4 of the Prospectus Directive.

Full information on the Issuer, the IsDB and the offer of Trust Certificates defined herein is only available on the basis of the combination of this Pricing Supplement, the base prospectus dated 17 October 2016 [and the supplement[s] dated [*•*] [and[*•*]]]. The Base Prospectus has been published on the London Stock Exchange's website at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.]

[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: | IDB Trust Services Limited |
| | (ii) Guarantor (in respect of payment obligations under the Portfolio): | The Islamic Development Bank (the IsDB) |
| 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. per annum] Fixed Periodic Distribution Amount
[[] +/-[] per cent. per annum Floating Periodic Distribution Amount]
[Screen Rate Determination] (<i>further particulars</i>) |

specified below)

- 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] [(*further particulars specified below*)]
- (ii) Date Board approval for issuance of Trust Certificates obtained: [Not Applicable] []
- 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)]
- 15 Floating Periodic Distribution Amount Provisions [Applicable/Not Applicable]
- (i) Specified Periodic Distribution Dates: []
- (ii) Specified Period: []
- (iii) Business Day Convention: [Floating Rate Convention/FRN 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 (*Screen Rate Determination*) applies)] []
- (vi) Party responsible for calculating the Rate(s) and/or Periodic Distribution Amount(s) (if not the Principal Paying Agent): [Not Applicable/[Name] shall be the Calculation Agent]
- (vii) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: [] calculated in accordance with Condition 8.3 (*Screen Rate Determination*)
 - 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]
- Optional Dissolution Amount (Call) [Final Dissolution Amount/[] per Calculation Amount]
 - Optional Dissolution Date (Call) [Any Periodic Distribution Date] []
 - 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 [(e)] inclusive of Condition 14 (*Dissolution Events*)

GENERAL PROVISIONS APPLICABLE TO THE TRUST CERTIFICATES

20 Additional Financial Centre(s) or other special provisions relating to Periodic Distribution Dates: []

21 Other terms or special conditions [Not Applicable] []

DISTRIBUTION

22 If syndicated, names of Managers: [Not Applicable] []

23 If non-syndicated, name of Dealer: [Not Applicable] []

24 Additional selling restrictions: [Not Applicable] [See Schedule [] of the [subscription] agreement dated []]

25 Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

[RESPONSIBILITY

[*Relevant third party information*] has been extracted from [*specify source*]. Each of the Issuer and the IsDB 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 **IDB Trust Services Limited:**

By:

Duly authorised

Signed on behalf of the **Islamic Development Bank:**

By:

Duly authorised

Part B – Other Information

1 LISTING

- (i) Listing [Nasdaq Dubai/[Bursa Malaysia (Exempt Regime)]/Other/None]
- (ii) Admission to trading [Application has been made by the Issuer (or on its behalf) for the Trust Certificates to be admitted to trading on the Nasdaq Dubai/[Bursa Malaysia/other] with effect from [].] [Application is expected to be made by the Issuer (or on its behalf) for the Trust Certificates to be admitted to trading on Nasdaq Dubai/[Bursa Malaysia/other] with effect from [].] [Not Applicable.]

2 RATINGS

- Ratings: The Trust Certificates to be issued have been rated:
- [S & P: []]
- [Moody's: []]
- [Fitch: []]

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 the Base Prospectus, so far as the Issuer or the IsDB 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 Issuer or the Guarantor 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 Issuer [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 SA/NV and Clearstream Banking, S. A. 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):

8 USE OF PROCEEDS

In accordance with the section of the Base Prospectus titled "*Use of Proceeds*".

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

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the beneficial holder of a Trust Certificate represented by a Global Trust Certificate must look solely to Euroclear, Clearstream, Luxembourg or such other clearing system (as the case may be) for such person's share of each payment made by the Trustee to the registered holder of the Global Trust Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such other clearing system (as the case may be). Such persons shall have no claim directly against the Trustee in respect of payments due on any Trust Certificates for so long as such Trust Certificates are represented by a Global Trust Certificate and such obligations of the Trustee will be discharged by payments to the registered holder of the relevant Global Trust Certificate in respect of each amount so paid. References in these "*Form of Trust Certificates*" to **Accountholder** are to those persons shown in the records of the relevant clearing system as a holder of a Trust Certificate.

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.

Unless otherwise specified in the applicable Final Terms or the applicable Pricing Supplement, as the case may be, each Global Trust Certificate will become exchangeable in whole, but not in part, for Individual 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 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 IsDB and (if so directed by the Certificateholders) the Delegate is available; or
- (b) if the Trustee would suffer a disadvantage as a result of a change in taxation laws or regulations which would not be suffered were the Trust Certificates in individual registered form and a certificate to such effect signed by a Director of the Trustee and the President (or other duly authorised person) of the IsDB is given to the Delegate; or
- (c) if otherwise specified in the applicable Final Terms or the applicable 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 Trust Certificates.

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

Whenever a Global Trust Certificate is to be exchanged for Individual Trust Certificates, such Individual Trust Certificates will be issued in an aggregate principal amount equal to the principal 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 Trust Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Trust Certificates are to be registered and the principal 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 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.

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 depositary as the registered holder of the relevant Trust Certificates. After receipt of any payment from the Principal Paying Agent to the common depositary, 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.

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 17 (*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 or (as the case may be) such alternative clearing system provided that, in the case of any Trust Certificates listed, traded or quoted on a Stock Exchange, publication shall also be made as required by Condition 17 (*Notices*) for so long as the rules of such Stock Exchange so require. 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.

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

DESCRIPTION OF THE TRUSTEE

Introduction

The Trustee was incorporated in Jersey on 17 February 2005 as a limited par value company pursuant to the Companies (Jersey) Law 1991, with registered number 89541. The registered office of the Trustee is 44 Esplanade, St Helier, Jersey JE4 9WG. The Trustee's authorised share capital, at the date of this Base Prospectus, is £10,000, divided into 10,000 shares of £1.00 each. The Trustee's issued share capital is £2.00 divided into two shares of £1.00 each.

All of the issued shares of the Trustee are held by or on behalf of Intertrust Corporate Trustee (Jersey) Limited as share trustee, under the terms of a declaration of trust dated 16 February 2005 establishing a charitable trust.

The principal objects of the Trustee are set out in its memorandum of association and these permit the Trustee to act as trustee generally and to issue trust certificates in respect of any such trust, to borrow or raise money and to grant security over its assets for the performance of its obligations or the payment of money.

The Trustee was established to raise capital by the issue of Trust Certificates and to use the net proceeds of such issuance to purchase the Portfolio in accordance with the Master Purchase Agreement and each Supplemental Purchase Agreement.

Since its incorporation, the Trustee has not engaged in any material activities other than those incidental to its registration as a limited par value company under the Companies (Jersey) Law 1991, the authorisation and issue of the Trust Certificates, the matters contemplated in this Base Prospectus, the authorisation of the other Programme Documents referred to in this Base Prospectus or in connection with the issue of the Trust Certificates and other matters which are incidental or ancillary to those activities. The Trustee has no employees.

There is no intention to accumulate surplus cash in the Trustee except in the circumstances set out in the Master Trust Deed and (if applicable) the relevant Supplemental Trust Deed. There is no requirement under Jersey law for the Trustee to register or publish audited or unaudited accounts, although the Trustee has published audited accounts for previous years. The audited accounts of the Trustee for the year ended 30 Dhul Hijjah 1436H (13 October 2015) and for the period ended 31 December 2016 and subsequent annual audited accounts will be made available for inspection by Certificateholders at the registered office of the Trustee within seven days of such reports and accounts being delivered to the Trustee. In addition, such accounts will be made available for inspection and will be obtainable free of charge on application at the specified office of the Principal Paying Agent. The auditor of the financial statements of the Trustee is BDO Alto Limited of Windward House, La Route de la Liberation, St Helier, Jersey JE1 1BG.

Directors and Secretary

At the date of this Base Prospectus, the Directors of the Trustee and their respective business addresses and principal activities or business occupations are:

<i>Name</i>	<i>Business Address</i>	<i>Principal Activities Outside the Trustee</i>
Stephen Langan	44 Esplanade St Helier, Jersey JE4 9WG	Director in fiduciary trust company
Cheryl Heslop	As above	Manager in fiduciary trust company

At the date of this Base Prospectus, the Company Secretary of the Trustee is Intertrust SPV Services Limited (formerly known as Elian SPV Services Limited and Ogier SPV Services Limited) with the business address 44 The Esplanade, St Helier, Jersey JE4 9WG.

Cheryl Heslop and Stephan Langan are directors of certain subsidiaries of Intertrust Fiduciary Services (Jersey) Limited, including Intertrust SPV Services Limited. Intertrust Fiduciary Services (Jersey) Limited is the holding company of Intertrust Corporate Trustee (Jersey) Limited, the trustee of IDB Trust Services Charitable Trust, and Intertrust SPV Services Limited (formerly known as Elian SPV Services Limited and Ogier SPV Services Limited), the secretary of and corporate services provider to the Trustee.

There are no potential conflicts of interest between any duties toward the Trustee of any of the persons referred to above and their respective private interests and/or duties.

The Trustee's activities will comprise the issue of Trust Certificates, the purchase of the Portfolio pursuant to the Master Purchase Agreement, the Supplemental Purchase Agreement and the Additional Portfolio Assets Sale Undertaking Deed, the entering into all documents relating to such issue and purchase to which it is expressed to be a party and the exercise of related rights and powers and other activities referred to in this Base Prospectus or reasonably incidental to those activities.

DESCRIPTION OF THE ISDB

The following description includes financial information derived from the audited financial statements of the IsDB - OCR as at and for the period ended 31 December 2016 and the financial information as at and for the year ended 30 Dhul Hijjah 1436H (13 October 2015) also derived from the comparative financial information included in the audited financial statements of the IsDB – OCR as at and for the period ended 31 December 2016. The audited financial statements of the IsDB – OCR for the period ended 31 December 2016 have been approved by the Board of Governors (as defined below) of the IsDB on 18 May 2017 and the audited financial statements for the year ended 30 Dhul Hijjah 1436H (13 October 2015) were approved by the Board of Governors of the IsDB on 12 Sha'baan 1437H (19 May 2016).

The following description also includes information derived from the annual reports of the IsDB - OCR for the year ended 30 Dhul Hijjah 1436H (13 October 2015) and the period ended 31 December 2016. 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.

Introduction

The Islamic Development Bank (the **IsDB**) was established on 24 Rajab 1394H (12 August 1974) pursuant to the articles of agreement (the **Articles of Agreement**) among and between its founding Member Countries (as defined below) and began operating as a multilateral development bank on 15 Shawwal 1395H (20 October 1975).

The IsDB's purpose is to foster the economic development and social progress of its Member Countries as well as of Muslim communities in non-Member Countries in accordance with the principles of *Shari'a* (Islamic law) (see “*Description of the IsDB - The IsDB Member Countries*” for further details). The IsDB pursues this goal by providing project financing, loans and technical assistance as well as establishing and managing special funds and trust funds.

The principal office of the IsDB is located at 8111 King Khalid Street, Al Nuzlah Al Yamania District – Unit No. 1, Jeddah 22332-2444 in the Kingdom of Saudi Arabia.

As at the date of this Base Prospectus, the IsDB is in the process of implementing a paradigmatic shift towards a decentralised business delivery model by establishing eleven decentralised sub-regional hubs. These hubs will be responsible and accountable for the IsDB's business development, delivery, revenue generation, resource mobilisation, and branding initiatives and activities in the Member Countries. The IsDB believes this decentralised field presence will allow the IsDB to shift its focus towards becoming an open platform to allow active engagement in the IsDB's project life cycle, programs and resource mobilisation initiatives.

In line with the IsDB's decentralisation plan, existing field offices in Morocco, Kazakhstan, Senegal, Turkey, Indonesia, Nigeria and Bangladesh will be restructured to become fully functional regional hubs in 2018. The remaining four regional hubs in Dubai, Uganda, Egypt and Suriname are expected to be established and operational during the latter half of 2019 or early 2020. The decentralised regional hubs will be supervised by a single-point delegation of authority and will be monitored by an accountability team to ensure that the regional hubs are accountable for the execution of the IsDB's annual targets for business development, delivery, resource mobilisation and revenue generation.

The IsDB – OCR's financial year used to be the lunar Hijrah year, which is approximately 11 days shorter than the solar Gregorian year. However, from 1 January 2016, the financial year was amended to be the solar Hijrah year which starts on 11th Capricorn (corresponding to 1 January) and ends on 10th Capricorn (corresponding to 31 December) of every year. As such, the most recent financial year of the IsDB – OCR started on 14 October 2015 and ended on 31 December 2016.

Legal Status of the IsDB

The IsDB is an international organisation and derives its legal personality from public international law. As a result, it is able to enter into contracts, acquire and dispose of property and take legal action. The Articles of Agreement have been signed and ratified or accepted by each of the IsDB's Member Countries.

As a supranational institution, the IsDB is not subject to national banking regulation and is not supervised by any external regulatory authority. It is, however, closely supervised by its organs, namely, the Board of Governors of the IsDB (the **Board of Governors**) and the Board of Executive Directors of the IsDB (the **Board of Executive Directors**) (see “*Description of the IsDB - Description of the IsDB Board of Governors*” and “*Board of Executive Directors*” for further details). Moreover, in each Member Country the IsDB has been granted an exemption from all taxes and tariffs on assets, property or income, and from any liability involving payment, withholding or collection of any taxes.

The IsDB is required to carry out its activities in accordance with the principles of *Shari'a*. The fundamental principle underlying the *Shari'a* approach to financial matters is that to earn a profit it is always necessary to take a risk. The concept of a bank deposit or bank loan that earns interest but whose principal must be repaid in full does not fit in with this underlying principle. In practice, the *Shari'a* financing approach means that all Islamic finance is asset based.

The principles of *Shariah* are regularly clarified by the International 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 IsDB has established its own Shariah board (the **IsDB Group Shariah Board**) to give its opinion on matters on which the *Fiqh* Academy has not yet made any pronouncement. In particular, the IsDB submits proposals for transactions and products to be used by the IsDB for the first time (and which raise fundamental issues of *Shariah*) to the IsDB Group *Shariah* Board for a ruling on the conformity of such proposals with the principles of *Shari'a*.

The IsDB - OCR's unit of account and exchange rates used in this Base Prospectus

The unit of account of the IsDB - OCR is the Islamic Dinar (ID). At the date of this Base Prospectus, one ID is equal to one SDR of the International Monetary Fund (**IMF**). The IMF revises the SDR valuation every five years. With effect from 1 October 2016, the IMF has assigned the following weights to the five component currencies of the SDR: U.S. Dollar (41.73 per cent.), euro (30.93 per cent.), Japanese Yen (8.33 per cent.), Chinese Renminbi (10.92 per cent.) and British Pound Sterling (8.09 per cent.).

The U.S. Dollar amounts in parentheses after ID amounts in this Base Prospectus are only indicative and approximations of actual amounts in ID which may vary from the U.S. Dollar figures used in the annual report and audited financial statements of the IsDB - OCR. For the purpose of simplicity and except where otherwise indicated, all financial statement figures for the period ended 31 December 2016 and the year ended 30 Dhul Hijjah 1436H (13 October 2015) have been converted using exchange rates of ID1 = U.S.\$1.344330 and ID1 = U.S.\$1.41162, ID1 = 1.092780 GBP and ID1 = 0.926072 GBP, and ID1 = 1.275340 EUR and ID1 = 1.241090 EUR, respectively.

Capital Structure and Ownership

Capital Structure

The IsDB - OCR's ordinary operations are funded primarily by its equity, which comprises principally funds derived from paid up share capital and reserves and is supplemented by resources mobilised from the market.

As at the date of this Base Prospectus, the IsDB - OCR's debt obligations are comprised of the following:

- U.S.\$1,000 million trust certificates due 2018;
- EUR 300 million trust certificates due 2018;
- U.S.\$1,500 million trust certificates due 2019;
- U.S.\$1,000 million trust certificates due 2019;
- U.S.\$1,500 million trust certificates due 2019;
- U.S.\$1,000 million trust certificates due 2020;
- EUR 100 million trust certificates due 2020;
- EUR 100 million trust certificates due 2020;
- two tranches of Saudi Riyals (**SAR**) 937.5 million trust certificates each due 2020;
- EUR 300 million trust certificates due 2020;
- U.S.\$1,500 million trust certificates due 2021;
- U.S.\$100 million trust certificates due 2021;
- U.S.\$ 1,250 million trust certificates due 2021;
- U.S.\$ 1,250 million trust certificates due 2022;
- U.S.\$ 1,250 million trust certificates due 2022;
- EUR 300 million trust certificates due 2023;
- EUR 300 million trust certificates due 2024; and
- EUR 150 million trust certificates due 2024.

However, due to the overriding discipline imposed by *Shari'a*, the IsDB has built in mandatory business policies, accounting standards and policy defences to keep its balance sheet exposure within prudent limits while raising funds from the market. For example, Article 21 of the Articles of Agreement requires that the total amount of equity investments, amounts of loans outstanding and other ordinary operations of the IsDB - OCR do not exceed, at any time, the total amount of unimpaired subscribed share capital, reserves, deposits, other funds raised and surplus included in the IsDB's Ordinary Capital Resources. As at 31 December 2016, the debt to equity ratio was 114.2 per cent. and the equity to total assets ratio was 45.9 per cent. The Board of Executive Directors approved an increase in the ceiling of debt to equity ratio from 100 per cent. to 175 per cent. in December 2017.

As a multilateral institution, the IsDB 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 IsDB develops and implements its own prudential financial and risk management policies, as approved by the Board of Executive Directors, which take into account international best practices. For example, the IsDB's current capital adequacy framework in accordance with the Basel Committee on Banking Supervision and Islamic Financial Services Board capital adequacy standards. The IsDB's asset and liability management framework is in accordance with the IsDB's standards, industry best practices and applicable regulatory standards.

As at 31 December 2016, the IsDB - OCR had an authorised share capital of ID100 billion (U.S.\$ 134.43 billion), comprised of 10.0 million shares with a par value of ID10,000 (U.S.\$13,443) per share.

During the course of 1429H (2008), the IsDB - OCR's subscribed capital increased from ID15 billion to ID16 billion in accordance with a resolution passed by the Board of Governors during the IsDB's 33rd annual meeting held in Jeddah on 30 Jumad Awwal 1429H (4 June 2008). This increase was approved by the Board of Governors to accommodate the request of the State of Qatar (**Qatar**) to increase its subscription to 8.65 per cent. of the IsDB - OCR subscribed capital in order to have the right to appoint a permanent member on the Board of Executive Directors.

On 12 Rajab 1431H (24 June 2010), the IsDB - OCR's subscribed capital was further increased from ID16 billion to ID18 billion in accordance with a resolution passed by the Board of Governors during its 35th annual meeting held in Baku, Azerbaijan. This increase was approved by the Board of Governors to accommodate the request by Nigeria to increase its subscription to ID1,384 million, or 8.65 per cent. of the IsDB - OCR's subscribed capital. The increase enabled Nigeria to appoint a permanent member to the Board of Executive Directors.

On 12 Rajab 1434H (22 May 2013), the IsDB - OCR's subscribed capital was further increased by ID32 billion from ID18 billion to ID50 billion in accordance with a resolution passed by the Board of Governors during its 38th annual meeting held in Dushanbe, Tajikistan. This fifth General Capital Increase (**GCI**) is capital callable for guarantee and will not be called up unless the IsDB - OCR fails to meet its obligations in respect of funds raised in the markets or guarantees given for its ordinary operations. In addition, the Board of Governors resolved to call the 50 per cent. cash-callable portion of the fourth GCI over a period of 20 years commencing on 1 January 2016.

As at 31 December 2016, the IsDB - OCR's subscribed share capital was ID50.1 billion (U.S.\$67.4 billion) and comprised of called-up capital of ID9.4 billion (U.S.\$12.6 billion) (which, for the IsDB - OCR's internal assessment purposes, comprises of paid-up capital, instalments due but not yet paid and instalments not yet due) and callable capital in the amount of ID40.7 billion (U.S.\$54.7 billion). Out of the called-up capital, ID5.1 billion (U.S.\$6.9 billion) was paid in as at 31 December 2016 and ID4 billion (U.S.\$5.4 billion) was not yet due as at 31 December 2016.

The IsDB - OCR's subscribed capital is divided into the following components:

- initial capital, which is the capital paid by countries in order to become members of the IsDB;
- general capital increases, of which there have been five, beginning with the additional capital increase on 27 Rabi Thani 1401H (3 March 1981), the second GCI on 4 Muharram 1413H (4 July 1992), the third GCI on 8 Shabaan 1422H (24 October 2001), the fourth GCI on 4 Jumad Awwal 1427H (31 May 2006) and the fifth GCI on 12 Rajab 1434H (22 May 2013); and
- special capital increases, which were approved by the Board of Governors on 16 Shabaan 1412H, 29 Rajab 1419H, 30 Jumad Awwal 1429H, 15 Shaban 1412 and 12 Rajab 1431H (19 February 1992, 18 November 1998, 4 June 2008, 19 February 1992 and 24 June 2010 respectively) to accommodate the request of certain Member Countries (namely, the Republic of Turkey (**Turkey**), the Arab Republic of Egypt (**Egypt**), Qatar, Iran and Nigeria, respectively) to increase their subscriptions in the IsDB's capital.

The IsDB - OCR's subscribed capital is further subdivided into cash callable capital and capital callable for guarantee. The initial capital, the additional capital increase, the second GCI and 50 per cent. of the fourth GCI are cash callable capital. The capital callable for guarantee comprises 100 per cent. of the third and fifth GCIs and the remaining 50 per cent. of the fourth GCI. Capital callable for guarantee is collateral for raising funds from the market and for providing guarantees for its operations which will be called only if the IsDB -OCR fails to meet its obligations in respect of funds raised in the market or

guarantees given for its ordinary operations. Member Countries are irrevocably committed to pay their portion of the subscribed capital in question. Calls are made in freely convertible currencies acceptable to the IsDB - OCR. The IsDB - OCR's shares cannot be pledged or encumbered, and cannot be transferred to any entity other than the IsDB - OCR.

The IsDB Member Countries

Share ownership of the IsDB - OCR is restricted to Member Countries. The basic conditions of membership are that a country must be a member of the OIC and it must pay its contribution to the capital of the IsDB - OCR. As at the date of this Base Prospectus, the IsDB is comprised of 57 Member Countries and the nine principal shareholders (and their respective shareholdings), based on total subscribed capital, are the Kingdom of Saudi Arabia (23.50 per cent.), Libya (9.43 per cent.), Iran (8.25 per cent.), Nigeria (7.66 per cent.), the United Arab Emirates (UAE) (7.51 per cent.), Qatar (7.18 per cent.), Egypt (7.07 per cent.), the State of Kuwait (**Kuwait**) (6.92 per cent.) and Turkey (6.45 per cent.). The IsDB - OCR classifies a Member Country as a principal shareholder if it subscribes to at least 8.65 per cent. of the share capital of the IsDB - OCR outstanding at such time. A principal shareholder's holdings may be subsequently diluted to less than 8.65 per cent. thereafter without necessarily negating its principal shareholder status.

The table below is the IsDB's OCR statement of subscriptions to capital stock and voting power by Member Countries (in alphabetical order) as at 31 December 2016 expressed in million ID.

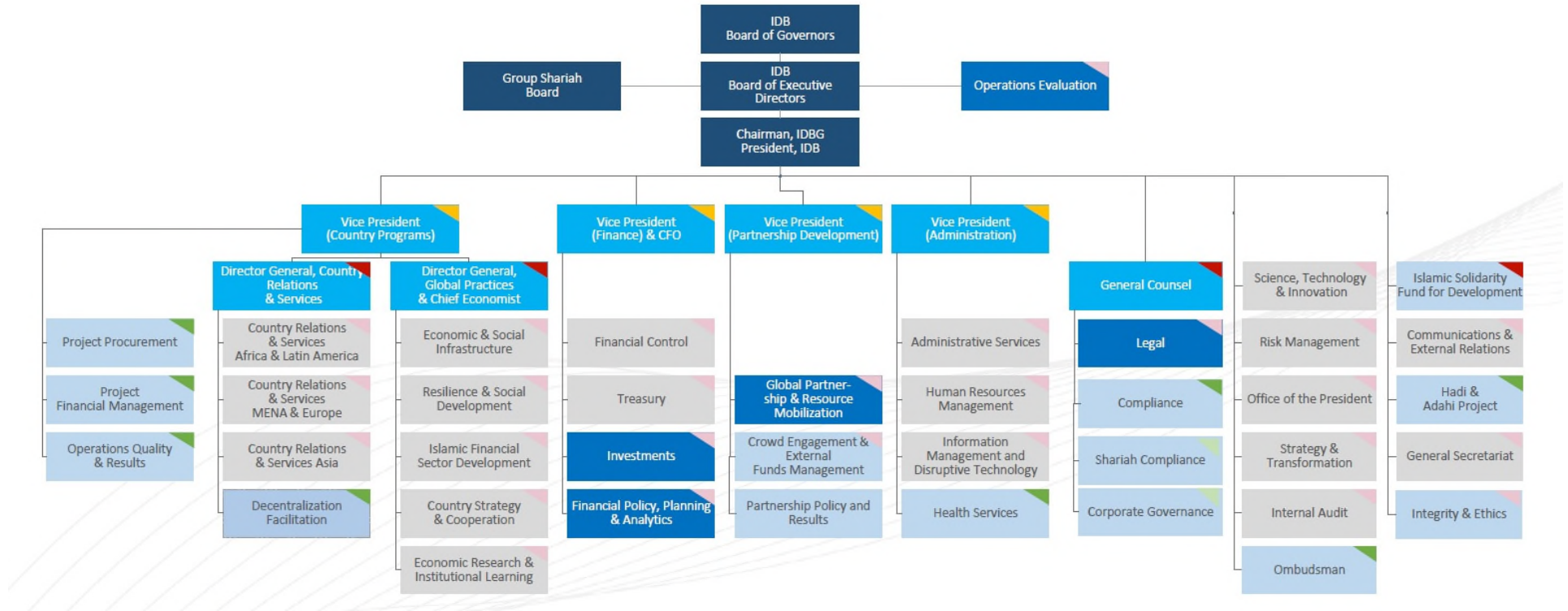
Country	No. of Shares (Units)	Consolidated Position of Subscribed Share Capital				Total Shareholding (%)	Breakdown of Called-up Capital (ID Million)			Voting Power	
		Amount in ID Million			Paid-Up		Over-due	Not Yet Due	No of Votes	Voting (%)	
		Called-Up	Callable	Total							
Saudi Arabia	1,189,680	2,135.85	9,760.95	11,896.80	23.50	1,274.381	0.000	861.469	1,104,033	23.92	
Libya	477,166	856.66	3,915.00	4,771.66	9.43	444.259	51.625	360.776	436,426	9.46	
Iran	417,463	749.48	3,425.15	4,174.63	8.25	447.186	0.000	302.294	387,734	8.40	
Nigeria	387,452	695.59	3,178.93	3,874.52	7.66	159.194	107.129	429.266	334,312	7.24	
United Arab Emirates	379,949	682.12	3,117.37	3,799.49	7.51	398.974	0.390	282.757	352,134	7.63	
Qatar	363,236	653.04	2,979.32	3,632.36	7.18	361.219	0	291.821	334,554	7.25	
Egypt	357,965	641.91	2,937.74	3,579.65	7.07	360.796	0.000	281.115	330,354	7.16	
Kuwait	350,000	880.90	2,619.10	3,500.00	6.92	542.909	0.019	337.972	316,701	6.86	
Turkey	326,384	585.28	2,678.56	3,263.84	6.45	328.953	0.007	256.320	301,251	6.53	
Algeria	128,559	230.53	1,055.06	1,285.59	2.54	128.777	0.797	100.957	118,884	2.58	
Pakistan	128,559	230.54	1,055.05	1,285.59	2.54	129.616	0.000	100.924	118,967	2.58	
Indonesia	113,795	204.16	933.79	1,137.95	2.25	124.203	4.052	75.905	106,299	2.30	
Malaysia	82,308	147.60	675.48	823.08	1.63	82.962	0.000	64.638	76,344	1.65	
Bangladesh	50,996				1.01	52.477	0.000	38.963	47,600	1.03	

Country	No. of Shares (Units)	Amount in ID Million			Total Shareholding (%)	Breakdown of Called-up Capital (ID Million)			Voting Power	
		Called-Up	Callable	Total		Paid-Up	Over-due	Not Yet Due	No of Votes	Voting (%)
		91.44	418.52	509.96						
Yemen	25,862	46.19	212.43	258.62	0.51	24.758	1.121	20.311	24,219	0.52
Morocco	25,669	46.03	210.66	256.69	0.51	25.874	*	20.156	24,153	0.52
Sudan	23,295	41.82	191.13	232.95	0.46	13.861	11.100	16.859	20,999	0.45
Jordan	21,976	39.45	180.31	219.76	0.43	23.585	0.000	15.865	20,889	0.45
Senegal	14,781	26.54	121.27	147.81	0.29	9.374	6.462	10.704	13,564	0.29
Oman	14,255	25.56	116.99	142.55	0.28	14.369	0.000	11.191	13,636	0.30
Iraq	13,505	24.21	110.84	135.05	0.27	13.604	0.004	10.602	12,944	0.28
Brunei	12,836	23.02	105.34	128.36	0.25	12.410	0.531	10.080	12,275	0.27
Cameroon	12,836	23.02	105.34	128.36	0.25	12.029	0.911	10.080	12,237	0.27
Burkina Faso	9,017	23.02	67.15	90.17	0.18	12.424	0.517	10.080	8,457	0.18
Niger	9,017	23.02	67.15	90.17	0.18	7.273	5.668	10.080	7,942	0.17
Gabon	5,458	27.40	27.18	54.58	0.11	12.742	2.660	11.999	4,492	0.10
Kazakhstan	5,400	9.76	44.24	54.00	0.11	5.514	0	4.246	5,475	0.12
Azerbaijan	5,092	9.13	41.79	50.92	0.10	5.236	0.000	3.894	5,203	0.11
Mali	5,092	9.13	41.79	50.92	0.10	5.298	0.000	3.832	5,209	0.11
Guinea	4,585	23.02	22.83	45.85	0.09	8.564	4.376	10.080	3,639	0.08
Tunisia	3,640	18.27	18.13	36.40	0.07	10.199	0.072	7.999	3,333	0.07
Lebanon	3,577	9.13	26.64	35.77	0.07	5.130	0.001	4.000	3,677	0.08
Mauritania	3,577	9.13	26.64	35.77	0.07	4.920	0.211	4.000	3,656	0.08
Bahrain	2,588	12.99	12.89	25.88	0.05	7.000	0.300	5.691	2,489	0.05
Gambia	2,584	4.63	21.21	25.84	0.05	2.552	0.055	2.024	2,876	0.06
Kyrgyz	2,584	4.63	21.21	25.84	0.05	2.607	0.000	2.023	2,882	0.06
Maldives	2,584	4.63	21.21	25.84	0.05	2.607	0.000	2.023	2,882	0.06
Mozambique	2,584	4.63	21.21	25.84	0.05	2.625	0.000	2.005	2,884	0.06

Country	No. of Shares (Units)	Amount in ID Million			Total Shareholding (%)	Breakdown of Called-up Capital (ID Million)			Voting Power	
		Called-Up	Callable	Total		Paid-Up	Over-due	Not Yet Due	No of Votes	Voting (%)
Uganda	2,463	12.41	12.22	24.63	0.05	11.054	1.356	0.000	2,827	0.06
Benin	2,080	10.45	10.35	20.80	0.04	5.850	0.390	4.211	2,120	0.05
Palestine	1,955	9.85	9.70	19.55	0.04	5.106	4.744	0.000	1,981	0.04
Syria	1,849	9.28	9.21	18.49	0.04	5.003	0.211	4.066	1,921	0.04
Sierra Leone	1,816	4.64	13.52	18.16	0.04	2.142	0.465	2.033	2,066	0.04
Tajikistan	1,816	4.63	13.53	18.16	0.04	2.697	0.000	1.933	2,123	0.05
Togo	1,816	4.63	13.53	18.16	0.04	2.500	0.107	2.024	2,103	0.05
Uzbekistan	1,344	3.73	9.71	13.44	0.03	2.731	0.000	0.999	1,744	0.04
Comoros	1,302	3.57	9.45	13.02	0.03	0.560	1.993	1.017	1,501	0.03
Cote D'Ivoire	1,302	3.57	9.45	13.02	0.03	2.500	0.054	1.017	1,695	0.04
Afghanistan	993	5.00	4.93	9.93	0.02	4.072	0.528	0.400	1,400	0.03
Chad	977	4.92	4.85	9.77	0.02	4.667	0.253	0.000	1,452	0.03
Albania	923	4.63	4.60	9.23	0.02	2.499	0.107	2.024	1,210	0.03
Suriname	923	4.63	4.60	9.23	0.02	2.501	0.106	2.024	1,210	0.03
Djibouti	496	2.50	2.46	4.96	0.01	1.625	0.875	0.000	909	0.02
Guinea-Bissau	496	2.50	2.46	4.96	0.01	2.212	0.288	0.000	967	0.02
Somalia	496	2.50	2.46	4.96	0.01	2.500	0	0.000	996	0.02
Turkmenistan	496	2.50	2.46	4.96	0.01	2.500	0	0.000	996	0.02
Guyana	250	2.50	-	2.50	0.005	0.126	0.000	2.374	513	0.01
Shortfall / (Overpayment),	0	0	0	0	0.00	0.126	0.000	(0.126)	0	0.00
Sub-Total	5,009,699	9,371.90	40,725.09	50,096.99	98.98	5,143.432	209.482	4,018.987	4,615,340	100.00
Uncommitted	51,707	0	517.07	517.07	1.02	0	0	0	0	0
Grand Total	5,061,406	9,371.90	41,242.16	50,614.06	100.00	5,143.432	209.482	4,018.987	4,615,340	100.00

Organisational Structure

The following diagram sets out the management structure of the IsDB as at the date of this Base Prospectus.



Organisation, Management and Employees

Board of Governors

All the powers of the IsDB are vested in the Board of Governors. According to the IsDB's Articles of Agreement, each Member Country is represented on the Board of Governors and appoints one Governor (**Governor**) and one Alternate Governor (**Alternate Governor**). As at the date of this Base Prospectus, the IsDB's membership stood at 57 Member Countries represented by 57 Governors on the Board of Governors along with an equal number of Alternate Governors. Each Member Country has five hundred basic votes plus one vote for every share subscribed to the IsDB. Generally, decisions are taken by the Board of Governors based on a majority of the voting power represented in a meeting for which a quorum is present. The Board of Governors meets once every year to review the activities of the IsDB for the previous year and to decide future policies. The Board of Governors designates a chairman at each annual meeting. The chairman of the Board of Governors holds the chairman seat until his successor is elected at the next meeting of the Board of Governors.

The Board of Governors is the highest authority at the IsDB and may delegate the exercise of certain powers to the Board of Executive Directors. Some of the powers that the Board of Governors cannot delegate under the Articles of Agreement include: admission or suspension of Member Countries, changes in the authorised capital stock, election of the President and the Executive Directors (defined below) and determining their terms of service, approving the auditor's report and financial statements, as well as determining the reserve and distribution of net income. Pursuant to the Articles of Agreement, the Board of Governors may also adopt such rules and regulations and establish such subsidiary institutions as may be necessary to conduct the business of the IsDB. The Board of Executive Directors may request that the Board of Governors meet prior to its usual annual meeting.

Board of Executive Directors

The Board of Executive Directors is responsible for the direction of the general operations of the IsDB and exercises all powers delegated to it by the Board of Governors including preparing the work of the Board of Governors, taking decisions concerning the business of the IsDB and its operations, approving the budget and submitting the accounts of each financial year for the approval of the Board of Governors at each annual meeting. All matters before the Board of Executive Directors are decided by a majority of the voting power represented at the meetings of the Board of Executive Directors.

Each member on the Board of Executive Directors (an **Executive Director**) represents one or more Member Country and, in voting, each is entitled to cast the number of votes that counted toward his election or appointment, which need not be cast as a unit. Each Executive Director holds office for three years and may be reappointed (if such Executive Director represents one Member Country) or re-elected (if such Executive Director represents a group of Member Countries).

The Board of Executive Directors is composed of members who are not members of the Board of Governors and their number may be increased at the discretion of the Board of Governors. The number of Executive Directors was increased to 11 at the 9th annual meeting of the Board of Governors held in 1405H (1985), to 14 at the 23rd annual meeting held in 1419H (1998), to 16 at the 33rd annual meeting held in 1429H (2008), and thereafter to 18 at the 36th annual meeting held in 1432H (2011).

The Board of Executive Directors has been changed on several occasions and the new Board of Executive Directors which started its activities on 19 Dhul Hijjah 1435H (13 October 2014) comprises 18 members. Out of the 18 Executive Directors, nine have been appointed by the nine principal Member Countries. The remaining nine Executive Directors, who are not representing the principal Member Countries, were elected by the Board of Governors during the 39th annual meeting of the Board of Governors held in 1435H (2014) in Jeddah.

The table below indicates the composition of the Executive Directors as at the date of this Base Prospectus.

Board of Executive Directors

Name	Nationality	Countries Represented
Hon. Hamad Bin Suleiman Al Bazai*	Saudi Arabian	Saudi Arabia
Hon. Bader Ahmed Al Qayed*	Qatari	Qatar
Hon. Abdalnasr Abouzkeh*	Libyan	Libya
Hon. Ali Hamdan Ahmed*	Emirati	UAE
Hon. Wisam Jasem Al - Othman*	Kuwaiti	Kuwait
Hon. Dr. Shehabeldin Marjzban *	Egyptian	Egypt
Hon. Abdolrahman Nadim Boushehrisagni*	Iranian	Iran
Hon. Mohammed Gambo Shuaibu*	Nigerian	Nigeria
Hon. Osman ÇELİK *	Turkish	Turkey
Hon. Maswadi Mohsin	Brunei Darussalam	Malaysia, Brunei Darussalam, Indonesia, Suriname, Guyana
Hon. Dr. Saleh A. Al-Kharabsheh	Jordan	Palestine, Jordan, Syria, Iraq, Lebanon
Hon. Bakhodir Alikhanov	Uzbekistan	Albania, Azerbaijan, Kazakhstan, Kyrgyz Tajikistan, Turkmenistan, Uzbekistan
Hon. Fredrick Twesiime Tabura	Uganda	Mozambique, Uganda, Chad, Gabon, Djibouti, Comoros, Somalia
Hon. Abdoulie Jallow	Gambia	Burkina Faso, Togo, Gambia, Senegal, Mali, Niger
Hon. Dr. Diao Balde	Guinea	Cote d'Ivoire, Benin, Guinea, Guinea Bissau, Sierra Leone, Cameroon
Hon. Mrs. Faouzia Zaaboul	Morocco	Tunisia, Algeria, Morocco, Mauritania
Hon. Hon. Sami Mohamed Hameed	Bahrain	Oman, Bahrain, Sudan, Yemen
Hon. Arif Khan	Pakistan	Bangladesh, Afghanistan, Pakistan, Maldives

* Appointed Executive Directors

The following table describes the principal activities performed by each member of the Board of Executive Directors outside of the IsDB:

Name	Principal Outside Activities
Hon. Hamad Bin Suleiman Al Bazai *	Deputy Minister of Finance, Saudi Arabia
Hon. Bader Ahemd Al Qayed*	Director, International Cooperation Department, Ministry of Finance, Qatar
Hon. Abdalnasr Abouzkeh*	Financial Advisor to the Government, Ministry of Finance, Libya
Hon. Ali Hamdan Ahmed*	Director, International Financial Institutions Department, Ministry of Finance, UAE
Hon. Wisam Jasem Al - Othman*	Assistant Undersecretary, Financial and Tax Affairs, State of Kuwait
Hon. Dr. Shehabeldin Marzban *	Senior Adviser for Economic Affairs to the Minister of Investment and International Cooperation, Egypt
Hon. Abdolrahman Nadimi Boushehri*	Vice Minister of Banking, Insurance and State-Owned Companies, Ministry of Economic Affairs and Finance, Iran
Hon. Mohammed Gambo Shuaibu*	Nigeria
Hon. Osman ÇELİK *	Undersecretariat of Treasury, Turkey
Hon. Maswadi Mohsin	Deputy Accountant General, Treasury Department, Ministry of Finance, Brunei Darussalam
Hon. Dr. Saleh A. Al-Kharabsheh	General Secretary, Ministry of Planning and International Cooperation, Jordan
Hon. Bakhodir Alikhanov	Head of Department for International Financial Institutions and Donor States, Uzbekistan
Hon. Fredrick Twesiime Tabura	Ministry of Finance, Planning and Economic Development, Uganda
Hon. Abdoulie Jallow	Permanent Secretary, Ministry of Finance, Gambia
Hon. Dr. Diao BALDE	Ministry of Planning and International Cooperation, Guinea
Hon. Mrs. Faouzia ZAABOUL	Director of the Treasury and External Finance, Ministry of Finance, Morocco.
Hon. Sami Mohamed Hameed	Director External Economic Relation, Ministry of Finance, Bahrain
Hon. Arif Khan	Secretary, Economic Affairs Division, Ministry for Finance, Revenue, Economic Affairs, Statistics and Privatization, Pakistan

* Appointed IsDB Executive Directors

The business address of the members of the Board of Executive Directors is 8111 King Khalid Street, Al Nuzlah Al Yamania District – Unit No. 1, Jeddah 22332-2444 in the Kingdom of Saudi Arabia.

The President

The President of the IsDB, who is the legal representative and chief executive officer of the IsDB, is elected by the Board of Governors for a term of five years (which is renewable) and is responsible for conducting business under the direction of the Board of Executive Directors. He also serves as the chairman of the Board of Executive Directors without voting power, except a casting vote in the event of an equal division of votes. The President of the IsDB is also the chairman of the IsDB Group (see “*Description of the IsDB - The IsDB Group*” for definition and further details). The business address of the President is 8111 King Khalid Street, Al Nuzlah Al Yamania District – Unit No. 1, Jeddah 22332-2444 in the Kingdom of Saudi Arabia.

At the 41st annual meeting of the Board of Governors H.E. Dr. Bandar bin Mohammed bin Hamza Asaad Hajjar was elected as President of the IsDB (replacing H.E. Dr. Ahmad Mohamed Ali) for a five-year term, such term having commenced on 1 October 2016.

Dr. Hajjar was born in Al Madina, Kingdom of Saudi Arabia in 1955. He received his Bachelor’s degree in Economics and Political Science with first class honours from King Saud University KSA, a Master’s degree in Economics from Indiana University, United States and a Doctorate degree in Economics from the University of Loughborough, United Kingdom.

Dr. Hajjar began his career as a Professor of Economics at the University of King Saud and King Abdulaziz. From 1994 to 1998, Dr. Hajjar occupied the posts of Deputy Dean of the College of Economy and Administration, Deputy Director of the Islamic Economics Research Centre and Head of the Committee on Curricula Taught from an Islamic Perspective.

In 1998, Dr. Hajjar was selected as a member of the Shura Council, KSA, in its second session. His membership continued for three sessions, spanning 12 years. He was appointed Vice-Speaker of the Council, holding that office for three years. During his term at the Shura Council, Dr. Hajjar chaired its Committee on Foreign Affairs for one year. He was a member of the Council’s Committee on Economic Affairs and Energy and the Committee on Social Affairs and Youth. He served on several specialised subcommittees dealing with specific issues, including the Committee on Integrity and Combating Corruption, which produced an anti-corruption body, the Committee on University Admission and the Committee on Zakat. At an international level, he represented the Council in the Arab Parliamentary Union and the Inter-Parliamentary Union for two years. He was also part of the team concerned with the accession of the Shura Council to the Inter-Parliamentary Union.

Dr. Hajjar was Editor-in-Chief of Money and Markets Magazine, KSA, from 1996 to 2006. He was the Founder and Chairman of the National Society for Human Rights, KSA, from 2004 to 2009. Dr. Hajjar formed a coordinating council of seven non-governmental organisations under the umbrella of the National Society for Human Rights to monitor the first municipal elections held in Saudi Arabia in 2005.

Dr. Hajjar served as Minister of Hajj from 2011 to 2016. Dr. Hajjar was also appointed Acting Minister of Culture and Information in addition to the Ministry of Hajj for approximately one month and a half until a new minister of culture and information was appointed.

Dr. Hajjar has served as a member of several national and international bodies, including the Board of Trustees of Takaful Charity Organization, which sponsors orphans and needy students, the World Council for Supporting the Prophet Muhammad (PBUH), the Disabled Children Association, and the World Islamic Council for Economy and Finance.

The Vice Presidents

As at 1 January 2018, the IsDB had four Vice President positions (Country Programs, Finance, Partnership Development and Administration). The four current Vice Presidents are appointed for a period of three years, which is renewable.

Vice Presidents are appointed by the Board of Executive Directors on the recommendation of the President and they report directly to the President. Vice Presidents may participate in meetings of the Board of Executive Directors but have no vote at such meetings, except that the ranking Vice President may cast the deciding vote when acting in the absence of the President as the chairman of a Board of Executive Directors meeting.

As at 1 January 2018, the four Vice Presidents were as follows.

Vice President Country Programs - Dr. Mansur Muhtar

Dr. Mansur Muhtar is the Vice President Country Programs at the IsDB, Jeddah. He has previously served as Executive Director on the Board of the World Bank Group (2011 – 2014) as well as Co-Chair of the United Nations Inter-Governmental Committee of Experts on Sustainable Development Finance (2013 - 2014).

He was also Minister of Finance, Federal Republic of Nigeria and Chairman of the National Economic Management Team (2008 - 2010); Executive Director, African Development Bank (2007 - 2008); and Director-General of Nigeria's Debt Management Office (2003 - 2007).

In earlier stages of his career, he was Senior Lecturer and Head of Economics Department, Bayero University, Kano, Nigeria and worked for approximately a decade at the World Bank headquarters, serving in various positions, including Senior Economist and Administrator, Young Professionals Program. He also served briefly as Deputy General Manager, Strategic Management and Economics Division, United Bank of Africa Plc. and Distinguished Fellow, Center for the Study of Economies of Africa, Abuja.

Dr. Muhtar holds a Doctorate Degree in Economics, obtained from the University of Sussex, U.K. and a Masters Degree in The Economics and Politics of Development from University of Cambridge, UK. He is also an alumnus of Ahmadu Bello University, Nigeria, and King's College, Lagos. He has attended numerous leadership and professional development courses at the Kennedy School, Harvard University; the Wharton School, University of Pennsylvania; and the Singapore Civil Service Administrative College. Mr. Muhtar is a recipient of the Nigeria National Honors Award – Officer of the Federal Republic (OFR) – for contribution to national development.

The following departments report to the Vice President – Country Programs:

- Country Relations & Services;
- Country Relations & Services Africa & Latin America;
- Country Relations & Services MENA & Europe;
- Country Relations & Services Asia;
- Decentralization Facilitation;
- Project Procurement;
- Project Financial Management;

- Operations Quality & Results;
- Global Practices & Chief Economist;
- Economic & Social Infrastructure;
- Resilience & Social Development;
- Islamic Financial Sector Development;
- Country Strategy & Cooperation; and
- Economic Research & Institutional Learning.

Vice President Finance (Vice President and CFO) - Dr. Zamir Iqbal

Prior to joining the IsDB, Dr. Iqbal served as head of the World Bank Global Islamic Finance Development Center in Istanbul. He has more than 25 years of experience of capital markets, asset management, risk management, and financial sector at the World Bank. Islamic finance has been his research focus and he has co-authored several articles and books on Islamic finance on the topics of banking risk, financial inclusion, economic development, financial stability, and risk-sharing. He played an instrumental role in the publication of World Bank and IDB's first Global Report on Islamic Finance. He earned his Ph.D. in international finance from the George Washington University and served as Professional faculty at Carey Business School of Johns Hopkins University.

The following departments report to the Vice President Finance:

- Financial Control Department;
- Treasury Department;
- Investments Department; and
- Financial Policies, Planning & Analytics Department.

Vice President Partnership Development - Mr. Mohamed Nouri Jouini

Prior to joining the IsDB, Mr. Jouini was Managing Director of the consulting firm MNJ Consulting. His experience spans strategy, development, economics, finance and international relations and he has held key positions in the Tunisian government, including as Minister of Planning, Investment and International Cooperation.

Between 2002 and 2011, Mr. Jouini sat on the Board of Governors of the World Bank, the African Development Bank, the IDB, the Arab Fund for Economic and Social Development, the Arab Bank for Economic Development in Africa, the Arab Authority for Agricultural Investment and Development, and the Arab Investment and Export Credit Guarantee Corporation.

Mr. Jouini received his Ph.D. in Decision Sciences from the University of Oregon and is a former director of the Sousse (Tunisia) Higher Institute of Management. He has also served on the faculty at the University of Tunis. He is a recipient of the Tunisian National Order of Merit for Education and Sciences.

The following departments report to the Vice President – Partnership Development

- Country Relations & Services MENA & Europe;

- Country Relations & Services Asia;
- Decentralization Facilitation; and
- Project Procurement.

Vice President Administration – Mr. Sayed Aqa

Mr. Aqa is an Afghan national and was appointed a Vice President of the IsDB on 7 Sha'baan 1436H (25 May 2015). An Engineer by education with a Master's degree in Business Administration, Mr. Aqa has been engaged in humanitarian and development work at senior levels for the past 27 years, in which time he has worked with a number of NGOs prior to joining the United Nations. Mr. Aqa is also the founder of two national organisations in Afghanistan. Mr. Aqa played a leading role in the International Campaign to Ban Landmines (ICBL). As a member of the Steering Committee of the ICBL, he represented ICBL in the award ceremony of the 1997 Nobel Peace prize to ICBL. Mr. Aqa has worked with heads of states and ministerial level officials in many countries around the world dealing with complex sustainable human development, conflict and post conflict developmental challenges. During his tenure at the UN, both at the Headquarters and in the field, Mr. Aqa had managed projects in 32 conflict and post conflict countries in five continents. In 2006, he was appointed by the UN Secretary General as the UN Resident Coordinator and Representative in Bahrain. He then led UNDP operations in Sudan. Most recently Mr. Aqa served as the UN Resident Coordinator and UNDP Resident Representative to the UAE, covering the UAE, Qatar and Oman. He has managed UNDP programs in the areas of good governance, poverty reduction, energy and environment, women empowerment and institutional capacity development including parliamentary development. Mr. Aqa has also served as Advisor to a number of international and inter-governmental organizations, including the European Union, Peace Research Institute of Oslo, and various UN Agencies in the field of humanitarian and development cooperation.

The following departments report to the Vice President Administration:

- Administrative Services Department;
- Human Resources Management Department;
- Information Technology Department; and
- Health Service Centre.

No Potential Conflicts of Interest

There is no potential conflict of interest between any duties toward the IsDB of any of the persons referred to above and their respective private interests and/or duties. The most senior levels of management of the IsDB are comprised of the Board of Governors, the Board of Executive Directors, the president of the IsDB (the **President**) and the four vice president positions of the IsDB.

Summary of Financial Information relating to the IsDB - OCR

The following tables set out in summary form the financial position and income information relating to the IsDB - OCR. Such information (with the exception of the U.S. Dollar amounts) is derived from the audited financial statements of the IsDB - OCR as at and for the period ended 31 December 2016 and as at and for the year ended 30 Dhul Hijjah 1436H (13 October 2015) in respect of OCR (which term includes subscribed capital, deposits, amounts received in repayment of loans amounts received, from the sale of equity holdings and income from investments on ordinary operations, as well as any other funds raised or received by the IsDB - OCR, or placed at its disposal, or income received by it, which do not form part of the resources of special funds and trust funds established by the IsDB).

The financial statements of the IsDB - OCR are prepared in accordance with the Financial Regulations of the IsDB (which provide, *inter alia*, that the unit of account should be the Islamic Dinar (and until and in respect of the financial year ended 30 Dhul Hijjah 1436H (13 October 2015) provided that the financial year of the IsDB - OCR should follow the *Hijrah* year)) and with the Financial Accounting Standards issued by the AAOIFI and the *Shari'a* rules and principles, as determined by the IsDB Group Shariah Board. For matters for which no AAOIFI standards exist, the IsDB - OCR uses the relevant International Financial Reporting Standard (**IFRS**) as to the extent that such standards do not contradict *Shari'a* rules and principles. 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 report of Ernst & Young & Co. (Public Accountants), KSA in respect of the period ended 31 December 2016 and reports of PricewaterhouseCoopers and KPMG Al Fozan & Al Sadhan in respect of the year ended 30 Dhul Hijjah 1436H (13 October 2015) and the accompanying notes, are incorporated by reference to this Base Prospectus. The financial information presented below should be read in conjunction with such financial statements, reports and the notes thereto.

The audited financial statements of the IsDB - OCR as at and for the year ended 31 December 2016 were approved by the Board of Governors at the annual meeting on 18 May 2017.

The IsDB – OCR's financial year used to be the lunar Hijrah year, which is approximately 11 days shorter than the solar Gregorian year. However, from 1 January 2016, the financial year was amended to be the solar Hijrah year which starts on 11th Capricorn (corresponding to 1 January) and ends on 10th Capricorn (corresponding to 31 December) of every year. As such, the most recent financial year of the IsDB – OCR started on 14 October 2015 to 31 December 2016.

**ISLAMIC DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES - STATEMENT
OF FINANCIAL POSITION DATA**

As at 31 December 2016 and 30 Dhul Hijjah 1436H (13 October 2015)

(In thousands of Islamic Dinars and U.S. Dollars)

The following table (with the exception of the U.S.\$ columns) is extracted from the audited annual financial statements of the IsDB - OCR as at and for the year ended 31 December 2016, and shows the statement of financial position of the IsDB - OCR as at 31 December 2016 and 30 Dhul Hijjah 1436H (13 October 2015).

	31 December 2016		30 Dhul Hijjah 1436H (13 October 2015)	
	<i>(ID thousands)</i>	<i>(U.S.\$ thousands)</i>	<i>(ID thousands)</i>	<i>(U.S.\$ thousands)</i>
Cash and cash equivalents.....	997,942	1,341,563	235,724	332,753
Commodity placements.....	1,690,206	2,272,195	1,699,794	2,399,463
Sukuk investments.....	1,818,946	2,445,264	1,764,101	2,490,240
Murabaha financing.....	220,745	296,754	272,138	384,155
Treasury assets.....	4,727,839	6,355,776	3,971,757	5,606,612
Istisna'a assets.....	4,990,233	6,708,520	4,125,553	5,823,713
Restricted Mudaraba.....	733,079	985,500	527,763	745,001
Instalment sale.....	1,474,980	1,982,860	1,399,026	1,974,893
Ijarah assets.....	2,500,220	3,361,121	2,515,584	3,551,049
Loans.....	1,859,915	2,500,340	1,845,397	2,604,999
Project assets.....	11,558,427	15,538,340	10,413,323	14,699,655
Equity investments.....	774,936	1,041,770	739,769	1,044,273
Investment in associates.....	790,346	1,062,486	714,840	1,009,082
Other investments.....	44,413	59,706	32,703	46,164
Investment assets.....	1,609,695	2,163,961	1,487,312	2,099,519
Property and equipment.....	62,675	84,256	64,255	90,704
Other assets.....	188,175	252,969	160,796	226,983
Other assets.....	250,850	337,225	225,051	317,686
Total Assets.....	18,146,811	24,395,302	16,097,443	22,723,472
Liabilities				
Sukuk issued.....	9,008,706	12,110,674	7,317,434	10,329,436
Commodity purchase liabilities.	500,788	673,224	676,159	954,480
Other liabilities.....	307,687	413,633	254,353	359,050
Total Liabilities.....	9,817,181	13,197,531	8,247,946	11,642,966

Members' Equity				
Paid-up capital.....	5,143,432	6,914,470	4,939,998	6,973,400
Reserves	2,879,068	3,870,417	2,751,839	3,884,551
Net income for the period.....	307,130	412,884	157,660	222,556
Total Members' Equity.....	8,329,630	11,197,771	7,849,497	11,080,507
Total Liabilities and Members'				
Equity	18,146,811	24,395,302	16,097,443	22,723,472
Restricted Investment				
Accounts	81,319	109,320	73,888	104,302

**ISLAMIC DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES - STATEMENT
OF INCOME DATA**

For the period ended 31 December 2016 and the year ended 30 Dhul Hijjah 1436H (13 October 2015)

(In thousands of Islamic Dinars and U.S. Dollars)

The following table (with the exception of the U.S.\$ columns) is extracted from the audited annual financial statements of the IsDB - OCR as at and for the period ended 31 December 2016, and shows the statement of income of the IsDB - OCR for the period ended 31 December 2016 and for the period ended 30 Dhul Hijjah 1436H (13 October 2015).

	For the period from 14 October 2015 to 31 December 2016		For the period from 25 October 2014 to 13 October 2015	
	<i>(ID thousands)</i>	<i>(U.S.\$ thousands)</i>	<i>(ID thousands)</i>	<i>(U.S.\$ thousands)</i>
Income from:				
Commodity placements.....	27,813	37,390	17,959	25,351
Sukuk investments.....	73,913	99,363	48,228	68,080
Murabaha financing.....	9,166	12,322	9,887	13,957
Treasury assets	110,892	149,075	76,074	107,388
Istisna'a	253,423	340,684	149,209	210,626
Restricted mudaraba.....	18,457	24,812	12,807	18,079
Instalment sale.....	71,851	96,591	64,767	91,426
Ijarah	309,464	416,022	236,301	333,567
Depreciation of assets under Ijarah.....	(247,377)	(332,556)	(173,972)	(245,582)
Loans	12,872	17,304	20,847	29,428
Project assets.....	418,690	562,858	309,959	437,544
Equity investments	141,674	190,457	42,203	59,575
Associates.....	8,790	11,817	16,095	22,720
Other investments.....	2,415	3,247	3,815	5,385
Investment assets	152,879	205,520	62,113	87,680
Other income	7,239	9,732	13,505	19,064
Foreign exchange losses.....	2,249	3,023	(32,292)	(45,584)
Losses from swap	(3,809)	(5,121)	(27,600)	(38,961)
Others	5,679	7,634	(46,387)	(65,481)
Total income	688,140	925,087	401,759	567,131
Financing costs.....	(160,402)	(215,633)	(110,705)	(156,273)
Impairment charge.....	(61,943)	(83,272)	(18,867)	(26,633)

Net income before operating expenses.....	465,795	626,182	272,187	384,225
Administrative expenses.....	(150,167)	(201,874)	(109,293)	(154,280)
Depreciation	(8,498)	(11,424)	(5,234)	(7,388)
Total operating expenses.....	(158,665)	(213,298)	(114,527)	(161,669)
Net income for the period	307,130	412,884	157,660	222,556

Financial Condition as at 31 December 2016

As at 31 December 2016, the IsDB - OCR's total assets stood at ID 18.1 billion compared to ID 16.1 billion as at 30 Dhul Hijjah 1436H (13 October 2015), representing an increase of 12.7 per cent. The increase in total assets principally reflected growth in project assets and treasury assets during this financial period.

As at 31 December 2016, the IsDB - OCR's total liabilities stood at ID 9.8 billion compared to ID 8.2 billion as at 30 Dhul Hijjah 1436H (13 October 2015), representing an increase of 19.0 per cent. The increase in total liabilities principally reflected an increase in sukuk issued during this financial period (see "*Description of the IsDB - Capital Structure and Ownership - Capital Structure*" above).

As at 31 December 2016, the IsDB - OCR's total members' equity stood at ID 8.3 billion compared to ID 7.8 billion as at 30 Dhul Hijjah 1436H (13 October 2015), representing an increase of 6.1 per cent. This increase was mainly due to the commencement of the fourth General Capital Increase (GCI) on 1 January 2016. The 50 per cent. cash-callable portion of the fourth GCI shall be called over a period of 20 years beginning from 1 January 2016 (see page 90 of the Base Prospectus for further details on the IsDB-OCR's general capital increases).

The IsDB – OCR's total income for the period ended 31 December 2016 was ID 688.1 million, compared to ID 401.8 million for the year ended 30 Dhul Hijjah 1436H (13 October 2015).

The IsDB – OCR's total operating expenses for the period ended 31 December 2016 were ID 158.7 million, compared to ID 114.5 million for the year ended 30 Dhul Hijjah 1436H (13 October 2015).

The IsDB – OCR's net income for the period ended 31 December 2016 was ID 307.1 million, compared to ID 157.7 million for the year ended 30 Dhul Hijjah 1436H (13 October 2015).

The increases in the IsDB-OCR's total income, total operating expenses and net income were predominantly due to the extended financial reporting period.

Selected Ratios

The following table sets out selected ratios in respect of the IsDB-OCR's financial performance as at and for the period ended 31 December 2016. The basis for calculation of ratios that are non-AAOIFI financial measures are set out in the notes below.

	As at 31 December 2016
	(%)
Debt / equity ¹	114.2
Assets / total liabilities ²	184.8
Liquid assets / total liabilities ³	48.2
Liquid assets / short term liabilities ⁴	584.8
Equity / total liabilities ⁵	84.8
Top five exposures / total gross loans ⁶	37.2
Equity / assets ⁷	45.9

Notes

- (1) Total debt of the IsDB-OCR divided by total members' equity of the IsDB-OCR.
- (2) Total assets of the IsDB-OCR divided by its total liabilities.
- (3) Liquid assets of the IsDB-OCR divided by its total liabilities.
- (4) Liquid assets of the IsDB-OCR divided by its short-term liabilities.
- (5) Total members' equity of the IsDB-OCR divided by the total liabilities of the IsDB-OCR.
- (6) Total top five countries outstanding exposure of the IsDB-OCR on its sovereign and non-sovereign project assets and Murabaha financing divided by total gross loans.
- (7) Total members' equity of the IsDB-OCR divided by the total assets of the IsDB-OCR.

The IsDB Group

The IsDB has participated in the establishment of a number of entities, which are all separate legal entities, with the aim of strengthening its objectives. As at the date of this Base Prospectus, the IsDB - OCR, together with these other entities (collectively, the **IsDB Group**), has evolved into a non-legal group comprising the entities listed below.

- International Islamic Trade Finance Corporation (**ITFC**);
- Islamic Corporation for the Development of the Private Sector (**ICD**);
- Islamic Research and Training Institute (**IRTI**); and
- Islamic Corporation for Insurance of Investment and Export Credit (**ICIEC**).

ICIEC, ICD and ITFC are established under the Articles of Agreement as international financial organisations with full judicial personality and separate and independent governing bodies. Members of the IsDB Group share the common objective of mobilising financial resources in conformity with the *Shari'a*, for the purposes of project financing, promotion of trade among Member Countries and providing technical assistance. However, the members of the IsDB Group are neither subsidiaries nor affiliates of the IsDB - OCR. The IsDB - OCR has a shareholding only in the ITFC, the ICD and the ICIEC but it has no control of the management, policies or operation of these entities. Moreover, under the IsDB's Articles of Agreement, bylaws and Financial Regulations of the IsDB, the IsDB - OCR is prohibited from consolidating its accounts with any other entity. The Articles of Agreement of the ICD and ITFC clearly stipulate that each of them shall be an entity separate and distinct from IsDB - OCR and that their respective funds and accounts shall be kept separate and apart from those of IsDB - OCR. However, the subscription of shares held by IsDB in ICIEC was funded from the resources of the Waqf Fund and not from the IsDB's OCR.

In addition to the above entities, the IsDB has established three special funds and three trust funds (two of which the IsDB continues to manage), namely:

- Special Account Resources Waqf Fund (**Waqf Fund**) which is a special fund managed by IsDB;
- Islamic Solidarity Fund for Development (**ISFD**) which is a special fund contributed by IsDB and its member countries and managed by IsDB;
- IDB Infrastructure Fund 2 (the **IIF2**) which has taken over the functions of IIF1;
- World Waqf Foundation (**WWF**), a trust fund managed by IsDB on a Mudaraba basis; and
- Awqaf Property Investment Fund (**APIF**), a trust fund managed by IsDB on a Mudaraba basis.

The IsDB has also participated in the establishment of the International Centre for Biosaline Agriculture (**ICBA**) in Dubai, UAE. The government of the UAE has taken full responsibility for the support and management of ICBA.

Pursuant to a memorandum of understanding between the KSA and the IsDB, the IsDB has been entrusted with the management of the project for the Utilisation of Hajj Meat, but the IsDB is not legally or financially responsible for such project.

In addition, the IsDB carries out a number of other activities which have an impact on social and economic development in its Member Countries. These include:

- human capital development, by way of providing scholarships and extending training opportunities to individuals engaged in development activities;
- undertaking research in Islamic economics, banking and finance;
- social infrastructure development; and
- support activities for private sector development in Member Countries.

The IsDB also cooperates with other regional and international organisations in a variety of strategic partnerships. For example, the IsDB has on-going working relationships with the World Bank, the African Development Bank, the Asian Development Bank, the Food and Agriculture Organisation (**FAO**), the World Health Organisation and the International Fund for Agriculture Development (**IFAD**). The IsDB participated in the consultation meeting on the “*Coordinated Long-Term MDB Support to the Current Food Crisis in Africa*” in Tunis in June 2008. Similar consultations were held with the FAO, IFAD and the Millennium Village Initiative, which is being implemented in Africa by the Millennium Promise and the United Nations Development Programme. In 1436H, the IsDB signed a Strategic Partnership Framework with the World Bank Group (October 14, 2015), a Procurement Agency Agreement and a Facility Agreement with Africa Finance Corporation (31 August 2015) as well as nine MOUs with Islamic Financial Services Board (8 July 2015), Islamic Conference Youth Forum for Dialogue and Cooperation (15 June 2015), Qatar Islamic Bank (22 March 2015), GCC Association of Chambers (26 March 2015), Arab Monetary Fund (7 April 2015), Imperial Technology and Medicine, London (ICI), United Kingdom, Organisation of Islamic Conferences (1 February 2015) and the International Renewable Energy Agency (23 March 2015).

Traditionally, the IsDB’s cooperation and partnership arrangements have been particularly strong with the members of the coordination group (the **Coordination Group**), an association comprised of three bilateral funds (Abu Dhabi Fund for Development, the Kuwait Fund for Arab Economic Development and the Saudi Fund for Development), one monetary agency (Arab Monetary Fund) and five multilateral development agencies (Arab Bank for Economic Development in Africa, Arab Fund for

Economic and Social Development, Arab Gulf Programme for United Nations Development Organisations – AGFUND, OPEC Fund for International Development and the IsDB itself).

The Coordination Group, set up in 1395H (1975), works to achieve greater cohesion and effectiveness in the delivery of Arab aid within Arab, Muslim countries and other developing countries around the world. The nine institutions (comprising the three bilateral funds and the five multilateral development agencies) are either based in the Gulf region or have a large shareholding by an Arab state. Among other joint activities, the Coordination Group shares initiatives and business opportunities; synchronises programs, harmonises approaches and best practices and forges common positions towards major global initiatives. Recent initiatives include country assistance evaluation, policy formulation, joint promotion of research and development in science and technology, public-private partnership arrangements, and post-conflict recovery and rehabilitation work.

Going forward, the IsDB plans to focus on poverty alleviation, mainly through financing health and education sector projects in Member Countries

Operations of the IsDB

OCR Net Approvals for the least developed Member Countries (LDMCs)

The IsDB is committed to providing assistance to its 24 LDMCs. The criteria used by the IsDB to identify LDMCs are analogous to that used by the United Nations in identifying least developed countries. In identifying least developed countries, the United Nations examines, amongst other things, a country's gross national income per capita, the percentage of population undernourished, the mortality rate for children aged five years and under, the gross secondary school enrolment ratio, the adult literacy rate and economic vulnerability (which in turn involves the examination of, amongst other things, geographical remoteness to major world markets, population size, merchandise export concentration share of agriculture, forestry and fisheries in gross domestic product, homelessness owing to natural disasters instability of agricultural production and instability of exports of goods and services.)

The table below sets forth the IsDB - OCR net approvals for the period 1396H (1976) to 31 December 2016.

	1396H (1976) –31 December 2016	
	<i>(ID million)</i>	<i>(U.S.\$ million)</i>
Loan.....	5,528.56	7,432.21
Technical assistance Loans.....	283.94	381.71
Equity	1,011.41	1,359.67
Instalment Sale	4,302.96	5,784.59
Istisna'a	16,127.19	21,680.27
Leasing	7,906.83	10,629.39
Combined Line of Financing	425.46	571.96
Profit Sharing.....	192.79	259.17
Restricted Mudaraba.....	778.21	1,046.17
Total.....	36,557.36	49,145.15

Composition of OCR Financing Portfolio for the period 1396H (1976) to 31 December 2016

1396H (1976) - 31 December 2016			
	(ID million)	(U.S.\$ million)	(Per cent)
LDMC (24 countries) ⁽¹⁾ ...	9,504.91	12,777.74	26%
Non-LDMC (33 countries) ⁽¹⁾	26,686.87	35,875.96	73%
Others ⁽²⁾	365.57	491.45	1%
Total	36,557.36	49,145.15	100%

(1) Number as at 31 December 2016.

(2) Comprised of Non-Member Countries, Regional Projects and Special Programs.

Financing may be provided by the IsDB itself through its IsDB - OCR or it may be provided through any of its special funds and trust funds named above. The IsDB carries out financing activities from its IsDB - OCR through loans, leasing (*Ijara*), investments in equity capital of companies, instalment sales, technical assistance, profit sharing *Istisna'a* (as described below), and lines of financing for national development financing institutions (NDFIs). The IsDB also provided trade finance to its Member Countries until the end of 1428H (2007). However, since 1 Muharram 1429H (10 January 2008) this activity has been undertaken by the ITFC.

The special funds and trust funds are managed by the IsDB in accordance with the respective regulations establishing them. The IsDB maintains separate accounts for each of them as well as for its IsDB - OCR. Similarly, the Articles of Agreement prohibit the IsDB - OCR from financing the activities, or charging losses or liabilities arising out of its special funds and trust funds to the OCR. Although financing through the special funds and trust funds may be used to assist both Member Countries and, to a lesser extent, Muslim communities in non-Member Countries, IsDB - OCR financing is available to Member Countries only.

The financing policies of the IsDB - OCR are governed by the Articles of Agreement (Ref: Article 16) which, *inter alia*, stipulate that, to safeguard its interests, the IsDB should ensure that the recipient of financing and its guarantor will be in a position to meet their obligations and that the financing promotes complementary aspects in the economies of Member Countries, promotes the well being of people in the Member Countries and avoids a disproportionate use of the IsDB - OCR's resources for the benefit of any one or a few Member Countries. As at 31 December 2016, 91.0 per cent. of all the IsDB - OCR's financing operations (being *Murabaha* financing, *Istisna'a*, restricted *Mudaraba*, instalment sale, *Ijarah* and loans but excluding equity investments) are sovereign exposures, while the remainder are guaranteed by banks acceptable to the IsDB. In the implementation of these policies, the IsDB applies a number of financing modes and takes into account the viability and feasibility of projects.

Overview of the Operations of the IsDB

The IsDB's mission, as stated in its Vision 1440, is to promote comprehensive human development, with a focus on the priority areas of alleviating poverty, improving health, promoting education, improving governance and prospering people. The IsDB hopes to achieve this by becoming a premier provider of development financing, based on Islamic finance principles, focusing on comprehensive human development both within and beyond the Muslim world.

The IsDB developed its Member Country Partnership Strategy (MCPS) as a cornerstone of its strategic dialogue with its Member Countries. The MCPS is a partnership with Member Countries in

collaboration with other multilateral development banks and is geared at shifting the focus in the Member Country's development towards larger scale projects in infrastructure development, human development, and agriculture and rural development. Since the launch of the initiative, 18 MCPSs have been launched for Bangladesh, Benin, Chad, Indonesia, Kazakhstan, Kuwait, Malaysia, Mali, Mauritania, Morocco, Niger, Pakistan, Senegal, Somalia, Suriname, Tunisia, Turkey and Uganda. An annual "country work programme" is developed for each Member Country identifying specific strategic priorities and a project based on the MCPS.

The operations of the IsDB since inception in 1395H (1975) to 31 December 2016 can be divided into four broad categories, namely: (i) IsDB OCR Operations - project financing and technical assistance, comprising approximately 42.2 per cent. of the IsDB's operations; (ii) activities of the IsDB Group's entities and other funds, comprising approximately 4 per cent. of the IsDB's operations; (iii) trade financing operations, comprising approximately 52.5 per cent. of the IsDB's operations; and (iv) special assistance operations under the *Waqf* Fund, comprising approximately 0.6 per cent. of the IsDB's operations (each as at 31 December 2016).

Net Approvals of the IsDB Group by Major Categories for the period ended 31 December 2016

	31 December 2016	
	<i>(ID million)</i>	<i>(U.S.\$ million)</i>
I. Project/Operation Financing from OCR	4846.8	6,515.7
II. Project/Operation Financing by Funds/Entities.	263.0	353.6
Total IsDB Group project financing (I+II)	5109.8	6,869.3
III. Trade Financing Operations	3649.0	4,905.4
IV. Special Assistance	4.3	5.8
Total IsDB Group Financing	8763.1	11,780.6

Net Approvals of the IsDB Group by Major Categories for the year 1436H (2015)

	1436H (2015)	
	<i>(ID million)</i>	<i>(U.S.\$ million)</i>
I. Project/Operation Financing from OCR	3,559.6	5,024.8
II. Project/Operation Financing by Funds/Entities.	164.2	231.7
Total IsDB Group project financing (I+II)	3,723.8	5,256.6
III. Trade Financing Operations	4,587.4	6,475.7
IV. Special Assistance	5.1	7.1
Total IsDB Group Financing	8,316.2	11,739.4

The IsDB's major initiatives and activities in 2016

In 2016, the IsDB adopted strategies in poverty reduction, infrastructure, economic cooperation, Islamic finance and private sector capacity development. In 2016, the IsDB completed four issuances under the Programme, including two benchmark public issuances with an amount of U.S.\$1.25 billion each and were issued at a rate of 40 bps and 37 bps above the five-year mid-swap, respectively.

Moreover, the IsDB's other two issuances under the Programme were issued as private placements amounting to €300 million and €150 million, respectively, both with maturities of seven years.

The IsDB demonstrated its commitment to fostering economic growth in Member Countries by intensifying its approvals for new projects in conjunction with entities within the IsDB Group. The total financing projects approved by the IsDB Group increased from ID8.3 billion (U.S.\$11.7 billion) in 1436H (2015) to ID8.8 billion (U.S.\$11.8 billion) in 2016.

During 2016, the IsDB Group continued to participate in the development of the financial services industry through various activities, which included investments in the equity capital of Islamic financial institutions, the financing of Awqaf (endowments) real estate and other projects and the provision of technical assistance to member countries in the field of Islamic banking, Takaful, Islamic microfinance, corporate governance, Awqaf, Zakat as well as legal, regulatory and supervisory issues related to Islamic banking.

Activities of the Board of Executive Directors in 2016

The Board of Executive Directors held seven meetings, approved 57 projects and adopted 121 resolutions on financing and policy matters during 2016. The Board of Executive Directors also held several meetings of its committees (such as the Audit Committee, the Operations Committee, the Finance Committee, the Administrative Committee) and a joint meeting of three committees of the BED during this period.

Approximately 5.9 per cent. of the IsDB OCR approvals for the period ended 31 December 2016 were provided on concessional terms in the form of interest-free loans and grants, with only a small service fee being charged during the implementation period in the case of the interest-free loans. The principal beneficiaries of this concessional financing in 2016 were the IsDB's LDMCs, which received the majority share (76 per cent.) of this financing. While most of the concessional financing is provided by the IsDB OCR, some of the interest-free loans were funded by the ISFD and some of the grants by the IsDB Waqf Fund; these are two special funds that are managed by the IsDB (see "*Description of the IsDB - Activities of the IsDB Group's Entities and Other Funds - Islamic Solidarity Fund for Development*" and "*Description of the IsDB - Waqf Fund Operations*" for further details).

Geographic Distribution of the IsDB Group

The following table sets out the geographical distribution of exposure on approved operations for the IsDB Group with Member Countries during the period ended 31 December 2016:

Region	Period ended 31 December 2016
	(%)
SSA Sub-Saharan African (22 Member Countries)	25.3
Middle East North Africa (19 Member Countries)	25.0
Asia and Latin America (7 and 2 Member Countries, respectively)	22.7
Europe and Central Asia (7 Member Countries)	25.3
Others ⁽¹⁾	1.7
Total.....	100.0

(1) Comprised of Non-Member countries, Regional Projects, Independent states, and Special Programs

The IsDB Group Disbursements and Repayments

The total disbursements made by the IsDB Group during the financial period from 14 October 2015 to 31 December 2016 were ID 5.7 billion (U.S.\$ 7.7 billion) compared to ID 4.8 billion (U.S.\$ 6.7

billion) during the financial period from 25 October 2014 to 13 October 2015. During the financial period from 14 October 2015 to 31 December 2016 the repayments totalled ID 2.6 billion (U.S.\$ 3.5 billion) compared to ID 2 billion (U.S.\$ 2.8 billion) during the financial period from 25 October 2014 to 13 October 2015. Between 1976 and 31 December 2016, the IsDB Group disbursements totalled ID 55.7 billion (U.S.\$ 74.9 billion, using an exchange rate of ID1 = U.S.\$ 1.34433) while repayments reached ID 40.9 billion (U.S.\$ 54.9 billion, using an exchange rate of ID1 = U.S.\$ 1.34433), resulting in net resource transfer of ID 14.8 billion (U.S.\$ 19.9 billion, using an exchange rate of ID1 = U.S.\$ 1.34433).

Distribution by Mode of Finance

The following table sets out the distribution of the IsDB Group's project financing and technical operations by mode of finance for the period ended 31 December 2016 compared to the year ended 30 Dhul Hijjah 1436H (2015):

	1435H (2015)	31 December 2016
	<i>(Per cent.)</i>	<i>(Per cent.)</i>
Murabaha.....	54.8	41.5
Loan.....	3.9	3.3
Special Assistance	0.1	0.0
Technical Assistance	0.1	0.1
Combined Lines of Financing	0.0	0.0
Equity.....	2.1	1.7
Instalment Sale	2.7	7.2
<i>Istisna'a</i>	25.6	35.3
Leasing.....	5.7	10.3
Mudaraba.....	5.1	0.4
Profit Sharing (<i>Musharaka</i>)	0.0	0.0
Others.....	0.0	0.2
Total.....	100	100

The total amount of the IsDB's financing approved for projects and technical assistance operations during the period ended 31 December 2016 was ID 5,109.8 million (U.S.\$6,869.3 million). This represents an increase of 37 per cent. on the amount of ID 3,723.8 million (U.S.\$ 5,256.5 million) approved during the year ended 30 Dhul Hijjah 1436H (13 October 2015).

Project financing, technical assistance and trade financing

Distribution According to Economic Sector

The following table sets out cumulative project financing and technical assistance provided by the IsDB - OCR for between 1396H (1976) and 31 December 2016:

	1396H (1976) – 31 December 2016		
	<i>(ID million)</i>	<i>(U.S.\$ million)</i>	<i>(Per cent.)</i>
Agriculture.....	4,461.04	5,997.12	12.20
Education.....	2,683.63	3,607.68	7.34
Energy.....	9,707.54	13,050.14	26.55

Finance.....	1,627.14	2,187.41	4.45
Health.....	1,998.58	2,686.75	5.47
Industry and Mining	2,258.92	3,036.74	6.18
Information and Communications	349.49	469.83	0.96
Transportation.....	8,704.14	11,701.23	23.81
Water, Sanitation & Urban Services.....	4,573.01	6,147.64	12.51
Others ⁽¹⁾	193.86	260.61	0.53
Total	36,557.36	49,145.15	100

(1) Comprised of Public Administration and Trade related activities

Source:

<https://www.isdb.org/irj/go/km/docs/documents/IDBDevelopments/Internet/English/IDB/CM/Publications/SYN36.pdf>

The total amount of the IsDB's financing approved for projects and technical assistance operations (144 operations in total being 68 projects and 76 technical assistance operations) during the period ending 31 December 2016 was ID4,846.7 million (U.S.\$6,515.6 million). This represents an increase of 36.2 per cent. on the amount of ID3,559.5 million (U.S.\$5,024.8 million) (127 operations in total being 72 projects and 55 technical assistance operations) approved in the year ended 30 Dhul Hijjah 1436H (13 October 2015).

During the period ended 31 December 2016, infrastructure accounted for the largest share of IsDB - OCR - net approvals, amounting to 67.8 per cent. or ID 3,286 million (U.S.\$ 4,417.5 million) of the total approvals of ID 4,846.7 million (U.S.\$ 6,515.6 million). The infrastructure sector was followed by the agriculture sector which accounted for 19.8 per cent. of total approvals and amounted to ID 960 million (U.S.\$ 1,290.5 million) of the total approvals, health which accounted for 6.6 per cent. and amounted to ID 320 million (U.S.\$ 430.2 million) of the total approvals, education which accounted for 4.6 per cent. and amounted to ID 223 million (U.S.\$ 299.8 million) of the total approvals and other sectors which accounted for 1.3 per cent. and amounted to ID 63 million (U.S.\$ 84.7 million) of the total approvals.

Type of Financing

The IsDB's three major modes of financing: leasing, instalment sales and *Istisna'a* generally have a maximum exposure limit of ID150 million per project for the purpose of financing development and infrastructure projects.

A brief description of the IsDB's different modes of financing is given below.

Interest-Free Loan (Qard-Hassan)

The IsDB provides interest-free loans for the purpose of financing development and infrastructure projects. These loans represent a form of long-term financing by the IsDB. The IsDB's loans are usually extended to government and public sector institutions, with the relevant Member Country's government providing a guarantee of repayment in circumstances where the loan is provided to a public sector company. All loans made by the IsDB are offered free of interest and on concessional terms. The IsDB funds its loan operations not only from OCR but also from the Islamic Solidarity Fund for Development. The IsDB charges a small service fee during the implementation period of the project to cover the administrative expenses incurred by it in providing the loan.

Equity

The IsDB - OCR makes equity investments in *Shari'a* compliant industrial and agro-industrial projects and Islamic banks and financial institutions of Member Countries. In accordance with the IsDB's Articles of Agreement, the IsDB should not acquire majority or controlling interest in the share capital of a company. Investments in equity capital by the IsDB - OCR are made to maximise its developmental objectives and are sold at a time when the IsDB considers it appropriate.

The IsDB - OCR's equity portfolio comprises the following categories of investments:

Quoted investments recognised at fair value:

Investments designated at fair value through equity are represented by quoted investments in equities. These investments are intended to be held for a long-term period and may be sold in response to liquidity needs or changes in market prices. Initially and subsequently such investments are measured at fair market value, and any unrealized gains or losses arising from the change in their fair values are recognized directly in the fair value reserve under members' equity until the investment is derecognized, at which time the cumulative gain or loss previously recorded under the members' equity is recognized in the income statement.

Unquoted investments measured at cost less impairment

Unquoted investments in equity capital, real estate and other funds whose fair value cannot be reliably measured are carried at cost and are tested for impairment at the end of each reporting period. If there is objective evidence that an impairment loss has been incurred, the amount of impairment is measured as the difference between the carrying amount of investment and its expected recoverable amount. All investment losses are recognised in income statement. Impairment losses recognised in income statement for such equity investments shall be recycled through equity.

After the initial designation, investments in equity type securities shall not be reclassified into or out of the fair value through equity category.

Investments in associates

In accordance with the IsDB's Articles of Agreement, Articles 17.2 and 17.5 "The Bank shall not acquire a majority or controlling interest in the share capital of the project in which it participates except when it is necessary to protect the Bank's interest or to ensure the success of such project or enterprise" and "The Bank shall not assume responsibility for managing any project or enterprise in which it has invested except when necessary to safeguard its investment".

Consequently, the IsDB - OCR does not exercise control over any of its investments regardless of percentage of voting rights. For investments in which the IsDB - OCR holds 20 per cent. or more of the voting rights the IsDB - OCR is presumed to have significant influence and hence such investments are accounted for and classified as investments in associates.

The IsDB - OCR's share of its associates' post-acquisition profits or losses is recognised in the income statement; its share of post-acquisition movements in reserves is recognised in equity.

The total value of the equity portfolio of IsDB – OCR, which includes equity investments and investment in associates, as at the 31 December 2016 amounted to ID1,565 million (U.S.\$2,104 million) compared to ID1,455 million (U.S.\$2,053 million) at the end of 1436H (2015).

Leasing

Leasing is used by the IsDB to provide medium to long-term financing for capital equipment and other fixed assets. The IsDB uses this type of financing primarily for middle and higher income Member Countries and may be offered to both public and private sector entities of such Member Countries.

Following a development period necessary for preparing the assets for operations, the assets are leased by the IsDB to the beneficiary for a certain period of time during which the latter pays rents (usually biannually). Rents are denominated in ID and ID basket currencies (currently limited to U.S. Dollars and euro) and must be guaranteed (usually by the relevant Member Country's government, governmental agencies or a commercial bank with an acceptable credit quality) as a condition of the IsDB 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.

Instalment Sales

Through the use of instalment sales, the IsDB provides medium to long-term financing to private or public sector institutions. Typically, the IsDB will procure, purchase and on-sell equipment to the beneficiary at a mark-up, allowing the beneficiary to make the payment on a deferred basis.

Payment, however, must be guaranteed (usually by the relevant Member Country's government, governmental agencies or a commercial bank with an acceptable credit quality) as a condition to the IsDB providing financing. Ownership of the relevant property is transferred to the beneficiary on delivery.

Combined Line of Financing

The IsDB extends combined lines of financing to National Development Finance Institutions (**NDFI**) and Islamic banks primarily in order to promote growth and development among small and medium scale industries in the private sector. The combined lines of financing extended comprise leasing, instalment sale and *Istisna'a* or a combination of these modes of financing.

Under this mode of medium-term financing, the IsDB approves a line of financing for a fixed amount which an NDFI relies on to, in turn, approve and finance individual projects by making a draw down on the line of finance. Repayments are typically guaranteed (usually by the NDFI itself or, in rare cases, by a commercial bank with a credit quality acceptable to the IsDB, such credit quality determined in accordance with the IsDB's rules and regulations) as a condition of the IsDB providing the financing. The IsDB is also involved in providing co-financing arrangements with other financial institutions.

Istisna'a

The IsDB 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 within and among Member Countries. *Istisna'a* is a contract whereby the IsDB 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. The beneficiary is also typically required to provide a guarantee of repayment (usually by the relevant Member Country's government, governmental agencies or a commercial bank of recognised international standing) as a condition of the IsDB providing financing.

Technical assistance

Technical assistance is one of the concessional-terms financing used by the IsDB, along with loan financing. This form of financing is used for hiring consultants to prepare, supervise and implement projects or carry out feasibility studies. In addition, it may also be used to support the capacity building

activities in the Member Countries. The financing extended by the IsDB may take the form of either a grant of up to ID200,000 or an interest-free loan payable over 15 years. The IsDB charges a service fee up to an amount not exceeding 1.5 per cent per annum of the face amount of the loan during the period of implementation or disbursement to partially cover administrative expenses in connection with the provision of such financing.

LDMCs are given priority by the IsDB in connection with the distribution of grants for technical assistance. This is especially so for agriculture and infrastructure projects in those countries.

Beneficiaries of project financing and technical assistance

In terms of regional distribution of approved operations, the IsDB development assistance (Concessional Financing) has benefited all of the regions in which Member Countries are located. The development assistance has mainly targeted Member Countries and a number of regional and international organisations.

For the period ended 31 December 2016, in country terms, the top five recipients of IsDB Group financing were Indonesia which accounted for 11.8 per cent (ID595.7 million or U.S.\$800.8 million), Turkey which accounted for 10.3 per cent (ID530.8 million or U.S.\$713.6 million), Turkmenistan which accounted for 9.8 per cent (ID501 million or U.S.\$674.5 million), Oman which accounted for 9.7 per cent (ID500 million or U.S.\$671.1 million) and Senegal which accounted for 7.7 per cent (ID398 million or U.S.\$535.4 million).

Distribution of Financing by the IsDB - OCR by Region

With respect to the share of total approvals by the IsDB - OCR received by various regions for the period ended 31 December 2016, the Sub-Saharan African (SSA) countries received the majority share amounting to 27 per cent. (ID 1,308.6 million or US\$ 1759.2 million) of approvals, while Europe and Central Asia (ECA) countries 26 per cent. (ID 1260.18 million or US\$ 1694 million), Middle East North Africa (MENA) countries received 24 per cent. (ID 1163.2 million or US\$ 156.7 million) and Asia and Latin American (ALA) counties 23 per cent. (ID 1114.77 million or US\$ 1498.62 million). By comparison, with respect to the year 30 Dhul Hijjah 1436H (13 October 2015), SSA countries received the majority share amounting to 52 per cent. (ID 1851 million or US\$ 2,612 million) while MENA countries received 25 per cent. (ID 890 million or US\$ 1,256.2), ECA countries 18 per cent. (ID 641 million or US\$904 million) and ALA countries 5 per cent. (ID 177.9 million or US\$ 251.2 million).

Project financing and technical assistance disbursements

The total amount of IsDB – OCR financing approved for projects and technical assistance operations (144 operations in total being 68 projects and 76 technical assistance operations) during the period ended 31 December 2016 was ID 4,846.7 million (U.S.\$ 6,515.6 million). This represents an increase of 36.2 per cent. on the amount of ID 3,559.5 million (U.S.\$ 5024.83 million) (127 operations in total being 72 projects and 55 technical assistance operations) approved during the year ended 30 Dhul Hijjah 1436H (13 October 2015).

During the period ended 31 December 2016, infrastructure accounted for the largest share of IsDB - OCR - net approvals, amounting to 67.8 per cent. or ID 3,286 million (U.S.\$ 4,417.5 million) of the total approvals of ID 4,846.7 million (U.S.\$ 6,515.6 million). The infrastructure sector was followed by the agriculture sector which accounted for 19.8 per cent. of total approvals and amounted to ID 960 million (U.S.\$ 1,290.5 million) of the total approvals, health which accounted for 6.6 per cent. and amounted to ID 320 million (U.S.\$ 430.2 million) of the total approvals, education which accounted for 4.6 per cent. and amounted to ID 223 million (U.S.\$ 299.8 million) of the total approvals and other sectors which accounted for 1.3 per cent. and amounted to ID 63 million (U.S.\$ 84.7 million) of the total approvals.

In accordance with the current 2017 Operations Plan (which provides the yearly financing plan for new project approvals), IsDB plans to approve U.S.\$5.0 billion worth of new financing from OCR. The majority of this financing will be ordinary financing for projects (U.S.\$4.8 billion), while the remainder of this financing will be concessionary loans (U.S.\$216 million) and grants (U.S.\$32.15 million). A portion of the loans and grants will be used for technical assistance operations.

Provisions for Impairment on Financial Assets

The following table sets out the provisions made by the IsDB - OCR on its financial assets for the period ended 31 December 2016 and the year ended 30 Dhul Hijjah 1436H (13 October 2015).

	31 December 2016		1436H (2015)	
	<i>(ID thousand)</i>	<i>(U.S.\$ thousand)</i>	<i>(ID thousand)</i>	<i>(U.S.\$ thousand)</i>
Balance at the beginning of the period.....	243,440	327,264	257,994	364,189
Disposals/write off	(3,250)	(4,369)	(33,421)	(47,178)
Charge for the period.....	61,943	83,272	18,867	26,633
Balance at the end of the period.....	302,133	406,167	243,440	343,644

The impairment charge increased from ID18.9 million for the year ended 30 Dhul Hijjah 1436H (2015) to ID 61.9 million during the period ended 31 December 2016. Most of the impairment charge relates to financial assets located in countries that are subject to geopolitical unrest.

The IsDB-OCR's top five exposures represent 37.2 per cent. of its total outstanding exposures as at 31 December 2016.

Trade Financing Operations

The IsDB's trade financing programme used to be implemented primarily through Import Trade Financing Operations (**ITFO**), the Export Financing Scheme (**EFS**), the Islamic Banks' Portfolio (**IBP**) and to a certain extent, the UIF. The IsDB also managed a special exports scheme in co-operation with the Arab Bank for Economic Development in Africa's (**BADEA**) and has implemented a trade cooperation and promotion programme (**TCPP**) among Member Countries. While ITFO and the EFS were exclusively linked with trade financing, the IBP and the UIF were also involved in project financing activities.

Most trade operations were typically secured by way of government or commercial bank guarantees, however, when dealing with large financially viable companies with good credit standing in the respective Member Countries, direct corporate exposure was also accepted. The amount of financing against corporate exposure was limited to a maximum of 30 per cent. of total approvals under trade for any given year.

As of 1 Muharram 1429H (10 January 2008) all trade finance operations are being undertaken by the ITFC. During the period ended 31 December 2016, the ITFC approved U.S.\$4.4 billion in trade financing, compared to U.S.\$6.4 billion during the year ended 30 Dhul Hijjah 1436H (2015).

With a view to consolidate all the trade financing activities of the IsDB Group, the EFS was dissolved and the participants thereof were given shares in ITFC in proportion to their entitlement to the assets of EFS. The IBP was liquidated and participants of IBP who opted to quit were paid their entitlement to the assets of IBP. Participants who agreed to become shareholders in ITFC were given shares in proportion to their entitlement of the assets of IBP. Moreover, the BADEA Export Finance Scheme (**BEFS**) was transferred for management by ITFC as a *Mudarib*. To complement the resources of

ITFC, the IsDB - OCR also committed to place up to U.S.\$1 billion with ITFC to be utilised under a *Mudaraba* agreement for its trade financing operations.

Waqf Fund Operations

The *Waqf* Fund was established on 1 Muharram 1418H (8 May 1997). The *Waqf* Fund primarily caters to the development needs of the Muslim communities and organisations in non-Member Countries and LDMCs with particular emphasis on social sector development. The *Waqf* Fund derives its income from returns on cash, cash equivalents and fixed deposits, funds under management with external fund managers and other managed investments, investments in *Murabaha* and other funds.

As per the regulations of the *Waqf* Fund, a certain percentage of the total income of the *Waqf* Fund and the same percentage of the banking return from the IsDB's investments in the international market are allocated to the resources of the *Waqf* Fund every year until the principal amount reaches ID1 billion. The income of the *Waqf* Fund must be utilised as follows:

Principal Amount of the <i>Waqf</i> Fund:	15 per cent.
Special Assistance Programs:	65 per cent.
Special Account for LDMC's:	20 per cent.

The principal amount of the *Waqf* Fund (and 15 per cent. of the annual income of the *Waqf* Fund) can be invested for a longer term to maximise returns. Only 85 per cent. of the income are utilised to finance various programmes under the *Waqf* Fund and can be kept in cash and in very short-term placements. The IsDB has been granted permission by the *Fiqh* Academy to use the net proceeds earned on these investments to finance projects in the Muslim communities in non-Member Countries. The *Waqf* Fund is also used to provide assistance with health and education, training and research, natural disaster relief within Member Countries and Muslim communities in non-Member Countries.

In the period ended 31 December 2016, the total net assets of the *Waqf* Fund amounted to ID743 million (U.S.\$999 million) compared with ID792 million (U.S.\$1,116 million) for the year ended 30 Dhul Hijjah 1436H (13 October 2015).

Activities of the IsDB Group's Entities and Other Funds

International Islamic Trade Finance Corporation (the ITFC)

The ITFC was established as an autonomous entity within the IsDB Group in Jumad Awwal 1426H (June 2005). As at 31 December 2016, the IsDB held 36.66 per cent. of the paid-up capital of ITFC. The primary objective of ITFC is to facilitate intra-trade among OIC member countries using *Shari'a* compliant instruments. ITFC is mandated to mobilise funds from the market to complement its financing requirements and to manage dedicated funds with contributions from Member Countries. As at 31 December 2016, ITFC had authorised capital of U.S.\$3 billion and issued capital of U.S.\$838.8 million. ITFC commenced its operations on 1 Muharram 1429H (10 January 2008).

Islamic Corporation for the Development of the Private Sector (the ICD)

The ICD was established in 1420H (1999) as an independent entity within the IsDB Group and has been operational since 6 Rabi Thani 1421H (8 July 2000). ICD's vision is to be a significant contributor in the development and promotion of the private sector as a vehicle for economic and social growth and prosperity in Islamic countries. Its mission is to complement the role played by the IsDB through, providing Islamic financial services and products, promoting competition and entrepreneurship in Member Countries, advising governments and businesses and encouraging cross border investments.

As at 31 December 2016, the authorised capital of ICD was U.S.\$4 billion and the total paid up capital of ICD stood at U.S.\$882.37 million. The main shareholder of ICD is the IsDB with a 42.52 per cent. stake of the paid-up capital. The remainder of the ICD capital is held by Member Countries and public financial institutions in Member Countries.

*The Islamic Research and Training Institute (the **IRTI**)*

The IRTI was established in 1401H (1981) to help the IsDB in discharging its functions in the fields of research and training. According to its statute, the objectives of IRTI are to undertake research and provide training and information services to Member Countries and Muslim communities in non-Member Countries to help bring their economic, financial and banking activities into conformity with *Shari'a* and to further accelerate economic development and enhance cooperation amongst them. The IRTI is funded from the *Waqf* Fund which is managed by the IsDB as *Mudarib*.

*Islamic Corporation for the Insurance of Investment and Export Credit (the **ICIEC**)*

The ICIEC was established in 1415H (1994) with the objective of encouraging exports from Member Countries and facilitating the flow of foreign direct investment to Member Countries by providing and encouraging the use of *Shari'a* compliant export credit and investment insurance as credit and political risk mitigation instruments. The authorised capital of ICIEC is ID400 million (U.S.\$537.73 million).

During the period ended 31 December 2016, ICIEC's insurance business including its partners increased by 51 per cent. to ID5.7 billion (U.S.\$7.7 billion) from ID3.7 billion (U.S.\$5.2 billion) in 1436H (2015) while its new commitments amounted to a total of ID3.4 billion (U.S.\$4.6 billion) during the period ended 31 December 2016 representing a growth of 26 per cent. over the previous year's figure of ID2.7 billion (U.S.\$3.8 billion).

Since its inception up to 31 December 2016, ICIEC's new commitments reached ID23.9 billion (U.S.\$32.1 billion), while its total insurance business reached ID25.9 billion (U.S.\$34.8 billion). The overall claims ratio (claims paid over premium invoiced which is the main indicator of credit insurance operations performance), was 21 per cent. which is significantly below the industry's ratio. As at 31 December 2016, the subscribed capital of ICIEC stood at ID288 million (U.S.\$387.1 million). The IsDB has subscribed to 150,000 shares of ICIEC having an initial subscription value of ID150 million (U.S.\$201.6 million), while 44 Member Countries have, in aggregate, subscribed to 38,000 shares of ICIEC, having an initial subscription value of ID138 million (U.S.\$185.5 million).

*Islamic Solidarity Fund for Development (the **ISFD**)*

The ISFD is an outcome of the Third Extraordinary Summit of the OIC, held in Makkah Al-Mukarramah, the Kingdom of Saudi Arabia, in Dhul Qadah 1426H (December 2005). The establishment of this fund was formalised at the 31st annual meeting of the IsDB Board of Governors held in Kuwait in Rabi al-Thani 1427H (May 2006) and was launched as a *Waqf* during the 32nd annual meeting of the IsDB Board of Governors held in Dakar, Senegal, in Rabi al-Thani 1427H (May 2007). The ISFD's targeted level of endowment is U.S.\$10 billion. The ISFD has been established within the IsDB on the basis of voluntary contributions by all Member Countries, irrespective of their development status. The purpose of the fund is to help to alleviate poverty, enhance development, eliminate illiteracy and eradicate disease and epidemics in the OIC member states. ISFD formally began its operations on 1 Muharram 1429H (10 January 2008).

*IDB Infrastructure Fund 2 (the **IIF2**)*

IIF2 was established in 1435H (2014) as the successor of IIF1. The Manager of IIF2 is ASMA Capital Partners, an asset management firm licensed and regulated by the Central Bank of Bahrain. The Objective of IIF2 is to provide capital appreciation through equity and quasi-equity investments in

infrastructure related projects in the GCC, ASEAN, MENA, and CIS Regions, with a focus on IsDB Member Countries.

IIF2's investment strategy targets primarily the power, energy, transportation, telecommunications, natural resources, waste & water, healthcare and education sectors.

As of the date of this Base Prospectus, the IsDB's commitment represents 26.67 per cent of the IIF2's total commitments, and holds a 20% per cent stake in ASMA Capital Partners.

The term of IIF2 will end in 2024 with the possibility of the extension for an additional 2 years.

IIF2 is currently under the investment period and the investors commitments are in progressive deployment.

The World Waqf Foundation (the WWF)

The WWF was established by the IsDB in 1422H (2001) in collaboration with *Waqf* organisations, governmental organisations, non-governmental organisations and philanthropists from the private sector. The objectives of the WWF are to promote *Awqaf* to contribute to the cultural, social and economic development of Member Countries and Muslim communities, and to alleviate poverty, as well as extending technical assistance to *Waqf* organisations with expertise and coordination, and support their projects, programmes and activities in the educational, health, social, and cultural fields.

The Awqaf Properties Investment Fund (the APIF)

The APIF was established on 10th Dhul Qadah 1421H (4th February 2001G) and began operations on 1st Rajab 1422H (19th September 2001G). APIF aims to develop idle *Waqf* lands and renovate existing *Waqf* buildings, thereby transforming them into income generating assets. Recently, APIF has also started financing the purchase of existing buildings in order to convert them into new *waqf* properties. The income generated from APIF projects is used by the *Waqf* and by charitable organizations to finance and support their activities in the social and charitable fields in favor of the poor, as well as in the religious and cultural fields.

The current capital of the Fund is US\$ 76.4 million funded by 14 participants, which are mainly *Awqaf* organizations and Islamic banks including IDB. In addition, the IsDB has provided a line of financing of US\$ 100 million to APIF to support its activities. Since its inception, APIF has approved 57 projects (total value of US\$ 1,165 million) spread in 32 Member Countries and non-Member Countries. These approvals comprise 41 projects having total value of US\$ 873 million for Member Countries and 16 projects having total value of US\$ 292 million for non-Member Countries. In terms of modes of financing, 39 projects were approved by way of leasing, 13 projects under *Istisna'a*, 2 projects through equity participation, and 3 projects by way of *Murabaha*. IsDB's participation in the financing of these projects amount to US\$520 million. In 2016, six projects having a total value of US\$ 93 million were approved.

The International Centre for Biosaline Agriculture

The IsDB, in partnership with the UAE, established in 1420H (1999) the International Centre for Biosaline Agriculture (ICBA), a non-profit agricultural research and development organisation with an international focus. Based in Dubai, ICBA's mission is to harness saline and marginal quality waters for irrigation purposes. Reclaiming these marginal waters could ultimately contribute to relieving demand for scarce freshwater resources in Member Countries. In 1431H (2010), following the takeover of ICBA by the UAE, the IsDB and UAE launched a new partnership aimed at jointly supporting ICBA and its programmes over the five year period ending 1435H (2014). The programme has been extended for another five years to 1440H (2019).

Sacrificial Meat Utilisation Project of Saudi Arabia (Adahi Project)

The IsDB acts as an execution agency for the government of the Kingdom of Saudi Arabia in implementing the Adahi Project. The project, which is managed by the IsDB, lies outside the normal range of operations. The government of the Kingdom of Saudi Arabia signed a memorandum of understanding with the IsDB on 29 Dhul Qadah 1409H (3 July 1989) to implement the project, which serves the *Hajj* pilgrims by performing sacrificial slaughter and related services on their behalf. The meat is distributed to the needy and the poor in Member Countries and to Muslim communities in non-Member Countries. The IsDB has been involved in the Adahi Project since 1403H (1983).

Litigation

Historically, the IsDB has not had any significant litigation or arbitration proceedings. As at the date of this Base Prospectus, the IsDB is involved in five claims which the management of the IsDB do not believe will have a material adverse impact upon the IsDB's business, financial condition, results of operations or prospects and it is not aware of any pending or threatened litigation or arbitration.

Risk Management

The financing policies of the IsDB are governed by the Articles of Agreement which, *inter alia*, stipulate that, to safeguard its interests, the IsDB should ensure that the recipient of financing and its guarantor will be in a position to meet their obligations and that the financing promotes complementary aspects in the economies of Member Countries, promotes the well being of people in the Member Countries and avoids a disproportionate use of the IsDB - OCR's resources for the benefit of any one or a few Member Countries. As of 31 December 2016, 91.0 per cent. of all the IsDB-OCR's financing operations (being *Murabaha* financing, *Istisna'a*, restricted *Mudaraba*, instalment sale, *Ijarah* and loans but excluding equity investments), are sovereign exposures.

The IsDB has in place a comprehensive exposure management framework that determines maximum limits for Member Countries, financial institutions, sovereign and non-sovereign projects and corporates. It also determines concentration limits for the treasury portfolio and total country portfolio.

The Audit Committee

The Audit Committee is the committee that reviews all financial and risk issues and policies that are material to the financial position and the risk profile of the IsDB. The Audit Committee assists the Board of Executive Directors in carrying out its responsibilities and, in particular, participates in the development of timely corrective actions in order to address issues identified by both the Board of Executive Directors and external auditors as they arise. The Audit Committee also participates in defining the IsDB's risk management framework in order to ensure that there are appropriate controls in respect of the IsDB's financial transactions. The Audit Committee also reviews the IsDB Group Risk Report semi-annually and follows up with management on trends, key risks and planned responses.

The Group Risk Management Committee

The Group Risk Management Committee (**GRMC**) considers, reviews, clears and recommends, as the case may be, various matters and issues related to the risk management function of the IsDB Group. The GRMC is also responsible for reviewing the risk management policies, procedures and guidelines of the IsDB. Meetings of the GRMC are held monthly and are chaired by the Vice President (Human Resources and Corporate Services).

The Group Risk Management Department

The Group Risk Management Department (**GRMD**) is independent from all business departments as well as other entities of the IsDB and reports directly to the President of the IsDB Group. The GRMD is responsible for developing risk policies, guidelines and procedures and for identifying, measuring, managing and monitoring of all types of risks inherent in the IsDB Group's activities.

At the date of this Base Prospectus, the IsDB has in place the following policies and guidelines:

1. Country Risk Assessment Guidelines and Rating Models;
2. Financial Institutions Risk Assessment and Rating Models;
3. Project Finance Risk Assessment Guidelines and Rating Models;
4. Corporate Finance Risk Assessment Guidelines and Rating Models;
5. Guidelines for the Acceptance of Assignment of Receivables;
6. Best Business Practices and Customer Due Diligence Standards;
7. Exposure Management Framework
8. Capital Adequacy Framework;
9. Market Risk Guidelines;
10. Operational Risk Management Framework;
11. Liquidity Policy;
12. Liquidity Investment Strategy;
13. Liquidity Risk Management Guidelines; and
14. Leverage Policy.

The GRMD submits regular reports with recommendations to the GRMC and the Audit Committee on risk related issues including adherence to policies, limits and guidelines.

Credit Risk Management

The IsDB has in place comprehensive credit policies, guidelines and internal rating models as a part of its overall credit risk management framework. These policies are communicated within the IsDB in order to maintain the IsDB's overall credit risk profile within the parameters set by the management. The credit policy formulation, credit limit setting, monitoring of credit exceptions, exposures, and review and monitoring functions are performed independently by the GRMD, which endeavours to ensure that business lines comply with risk parameters and prudential limits established by the Board of Executive Directors.

An important element of credit risk management is the establishment of exposure limits for a single credit beneficiary or obligor and group of connected obligors based on the risk capacity of the IsDB and credit strength of the beneficiary or obligor. Credit limits for Member Countries regarding financing operations as well as placement of liquid funds are also in place.

The assets which expose the IsDB to credit risk principally consist of commodity placements, *Murabaha* financing, *Istisna'a* assets, instalment sale financing, loans and *Ijara Muntahia Bittamleek*, which are mainly covered by sovereign guarantees and commercial bank guarantees acceptable to the IsDB, in accordance with the eligibility criteria and credit risk assessments. The IsDB's liquid fund investments portfolio is managed by the IsDB's treasury department (**Treasury Department**) and comprises deals with reputable banks. The IsDB benefits from preferred creditor status on sovereign

financing, which gives it priority over other creditors in the event of default thus constituting a strong protection against credit losses.

The assessment of exposure is based on detailed guidelines and internal rating models for sovereign and non-sovereign obligors eligible to enter into business relationship with the IsDB. While extending financing to obligors in its Member Countries, the IsDB attempts to safeguard its interests by verifying that both the obligors as well as the guarantors are able to meet their obligations to the IsDB. As an additional mitigating measure, the amount of financing is determined based on a detailed exposure limits framework that takes into consideration the credit profile of the obligor and its repayment capacity.

The credit review process in the IsDB, as at the date of this Base Prospectus, can be summarised as follows:

The credit granting process is based on in-depth due diligence starting from the business departments through multiple special committees including the Technical Review Committee, which analyses technical aspects of the portfolio and adherence to applicable policies and guidelines, the Operations Committees (chaired by the Vice President – Sector Operations), which conducts detailed overall project review, the Vice President (Sector Operations) and ultimately the President for approval (or submission to the Board of Executive Directors for approval if beyond the level of delegated authority). The GRMD conducts an independent risk review of proposed financing operations and communicates the outcome to the respective business department and committees. GRMD views are clearly reflected in all investing and financing proposals to support management to make informed and objective decisions.

Market Risk Management

The IsDB does not trade in currencies or equities and therefore has only a limited exposure to market risk. Nevertheless, the Asset and Liability Management Committee meets every month to discuss, among other things, potential market risk exposures of the IsDB. The IsDB Group has no exposure to sub-prime or other distressed financial assets, nor does the IsDB Group have any exposure to collateralised debt obligations, collateralised loan obligations or other equivalent asset backed products.

Mark-up Risk Management

The IsDB is exposed to mark-up risk on its investments in cash and cash equivalents, commodity placements, *Murabaha* financing, *Istisna'a* assets, *Ijara* assets, investments in *Sukuk* and *Sukuk* liabilities. In respect of the financial assets, a portion of the IsDB's returns are based on a benchmark and hence vary according to the market conditions. The IsDB generally uses the London Interbank Offered Rate as a benchmark to determine the mark-up rate on its financing. The final mark-up rate on the financing is worked out after adding a margin to the benchmark rate. In case of *Murabaha*, *Instalment Sales* and *Istisna'a* modes of financing, the mark-up rates are fixed throughout the repayment period.

To minimise exposure to mismatches, the IsDB Asset-Liability Management strategy is to match-fund financing to the maximum extent possible, based on various parameters including mark-up and tenor. Further, the IsDB has developed a *Shari'a* compatible mark-up rate hedging mechanism which enables the IsDB to swap the floating rate into fixed rate or vice versa. In case of *Ijara* financing, however, the IsDB has the flexibility of charging a floating rate or a fixed rate for the entire tenor of the financing depending on the agreement reached with the beneficiary.

Liquidity Risk Management

The IsDB adopts a conservative approach by maintaining high liquidity levels invested in cash, cash equivalents, commodity placements and *Murabaha* financing with short-term maturity of three to twelve months. A major feature of this liquidity management policy (unlike other Multilateral Development Banks) is to place the IsDB's liquid funds with banks, from both Member Countries and non-Member Countries, in *Shari'a* compliant manner.

To proactively preserve the IsDB's liquidity and risk capital from erosion and minimise volatility in income, the Liquidity Risk Management Guidelines clearly define objectives for each portfolio along with the associated liquidity risk parameters to mitigate the various risks the portfolio is exposed to as follows:

1. Market Risk - defines funding, size, eligible investments, average duration, currencies, etc.
2. Performance - defines approach for establishing investment benchmarks and performance reporting.
3. Hedging - authorises the Treasury Department to hedge to minimise market risk exposure and protect net profit margin through foreign exchange transactions, profit rate swaps and cross-currency swaps; however, swap counterparty credit exposures must be minimised through exchange agreements or posting eligible collateral for exposures in excess of ID1 million.
4. Credit Risk - transactions shall be conducted only within assigned limits (exposure, concentration, diversification, etc.) with counterparties approved by GRMC. A prudential counterparty risk mitigation framework defines: (i) approved counterparties, (ii) minimum credit rating thresholds for specific instruments, (iii) prudential exposure limits; and (iv) counterparty credit risk mitigation measures to be adhered to. All deviations are to be approved by GRMC upon the recommendation of GRMC.
5. Credit Quality - liquidity investments are restricted to authorised transactions classified by type of investment counterparty, maturity, minimum rating and liquidability to ensure that such liquidity can be liquidated in a period of stress with ease and minimal losses.
6. Key diversification parameters include:
 - Maximum country limit of 15 per cent. of liquid fund placements.
 - Maximum counterparty limit of 5 per cent. for a single bank.

The guidelines establish investment constraints consistent with the IsDB's level of risk tolerance on the basis of which a separate Liquidity Investment Strategy is developed and implementation monitored.

Asset and Liability Management Committee

The Asset and Liability Management Committee's main objectives comprise: (i) safeguarding the net worth and capital adequacy of the IsDB in order to maintain its "AAA" rating, (ii) promoting growth in the IsDB's risk bearing capacity through steady income accumulation and capital increases when required, and (iii) defining sound financial policies to enable the IsDB to take acceptable levels of financial risk in order to provide resources for developmental projects at the lowest and most stable funding cost along with reasonable lending terms without jeopardising the IsDB's financial strength.

Middle Office

As part of its risk control function, the GRMD through its middle office function ensures treasury and investment static data are created and well maintained in the IsDB's core Treasury and Investment system. The function also performs control and compliance monitoring and reporting in respect of the internal policies, guidelines and limits.

Impairment of Financial Assets

Operational Assets

An assessment is made at each balance sheet date to determine whether there is evidence that a financial asset or group of financial assets may be impaired. In connection with the IsDB's participation in the debt relief initiative for the Heavily Indebted Poor Countries, the IsDB suffers losses from rescheduling amounts due from certain countries under mutually agreed settlement plans. The loss results from the difference between the carrying amount of the asset and the net present value of expected future cash flows discounted at the implicit rate of return of the financial asset mentioned in the agreement. The impairment provision is periodically adjusted based on a review of the prevailing circumstances. In addition, a portfolio provision is created for losses where there is objective evidence that unidentified losses are present in the portfolio at the balance sheet date. These are estimated based on country risk ratings, the current economic conditions and the default pattern that are embedded in the components of the portfolio. Adjustments to the provision are recorded as a charge or addition to income. In determining the adequacy of the provision, the IsDB takes into account the net present value of expected future cash flows discounted at the financial instruments' implicit rate of return.

Other Financial Assets

An assessment is made at each financial position date to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired. The amount of the impairment losses for financial assets carried at amortised cost is calculated as the difference between the asset's carrying amount and its estimated fair value. The carrying amount of the financial asset is reduced through the use of an allowance account. When a financial asset is not considered recoverable, it is written-off against the allowance account and any excess loss is recognised in the Income Statement. Subsequent recoveries of amounts previously written-off are credited to the statement of income.

Investments in Lease Participation Pools and Real Estate Funds

Investments in lease participation pools and real estate funds are recorded initially at cost and are revalued periodically based on the valuation reports received from the pool managers. Provision is created when the IsDB identifies investments in specific lease participation pools as potentially impaired.

Principal Differences between Accounting Principles of the Accounting and Auditing Organisation for Islamic Financial Institutions and International Financial Reporting Standards Basis of preparation

The financial statements of the IsDB are prepared in accordance with Article 8.2 of the Financial Regulations of the IsDB and with the Financial Accounting Standards issued by the AAOIFI and the *Shari'a* rules and principles as determined by the IsDB Group *Shariah* Board. For matters which are not covered by AAOIFI standards, the IsDB uses the IFRS issued or adopted by the International Accounting Standards Board (the **IASB**) and the relevant interpretation issued by the International Financial Reporting Interpretations Committee (the **IFRIC**) of the IASB provided these do not contravene *Shari'a* rules. The financial statements are prepared under the historical cost convention except for the following items: (i) quoted equity investments are measured at fair value through equity, (ii) certain investments in sukuk are measured at fair value through income statement designated as such at the time of initial recognition, and (iii) profit rate and cross-currency profit rate swaps are measured at fair value through income statement.

The financial information included in this Base Prospectus and/or incorporated by reference has not been prepared in accordance with the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No1606/2002 and there may be material differences in the

financial information had Regulation (EC) No 1606/2002 been applied to the historical financial information.

The IsDB 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. One of the key differences of ISA and AAOIFI is the requirement to communicate key audit matters in the independent auditor's report under ISA, which is mandatory from 15 December 2016. 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 *Shari'a* 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 *Shari'a*. While the ISA is more comprehensive than the AAOIFI auditing standards, and while AAOIFI Auditing Standard no. 4 is tailored to address *Shari'a* 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 *Shari'a* 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 IsDB Financial Statements for the year ended 30 Dhul Hijjah 1436H (13 October 2015) and for the period ended 31 December 2016 are listed below.

Loans

The IsDB provides long term concessional loans to Member Countries. These loans bear a service fee rate sufficient to cover the IsDB's expenses related to the signature of an agreement and disbursements made to the Member Countries. Thus, the loan service fee is calculated during the financial periods starting from the signature date through to the date of the last disbursement.

Under IFRS such loans would have been discounted at the effective interest rate at the date of the transaction and loss on issuance of loans at rates below market would have been recorded in the IsDB's books.

Leasing transactions (Ijarah)

With regard to their structure, the IsDB leases are recorded as operating leases.

Under AAOIFI, leased assets in the books of IsDB – OCR are presented at original cost less accumulated depreciation up to the date of financial position and gestation period income is not recorded in the income statement. Instead, such income is added to the cost of the asset upon the transfer of such asset's right to use and is amortised/recorded only during the repayment period.

Under IFRS, the leased assets are presented at amounts disbursed less repayments and income is accrued since inception of the lease.

Impairment of project assets

The IsDB makes specific impairment provisions as well as collective general provisions on sovereign exposures.

IAS 39 follows an incurred loss model (i.e. requiring only provisions to be recognised on incurred losses). However, under new IFRS 9 (applicable on 1 January 2018), an expected loss model has been

introduced which groups exposures into three categories and requires both specific and expected impairment losses to be recognised in the entity's books of accounts. FAS 30 has been issued on 23 November 2017 by AAOIFI which is applicable from 1 January 2020 with earlier adoption being permitted. This standard introduces the concept of expected credit losses and supersedes certain sections of FAS 25 and FAS 11.

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 IsDB which shall be separate and independent from all other assets of the IsDB and shall comprise:

- at least 33 per cent. tangible assets comprising of Leased Assets, Disbursing *Istisna'a* Assets, Shares, Sukuk and/or Restricted *Mudaraba* Assets; and
- no more than 67 per cent. intangible assets comprising of *Istisna'a* Receivables, Loan Receivables and/or *Murabaha* Receivables,

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 IsDB and the right to exercise all powers of the IsDB thereunder, the constituent elements of which may be supplemented from time to time with Additional Portfolio Assets.

The Leased Assets comprise assets which are subject to *ijara* contracts where the IsDB as lessor has leased existing 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 Disbursing *Istisna'a* Assets comprise *Istisna'a* assets in respect of which the IsDB is paying instalment amounts to a contractor (which are subsequently capitalised by the IsDB) during, but prior to the completion of, the construction of such assets and whilst legal title to such assets is vested in the IsDB. The *Murabaha* Receivables comprise receivables (i) under sale contracts whereby the IsDB 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; and (ii) derived from the placements of funds which are made by the IsDB with other banks and financial institutions and which comprise the purchase and sale of commodities at fixed or floating rate profit. The *Istisna'a* Receivables comprise receivables arising in respect of *Istisna'a* assets which are sold by the IsDB to a buyer who pays the purchase price in instalments. The Loan Receivables comprise receivables under long term concessional facilities provided to Member Countries which bear a service fee payable to the IsDB. Restricted *Mudaraba* Assets comprise assets which are subject to *Mudaraba* contract under which the IsDB as a “Rab al Maal” provides capital under a line of financing facility to an intermediary as a “Mudarib” who then invests such capital based on prescribed investment criteria. Any Shares and Sukuk will be investments held directly by the IsDB prior to their sale to the Trustee.

The Portfolio in respect of each Series of Trust Certificates will be originated by the IsDB and represent (in the case of any underlying assets other than Shares or Sukuk) obligations of lessees and obligors in jurisdictions that are Member Countries. The IsDB will represent in the Master Purchase Agreement that the Portfolio transferred to the Trustee in respect of each series of Trust Certificates will be *Shari'a* compliant assets.

An outline summary of the Portfolio which will be purchased by the IsDB on the Issue Date of the relevant Series of Trust Certificates is set out in the Supplemental Purchase Agreement, 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, Restricted *Mudaraba* Assets or Disbursing *Istisna'a* Assets or sub-participation interests on behalf of the Trustee in *Istisna'a* or *Murabaha* financing activities, or invest in *Murabaha* Receivables, Loan Receivables or *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.

The IsDB has given an undertaking to the Trustee that it will sell additional Leased Assets, Restricted *Mudaraba* Assets, Disbursing *Istisna'a* Assets, Shares and Sukuk to the Trustee so as to ensure that the proportion of the Portfolio of each Series of Trust Certificates represented by rights in Leased Assets, Restricted *Mudaraba* Assets, Disbursing *Istisna'a* Assets, Shares and/or Sukuk does not fall below 33 per cent. The IsDB's obligation to sell such additional assets is subject to the IsDB having such assets available on its balance sheet to sell to the Trustee. A failure by the IsDB to comply with any of its obligations expressed to be assumed by it in the Programme Documents constitutes a Dissolution Event.

No investigation or enquiry will or has been made and no due diligence will or has been conducted by or on behalf of the Dealers, the Trustee or the Delegate in respect of any Portfolio or their transferability under relevant local law. Reference should be made to the paragraphs under "*Risk factors relating to the Portfolio*" in the section entitled "*Risk Factors*" above. In particular neither the IsDB, the Trustee, the Delegate nor 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 was entered into on the Programme Date between the IsDB, the Trustee and the Delegate and is 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 together 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 Initial Trust Property, the Trustee's rights, title, interest and benefit in and to the Portfolio, the Trustee's rights, title, interest and benefit, present and future, in, to and under the Programme Documents and Transaction Documents to which it is a party (excluding any representations given to the Trustee by the IsDB pursuant to any of the Programme Documents or Transaction Documents), the Trustee's rights and interest in assets held by the IsDB 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 IsDB, 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 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) 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 IsDB Purchase Agreement, the Additional Portfolio Asset Sale Undertaking Deed and the Additional Portfolio Asset Sale Agreement if the IsDB shall have at any time failed to perform its obligations under it;
- (d) 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;
- (e) distribute the proceeds of any enforcement of the Trust Assets, as described in the Master Trust Deed and in the Master Wakala Agreement (see the section entitled "*Summary of the Principal*

Programme Documents – Master Wakala Agreement, as supplemented by each Supplemental Wakala Agreement”);

- (f) 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 IsDB, the Wakeel and the Delegate as more particularly set out herein; and
- (g) 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 Wakala 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 IsDB 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 14 (*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 IsDB under the Purchase Undertaking Deed, the relevant IsDB Purchase Agreement and any other Programme Document and Transaction Document to which the IsDB is a party.

In the Trust Deed, the Trustee also undertakes that, *inter alia*:

- (a) it may or shall upon being directed to do so by the Delegate enforce the obligations of the IsDB under the Master Trust Deed, the Purchase Undertaking Deed and any other Programme Document or Transaction Document to which the IsDB is a party;
- (b) 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 Master Trust Deed);
- (c) 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 IsDB and any Final Terms or Pricing Supplement, as the case may be, 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
- (d) following the occurrence of a Dissolution Event in respect of any Series of Trust Certificates and subject to Condition 14 (*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 IsDB under the Purchase Undertaking Deed, the relevant IsDB Purchase Agreement and any other Programme Document or Transaction Document to which the IsDB 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 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 IsDB has also undertaken to the Trustee and the Delegate in the Master Trust Deed that, if any amount payable by the IsDB 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 IsDB for any reason whatsoever (including, without limitation, by reason of any Trust Certificate, the Master Trust Deed, any Supplemental Trust Deed, any relevant IsDB 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 IsDB 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 IsDB 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 IsDB Purchase Agreement or other Programme Documents or Transaction Documents. For the avoidance of doubt, the IsDB 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 was entered into on the Programme Date between the IsDB and the Issuer, 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 IsDB agrees to sell to the Issuer the Portfolio identified in a schedule to the relevant Supplemental Purchase Agreement. The Portfolio shall be a portfolio of assets created by the IsDB which shall be separate and independent from all other assets of the IsDB.

To the extent that the transfer of the Portfolio (or any part thereof) is not effective in any jurisdiction for any reason, the IsDB has agreed to either replace the Portfolio Constituent Assets (as defined in the Master Purchase Agreement) with Additional Portfolio Assets (as defined in 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 Issuer. Further, the IsDB 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 IsDB.

Representations and Warranties

The IsDB 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 IsDB 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 Master Purchase Agreement;
- (b) the execution, delivery and performance by the IsDB 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 IsDB's Articles of Agreement, (ii) any law, rule or regulation applicable to the IsDB or the Portfolio, (iii) any contractual restriction contained in any agreement, mortgage, bond, contract, undertaking or instrument binding on or affecting the IsDB or any of its properties or assets, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting the IsDB 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 IsDB of the Master Purchase Agreement or any other document to be delivered by the IsDB 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 IsDB 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 IsDB 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 IsDB 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 *Shari'a* principles as laid down by the IsDB Group *Shariah* Board.

A breach of the representations and warranties contained in the Master Purchase Agreement by the IsDB will result in the IsDB being required to repurchase any underlying assets in the Portfolio which do not comply with such representations and warranties and the IsDB 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.

Undertakings of the IsDB

The IsDB provides only very limited undertakings in the Master Purchase Agreement.

Share Ancillary Rights

The Trustee has undertaken in the Master Purchase Agreement to delegate to the IsDB as Wakeel the exercise of 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 on the relevant Closing Date or the relevant Settlement Date, as the case may be. To the extent that the transfer of any Shares to the Trustee is not effective, the IsDB has undertaken to hold such Shares on trust for the Trustee.

Additional Portfolio Assets Sale Undertaking Deed

The Additional Portfolio Assets Sale Undertaking Deed was executed by the IsDB in favour of the Trustee on the Programme Date and is governed by English law.

Pursuant to the Additional Portfolio Assets Sale Undertaking Deed, the Trustee has been granted the right to require the IsDB to sell, in certain circumstances (as detailed below), to the Trustee Limited 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 Wakala 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 IsDB 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 IsDB 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 IsDB in, to and under, Leased Assets, Disbursing *Istisna'a* Assets, Shares, Sukuk and/or Restricted *Mudaraba* Assets (as, and only to the extent, specified in the relevant Purchase Report) the aggregate Net Asset Value of such Leased Assets, Disbursing *Istisna'a* Assets, Shares, Sukuk and/or Restricted *Mudaraba* Assets being no greater than the relevant Tangibility Make-Whole Amount (as defined in the Master Wakala 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 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 IsDB will enter into an Additional Portfolio Assets Sale Agreement to effect the sale of the relevant Additional Portfolio Assets.

Master Wakala Agreement, as supplemented by each Supplemental Wakala Agreement

The Master Wakala Agreement was entered into on the Programme Date between the IsDB, the Trustee and the Delegate, as supplemented and amended from time to time, and each Supplemental Wakala Agreement applicable to a Series of Trust Certificates, will be, and is governed by English law (the **Master Wakala Agreement**, together with each Supplemental Wakala Agreement being referred to as, the **Wakala Agreement**).

Appointment of the IsDB as Wakeel

The Trustee has appointed the IsDB to act as its agent and wakeel (**Wakeel**) to perform limited actions in order to collect and service the Portfolio applicable to each Series of Trust Certificates. In particular, the Wakeel 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 Wakeel 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 particularly the Wakeel has agreed to (a) exercise at least the same standard of care in respect of the Portfolio of each Series of Trust Certificates as it exercises in respect of assets of a similar type and nature to any Portfolio 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 Wakeel shall be entitled to delegate its obligations under the Master Wakala Agreement, as supplemented by the Supplemental Wakala Agreement, to any person approved by the Trustee

provided that the Wakeel shall remain primarily liable for the obligations incurred by it hereunder notwithstanding any such delegation.

Fees

The Wakeel shall be entitled to receive a fee for acting as Wakeel which will comprise a fixed basic fee of U.S.\$100 payable on the date of each Supplemental Wakala 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 Wakeel in relation to the Portfolio which are in excess of the Periodic Distribution Amounts payable by the Trustee to the Certificateholders on the relevant Periodic Distribution Date, shall be retained by the Wakeel as an incentive fee for the performance of its services pursuant to the Wakala Agreement.

Application of Collections

For the period between each Calculation Date (each a **Collection Period**), the Wakeel 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 Wakeel. All collections in the nature of profit (the **Profit Collections**) will be deposited in a profit ledger account with the Wakeel. The Servicing Report will identify the amount of principal and profit collections. Subject to the terms of the Transaction Documents the Wakeel 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 applicable 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 Wakala Agreement, on each Settlement Date, if (i) there is a Revenue Generating Assets Shortfall, the Wakeel 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 Wakeel 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 IsDB 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 Wakeel, 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 Wakala Agreement, as the case may be, on each Settlement Date, the Wakeel will apply the relevant Profit 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) 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 items (c) and (d) (inclusive) 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 (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 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 Master Trust Deed, the relevant Supplemental 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 Wakeel, the Delegate and the Trustee shall separately agree; and
- (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.

Notwithstanding the above, in respect of each Series of Trust Certificates and unless otherwise specified in the Wakala Agreement, as the case may be, applicable to the relevant Series, on the Dissolution Date the Wakeel 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 Wakeel 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 IsDB Events

Subject to finding a suitable replacement, the IsDB may resign as Wakeel, 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 Wakeel's appointment can also be terminated in certain other circumstances but in particular, the Wakeel's appointment as Wakeel may be terminated without notice upon the occurrence of any of the following events (each an **IsDB Event**). However, the occurrence of an IsDB 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 principal amount of the relevant Series of Trust Certificates for the time being outstanding) the Trust Certificates of the relevant Series to be immediately due and payable. The IsDB Events are as follows:

- (a) the IsDB fails to pay an amount under the Wakala Agreement, the Guarantee, the Purchase Undertaking Deed, any IsDB Purchase Agreement, any Sale Agreement or any other Transaction Document to which it is a party;
- (b) the IsDB 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 Wakala 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 IsDB;

- (c) the IsDB 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 IsDB to perform or comply with any or all of its obligations under the Programme Documents or Transaction Document or any of the obligations of the IsDB under the Programme Documents or Transaction Document are not or cease to be legal, valid, binding and enforceable;
- (e) the IsDB 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 IsDB contrary to its Articles of Agreement;
- (g) the Board of Governors of the IsDB passes a resolution to terminate the operations of the IsDB;
- (h) an order is made or an effective resolution passed for winding up the IsDB (unless the order is made for the purpose of a reorganisation, whilst solvent, of the IsDB); or
- (i) the IsDB 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 IsDB demonstrates to the satisfaction of the Trustee that it is solvent).

Guarantee

The Guarantee was executed by the IsDB in favour of the Trustee on the Programme Date and is governed by English law. In addition, on the relevant Closing Date of each Series, the IsDB will confirm in a certificate on each Closing Date that the guarantee, undertaking and indemnity set out in the Guarantee remains in full force and effect and shall extend to the Portfolio in respect of that Series. 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, obligors under Disbursing *Istisna'a* Assets, obligors under Restricted *Mudaraba* Assets and debtors in respect of any *Murabaha* Receivables, Loan Receivables and *Istisna'a* Receivables). 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, 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 Wakala Agreement) received in respect of the Portfolio Constituent Assets (as defined in the Master Trust Deed) comprised in the Portfolio relating to the 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 12 (*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 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 12 (*Taxation*)).

The Trustee has agreed pursuant to the Programme Documents that only such amounts as are equal to the profit due in respect of the relevant Series of Trust Certificates (including any additional amounts required to be paid in respect of the Trust Certificates pursuant to Condition 12 (*Taxation*)) shall be paid to the Trustee pursuant to the Guarantee, with the remainder being retained by the IsDB as an incentive fee in respect of its role as Wakeel under the Programme.

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 relating to the relevant Series of Trust Certificates following such Dissolution Date 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 was executed by the IsDB in favour of the Trustee on the Programme Date and is governed by English law.

The IsDB shall be irrevocably and unconditionally obliged in favour of the Trustee and the Delegate to purchase all of the Trustee's rights, benefits and entitlements in and to the Portfolio for each Series on the relevant Maturity Date of the relevant Series or prior thereto following the occurrence of a Dissolution Event (in each case, if applicable).

The purchase price payable to the Trustee shall be equal to (a) the Aggregate Nominal Amount (as specified in the applicable 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 IsDB as Wakeel acting pursuant to the Wakala Agreement or (b) if no such instructions are received within a reasonable time, to the account specified by the Principal Paying Agent.

IsDB will undertake that to the extent that the sale of any Portfolio Constituent Asset (a **Relevant Asset**) by the IsDB to the Trustee is not effective in any jurisdiction for any reason, and as a result the Trustee or, as the case may be, the Delegate, is unable to realise in full or does not actually receive in full, the relevant Exercise Price which is expressed to be due and payable under this Deed at the relevant time, IsDB hereby agrees (without double counting) to (a) make payment of an amount equal to the purchase price paid by the Trustee for the Relevant Asset by way of restitution to the Trustee immediately upon request; and (b) indemnify fully the Trustee for any shortfall between the amount received by the Trustee and the amount required for the purpose of redemption in full of the outstanding Trust Certificates of the relevant Series.

The IsDB has agreed 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 IsDB 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 a IsDB Purchase Agreement, to be executed by the Trustee and the IsDB on the relevant Dissolution Date of the relevant Series of Trust Certificates. The form of each such IsDB Purchase Agreement is appended to the Purchase Undertaking Deed.

Sale Undertaking Deed

The Sale Undertaking Deed was executed by the Trustee in favour of the IsDB on the Programme Date and is 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 IsDB 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 as being applicable) 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 IsDB on the relevant Dissolution Date.

The purchase price payable by the IsDB will be an amount equal to (a) the Aggregate Nominal Amount (as specified in the applicable 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 IsDB as Wakeel acting pursuant to the Master Wakala Agreement and the relevant Supplemental Wakala Agreement or (b) if no such instructions are received within a reasonable time, to the account specified by the Principal Paying Agent.

The IsDB has agreed 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 IsDB 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 IsDB and the Delegate are parties, the IsDB 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 IsDB 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 IsDB 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.

Shari'a Compliance

In the Programme Documents, to the extent permitted by law, each relevant party agrees that it has accepted the *Shari'a* compliant nature of each Programme Document and the Transaction Documents to which it is a party and further agrees that: (a) it shall not claim that any of its obligations under the Programme Documents and the Transaction Documents to which it is a party (or any provision thereof)

is *ultra vires* or not compliant with the principles of *Shari'a*; (b) it shall not take any steps or bring any proceedings in any forum to challenge the *Shari'a* compliance of the Programme Documents or the Transaction Documents to which it is a party; and (c) none of its obligations under the Programme Documents or the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Programme Documents or the Transaction Documents to which it is a party are not compliant with the principles of *Shari'a*.

Furthermore, the parties to the Programme Documents acknowledge and agree that, notwithstanding any other provisions of a Programme Document, the principle of payment of interest is repugnant to the principles of *Shari'a* 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 a Programme Document, each party hereto waives and rejects the entitlement to recover interest from another party.

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 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The proposed FTT has very broad scope and could, if introduced, apply to certain dealings in Certificates (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including: (a) by transacting with a person established in a participating Member State; or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Certificates are advised to seek their own professional advice in relation to the FTT.

JERSEY TAXATION

The following summary of the anticipated tax treatment in Jersey in relation to the payments on the Trust Certificates is based on the taxation law and practice in force at the date of this document, and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Trust Certificates and the receipt of interest and distributions (whether or not on a winding-up) with respect to such Trust Certificates under the laws of the jurisdictions in which they may be liable to taxation.

Jersey

The Income Tax (Jersey) Law 1961, as amended (the **Law**) provides that the general basic rate of income tax on the profits of companies regarded as resident in Jersey or having a permanent establishment in Jersey, is zero per cent. (**zero tax rating**) and that only a limited number of financial services companies which are regulated by the Jersey Financial Services Commission under the Financial Services (Jersey) Law 1998, are subject to income tax at a rate of 10 per cent. For so long as the Trustee holds a "zero tax rating", payments in respect of the Trust Certificates will not be subject to

any taxation in Jersey and no withholding in respect of Jersey taxation will be required on payments to any holder of the Trust Certificates.

Under current Jersey law, there are no capital gains, capital transfer, gift, wealth or inheritance taxes or any death or estate duties. No stamp duty is levied in Jersey on the issue or transfer of Trust Certificates. On the death of an individual sole Certificateholder (whether or not such individual was resident in Jersey), duty at rates of up to 0.75 per cent. of the value of the relevant Trust Certificates may be payable on the registration of Jersey probate or letters of administration.

Goods and Services Tax (GST)

Pursuant to the Goods and Services Tax (Jersey) Law 2007 (the **2007 Law**), tax at a rate which is currently five per cent. applies to the supply of retail goods and services unless the relevant supplier or recipient of such goods and services is registered as an "*international services entity*".

The Trustee is an "international services entity" within the meaning of the 2007 Law, having satisfied the requirements of the Goods and Services Tax (International Services Entities) (Jersey) Regulations 2008, as amended (the **ISE Regulations**) and, as long as it continues to be such an entity, a supply of goods or of a service made by or to the Trustee shall not be a taxable supply for the purposes of the 2007 Law.

SUBSCRIPTION AND SALE

Trust Certificates may be sold from time to time by the Issuer to any one or more of CIMB Bank (L) Limited, HSBC Bank plc, First Abu Dhabi Bank PJSC, Natixis, Standard Chartered Bank or to any dealer appointed by the Issuer (with the prior consent of the IsDB) 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 Issuer to, and purchased by, Dealers are set out in an amended and restated dealer agreement dated 22 February 2018, as amended, restated and/or supplemented from time to time (the **Dealer Agreement**) and made between the Issuer, the IsDB 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 Issuer 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 and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that it has offered or sold the Trust Certificates, and will offer or sell the Trust Certificates (a) as part of their distribution at any time, and (b) otherwise until 40 days after the completion of distribution of all Trust Certificates of the Series of which such Trust Certificates are a part, only in accordance with Rule 903 of Regulation S under the Securities Act and, accordingly, that: neither it nor any of its affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Trust Certificates; and it and its affiliates have complied and will comply with the offering restrictions requirements of Regulation S under the Securities Act.

Each Dealer has undertaken, and each further Dealer appointed under the Programme will be required to undertake, that, at or prior to confirmation of sale, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration which purchases Trust Certificates from it during the distribution compliance period a confirmation or notice in substantially the following form:

"The securities covered hereby have not been registered under the United States Securities Act of 1933 (the **Securities Act**) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, (a) as part of their distribution at any time or (b) otherwise until 40 days after the later the completion of distribution of the Securities as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Arranger, 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."

In addition, until 40 days after the commencement of the offering, an offer or sale of Trust Certificates within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from, or a transaction not subject to, the registration requirements of the Securities Act.

Each Dealer has represented and agreed, 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 direct selling efforts with respect to any Trust Certificates and it and they have complied and will comply with the offering restrictions required of Regulation S.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms (or Pricing Supplement, as the case may be) in respect of any Trust Certificates specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Trust Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms (or the applicable Pricing Supplement, as the case may be) in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II (as amended); or
 - (ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Prospectus Directive; and
- (b) the expression **offer** includes 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.

If the Final Terms (or Pricing Supplement, as the case may be) in respect of any Trust Certificates specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, in relation to each Member State of the EEA (each, a **Relevant Member State**) and with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**), it has not made and will not make an offer of Trust Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms (or the applicable 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 Issuer and/or the IsDB (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 Issuer, the IsDB 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

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that

- (a) in relation to any Trust Certificates which have a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Trust Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Trust Certificates would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Trust Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer and the IsDB; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Trust Certificates in, from or otherwise involving the United Kingdom.

United Arab Emirates (excluding the DIFC)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Trust Certificates to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

DIFC

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Trust Certificates to be issued under the Programme to any person in the DIFC unless such offer is:

- (a) an "Exempt Offer" in accordance with the Market Rules (MKT Module) of the Dubai Financial Services Authority (the **DFSA**) rulebook; and
- (b) made only to persons who meet the "Professional Client" criteria set out in Rule 2.3.3 of the Dubai Financial Services Authority Conduct of Business Module of the DFSA rulebook.

Kingdom of Saudi Arabia

No action has been or will be taken in the KSA that would permit a public offering of any Trust Certificates. Any investor in the KSA 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 Article 11 or Article 12 of the "Offers of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 3-151-2016 dated 21 December 2016 (the **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 KSA other than to "sophisticated investors" under Article 11 of the KSA Regulations or by way of a limited offer under Article 12 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 made by it to a Saudi Investor will be made in compliance with Article 11 or Article 12 of the KSA Regulations.

Investors are informed that Article 18 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.

Jersey

The Trust Certificates may only be issued or allotted exclusively to:

- (a) a person whose ordinary activities involve him in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of his business or who it is reasonable to

expect will acquire, hold, arrange or dispose of investments (as principal or agent) for the purposes of his business; or

- (b) a person who has received and acknowledged a warning to the effect that (a) the Trust Certificates are only suitable for acquisition by a person who (i) has a significantly substantial asset base such as would enable him to sustain any loss that might be incurred as a result of acquiring the Trust Certificates; and (ii) is sufficiently financially sophisticated to be reasonably expected to know the risks involved in acquiring the Trust Certificates.

Neither the issue of the Trust Certificates nor the activities of any functionary with regard to the issue of the Trust Certificates are subject to all the provisions of the Financial Services (Jersey) Law 1998.

Each person who acquires Trust Certificates will be deemed, by such acquisition, to have represented that he or it is one of the foregoing persons.

Malaysia

This Base Prospectus has not been registered as a prospectus with the Securities Commission Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the **CMSA**). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Trust Certificates have not been and will not be offered or sold by it, and no invitation to subscribe for or purchase the Trust Certificates has been or will be made, directly or indirectly, by it nor may any document or other material in connection therewith be distributed by it in Malaysia, other than to persons falling within any one of the categories of persons specified under Part 1 of Schedule 6 or Section 229(1)(b) and Part 1 of Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3), read together with Schedule 9 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Trust Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers is responsible for any invitation, offer, sale or purchase of the Trust Certificates as aforesaid without the necessary approvals being in place.

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 other than (a) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (b) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO; or (c) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the SFO; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Trust Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the 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.

Singapore

This Base Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Trust Certificates or caused the Trust Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell any Trust Certificates or cause the Trust Certificates to be made the subject of an invitation for subscription or purchase and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Trust Certificates, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor pursuant to Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**); (ii) to a relevant person under Section 275(1) of the SFA, or to any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Trust Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Trust Certificates pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

State of Qatar (including the Qatar Financial Centre)

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, delivered or sold, and will not offer, deliver or sell, directly or indirectly, any Trust Certificates in the State of Qatar (**Qatar**) (including the Qatar Financial Centre), except (i) in compliance with all applicable laws and regulations of Qatar (including the Qatar Financial Centre); and (ii) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar. This Base Prospectus has not been filed with,

reviewed or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, Qatar Financial Centre Regulatory Authority or any other relevant Qatar governmental body or securities exchange.

Kingdom of Bahrain

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Trust Certificates except on a private placement basis to persons in Bahrain who are "accredited investors".

For this purpose, an **accredited investor** means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

General

No action has been taken by the Issuer, the IsDB or any Dealer that would, or is intended to, permit a public offer of the Trust Certificates in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Dealer has undertaken, and each further Dealer appointed under the Programme will undertake, that it will not, directly or indirectly, offer or sell any Trust Certificates or distribute or publish any Base Prospectus, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Trust Certificates by it will be made on the same terms.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Trust Certificates or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Trust Certificates under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the IsDB, the Delegate and any other Dealer shall have any responsibility therefor.

None of the Issuer, the IsDB, the Delegate and any of the Dealers represents that Trust Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale. Persons into whose possession this Base Prospectus or any Trust Certificates may come must inform themselves about and observe any applicable restrictions on the distribution of this Base Prospectus and the offering and sale of any Trust Certificates.

With regard to each Series, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer, the IsDB and the relevant Dealer and set out in the relevant subscription agreement.

GLOSSARY OF ARABIC TERMS

Fiqh Academy means the International Islamic Fiqh Academy, an 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.

Waqf means an endowment fund.

GENERAL INFORMATION

Authorisation

The update of the Programme has been duly authorised by a resolution of the board of directors of the Trustee passed on 24 January 2018. The Trustee has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme and the issue of Trust Certificates pursuant thereto.

The granting of the Guarantee by the IsDB 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 Executive Directors of the IsDB passed on 31 March 2013.

Listing

Application has been made to the FCA, in its capacity as the competent authority under the FSMA 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 is also admitted to the Official List and admitted to trading on the Market); or (B) Exempt Certificates (where the relevant Series is 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.

Approval has been obtained from Bursa Malaysia for the listing of the Programme pursuant to an exempt regime, where: (A) Trust Certificates (where the relevant Series is also admitted to the Official List and admitted to trading on the Market); or (B) Exempt Certificates (where the relevant Series is not admitted to the Official List nor admitted to trading on the Market) may be listed but not quoted for trading on Bursa Malaysia.

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 applicable Final Terms or the applicable Pricing Supplement, as the case may be, relating thereto. The applicable 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 31 December 2016 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 31 December 2016 there has been no material adverse change in the prospects of the IsDB - OCR, nor any significant change in the financial or trading position of the IsDB - OCR.

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 IsDB 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 IsDB.

Auditors

The auditors of the Trustee are BDO Alto Limited, who have audited the Trustee's accounts in accordance with International Standards on Auditing. The Trustee will make its annual audited accounts available for inspection by Certificateholders at its registered office and at the office of the Principal Paying Agent as specified below. The Trustee has no subsidiaries.

Ernst & Young & Co. (Public Accountants), KSA has audited the IsDB - OCR's financial statements for the period ended 31 December 2016, without qualification, in accordance with the Auditing Standards for Islamic Financial Institutions issued by AAOIFI and International Standards for Auditing (ISAs).

KPMG Al Fozan & Al Sadhan and PricewaterhouseCoopers together audited the IsDB's financial statements for the financial year ended on 30 Dhul Hijjah 1436H (13 October 2015), without qualification, in accordance with Article 8.2 of the Financial Regulations of the IsDB and with the standards issued by the AAOIFI and with the relevant IAS for matters for which no AAOIFI standard exists.

Post-Issuance Information

Save as set out in the applicable Final Terms or the applicable 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 8 Canada Square, London E14 5HQ, United Kingdom:

- (a) the constitutional documents of each of the Trustee and the IsDB;
- (b) the most recent publicly available audited annual financial statements of the IsDB - OCR, beginning with such financial statements for the year ended 30 Dhul Hijjah 1436H (13 October 2015) and the period from 14 October 2015 to 31 December 2016, and the respective auditors' report thereon;
- (c) the most recent publicly available audited annual financial statements of the Trustee, beginning with such financial statements for the year ended 30 Dhul Hijjah 1436H (13 October 2015) and for the period from 14 October 2015 to 31 December 2016, 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 Wakala Agreement;
- (iv) any Supplemental Wakala 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;
- (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 Sale Undertaking Deed, which contains the form of IsDB Purchase Agreement;
- (ix) the Purchase Undertaking Deed, which contains the form of IsDB Purchase Agreement;
- (x) the Additional Portfolio Assets Sale Undertaking Deed which contains the form of the Additional Portfolio Assets Sale Agreement;
- (xi) the Agency Agreement;
- (xii) the Corporate Services Agreement;
- (xiii) the opinion of the IsDB Group *Shariah* Board approving the transaction structure relating to the Trust Certificates (as described in this Base Prospectus);
- (xiv) each Purchase Report (Settlement Dates will be specified in the relevant Supplemental Purchase Agreement, 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
- (xv) each Servicing Report (Report Dates will be specified in the relevant Supplemental Purchase Agreement, 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 www.londonstockexchange.com/en-gb/pricesnews/marketsnews.

Copies of any Supplemental Purchase Agreement, any Supplemental Trust Deed, any Supplemental Wakala Agreement, any Additional Portfolio Assets Sale Agreement, any 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.

THE ISSUER / TRUSTEE

IDB Trust Services Limited

44 Esplanade
St Helier,
Jersey JE4 9WG
Channel Islands

THE PROVIDER OF THE GUARANTEE

(in respect of the payment obligations arising under the Portfolio of the relevant Series of Trust Certificates)

The Islamic Development Bank

8111 King Khalid Street
Al Nuzlah Al Yamania District – Unit No. 1
Jeddah 22332-2444
Kingdom of Saudi Arabia

ARRANGER

Standard Chartered Bank

PO Box 999
Dubai
United Arab Emirates

THE DEALERS

CIMB Bank (L) Limited
c/o CIMB Investment Bank
Berhad
13th Floor, Menara
CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470
Kuala Lumpur
Malaysia

**First Abu Dhabi Bank
PJSC**
FAB Building
Khalifa Business Park
Al Qurm District
P.O. Box 6316
Abu Dhabi
United Arab Emirates

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

Natixis
30, avenue Pierre Mendès-France
75013 Paris
France

Standard Chartered Bank
PO Box 999
Dubai
United Arab Emirates

THE DELEGATE

The Law Debenture Trust Corporation p.l.c.

5th Floor
100 Wood Street
London EC2V 7EX
United Kingdom

THE PRINCIPAL PAYING AGENT AND THE CALCULATION AGENT

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

THE REGISTRAR, TRANSFER AGENT AND REPLACEMENT AGENT

Intertrust SPV Services Limited

(formerly known as Elian SPV Services Limited and Ogier SPV Services Limited)

44 Esplanade
St. Helier
Jersey JE4 9WG
Channel Islands

LEGAL ADVISERS

To the IsDB as to the laws of England

Dentons & Co.

Level 18, Boulevard Plaza 2
Burj Khalifa District
P.O. Box 1756
Dubai, United Arab Emirates

To the Trustee as to the laws of Jersey

Ogier

44 Esplanade
St Helier
Jersey JE4 9WG
Channel Islands

To the Dealers as to the laws of England

Clifford Chance LLP

Level 15, Burj Daman
Dubai International Financial Centre
P.O. Box 9380
Dubai, United Arab Emirates

AUDITOR TO THE TRUSTEE

BDO Alto Limited
Windward House
La Route de la Liberation
St. Helier
Jersey JE1 1BG
Channel Islands

AUDITORS TO THE IsDB - OCR

Ernst & Young & Co. (Public Accountants)
13th Floor – King’s Road Tower
PO Box 1994
King Abdulaziz Road (Malek Road)
Jeddah 21441
Kingdom of Saudi Arabia