



**Islamic Development Bank (“IsDB”)**  
**Banque Islamique de Développement**  
**البنك الإسلامي للتنمية**

**February 2014**

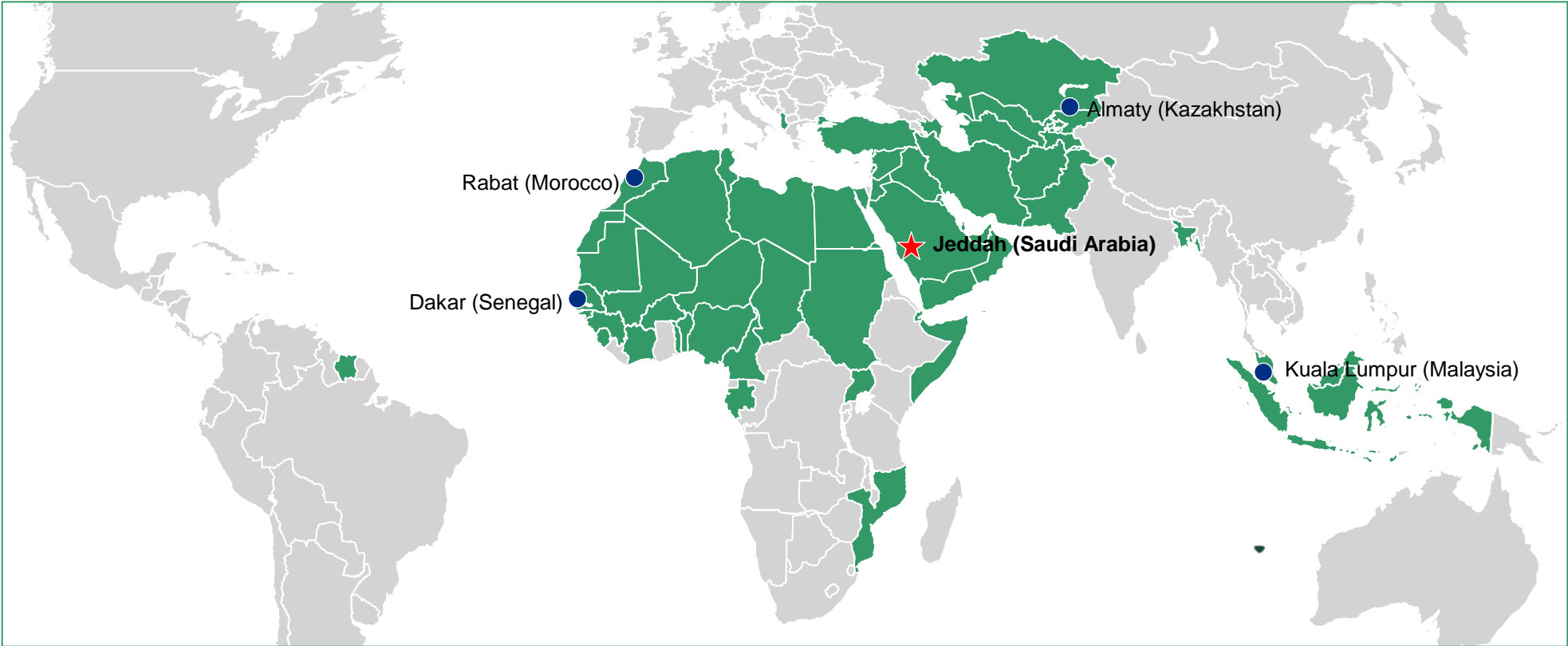
**[www.isdb.org](http://www.isdb.org)**

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# IsDB: 56 Member Countries Globally



★ Principal Office      ● Regional Offices



## I. Overview & Development Activities

## Overview

- Established in 1975 and headquartered in Jeddah, the Kingdom of Saudi Arabia
- Purpose:** *To foster the economic development and social progress of member countries in a commercially viable manner*
  - Currently **56 member countries** from the Middle East, Africa, the Asia Pacific Region, South Asia, Europe and South America
  - Regional offices in **Kazakhstan, Malaysia, Morocco and Senegal**
  - Field representatives in several member countries
  - All financial transactions are in compliance with Islamic law (Shariah)

## Mission Statement

*“We are committed to alleviating poverty, promoting human development, science & technology, Islamic banking & finance and enhancing cooperation amongst member countries in collaboration with our development partners*

## Notes:

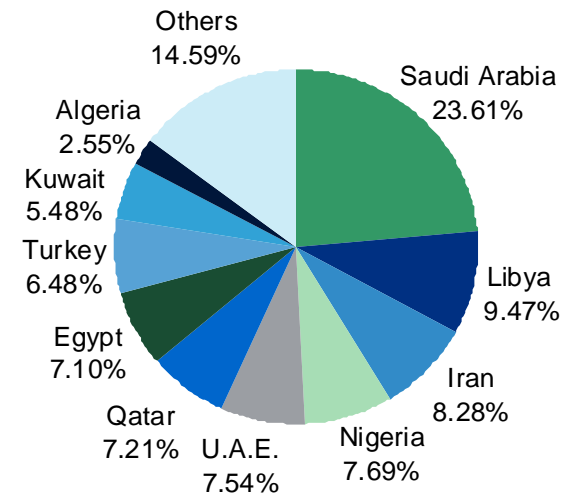
- IsDB's unit of account 1 Islamic Dinar = 1 Special Drawing Right of the IMF  
Exchange rate of ID 1 = US\$ 1.52623 used throughout this presentation as per IMF 14 November 2012
- IsDB's financial year is the lunar Hijrah year (11 days shorter than the solar Gregorian year)
- Throughout this presentation, financial data for Financial Year-End November 2012 are based on Audited Accounts

## Key Financial Indicators

### As of Financial Year-End Nov. 2012 (US\$ billion)

<b>Total Assets</b>	17.4
<b>Authorized Capital</b>	45.8
<b>Paid-up Capital</b>	7.0
<b>Ratings</b>	Aaa/AAA/AAA

## Ownership



## IsDB Activities

- **Project Finance, Loans and Technical Assistance aimed at the development of:**
  - Agriculture
  - Basic Infrastructure & Industrial sectors
  - Education
  - Healthcare and other Social Sector Institutions
- **Equity Investment and Lines of Financing for the development of Financial Institutions**

## IsDB Priority Areas

- **Human Development**
- **Agricultural and Rural Development and Food Security**
- **Infrastructure Development**
- **Private Sector Development (ICD)**
- **Intra-Trade Among Member Countries (ITFC)**
- **Research and Development in Islamic Banking and Finance**

## Key IsDB Group Members\*



- **International Islamic Trade Finance Corporation (ITFC):** Supports trade finance activities amongst member countries



- **Islamic Corporation for the Development of the Private Sector (ICD):** Supports the private sector in the member countries



- **Islamic Corporation for Insurance of Investment and Export Credit (ICIEC):** Provides investment protection and export credit insurance for member countries

\* These subsidiaries have their own separate balance sheets, member countries, and ratings

# Consistently Rated 'AAA'



IsDB's 'AAA' is predominantly derived from its standalone credit profile in contrast to other multilateral development banks' ("MDB") reliance on 'AAA' rated callable capital

## MOODY'S

(Since 2006)  
Last Rating: Nov. 2013

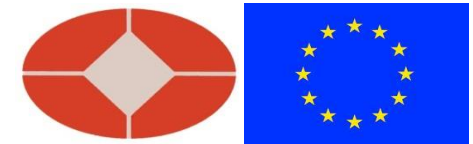


eligible for inclusion in the liquidity buffer of banks under the FCA supervision. (BIPRU 12.7.2)

*"Low leverage..."*  
*"Very strong capitalization..."*  
*"Established track record in terms of asset quality..."*  
*"Preferred Creditor status..."*  
*"Strong commitment from shareholders..."*  
*"Strong liquidity..."*

## STANDARD & POOR'S

(Since 2002)  
Last Rating: Dec.2013



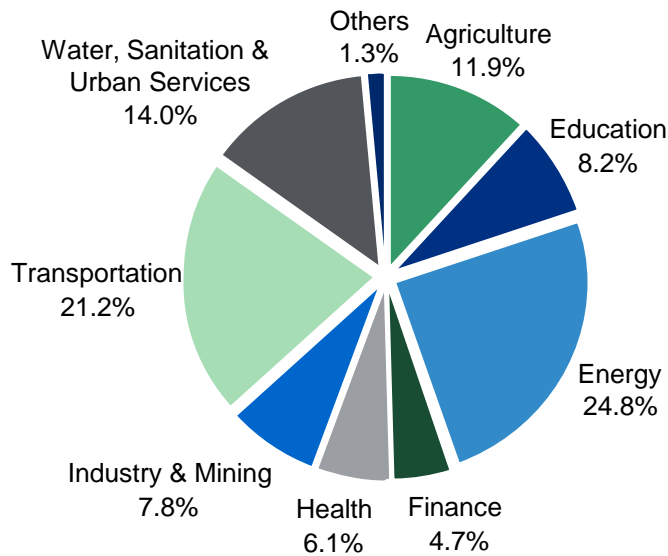
Zero Risk Weighted

## FitchRatings

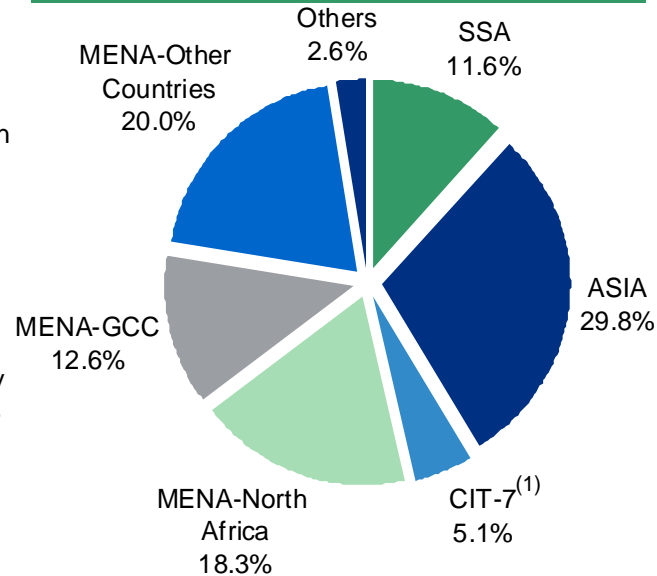
(Since 2007)  
Last Rating: June 2013

# IsDB's Portfolio Demographics: Well diversified

## Sectoral Distribution



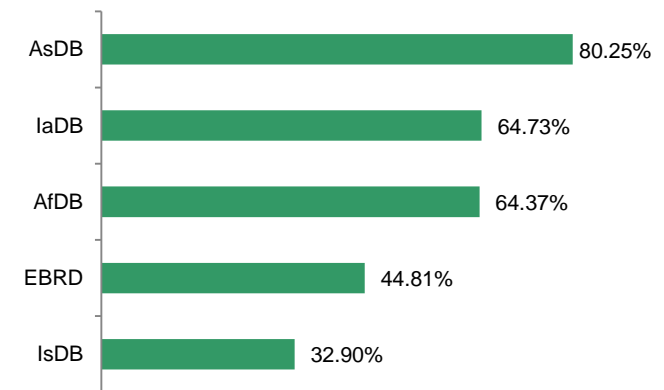
## Geographic Distribution



## Regional Lending Profile: IsDB vs. Other MDBs

IsDB	Middle East, Africa, Asia & Others
AfDB	Africa
EIB	Europe, esp. EU member countries
AsDB	Asia-Pacific
EBRD	Europe & CIS
IaDB	LATAM & the Caribbean

## Concentration of Top 5 Exposures/T. Loans



- IsDB conducts business across Asia, Africa and the Middle East through its 56 member countries
- Given this, IsDB has one of the broadest operational scopes among major MDBs
- Exposure limits by country help achieve asset diversification and minimise excessive concentration of risk within member countries
- Similarly, IsDB's asset portfolio is well diversified by sectors with no sector accounting for more than 25% of financing

Source: IsDB's Economic Research and Policy Department;

(1) Countries in transition 7 ("CIT-7"): Albania, Azerbaijan, Kazakhstan, Kyrgyz Rep., Tajikistan, Turkmenistan, Uzbekistan

Source: Fitch rating reports 2013





## II. Financial Profile of IsDB

# IsDB's Capital Structure & Strong Capital Adequacy

## Stable Capital Structure

- Ordinary operations are funded primarily by shareholder's equity from IsDB's member countries
- Member countries are irrevocably committed to pay their portion of subscribed capital
- IsDB has maintained a high equity / assets ratio above 60% since inception\*
- Calls are made in freely convertible currencies acceptable to IsDB
- IsDB's shares cannot be pledged, encumbered, and cannot be transferred to any entity

## Strong Capital Adequacy

- Very strong capital base - 75% of total capital held by oil and gas exporting countries
- Capital Adequacy Ratio at 61.1%\*\* is one of the highest amongst peers (Equity/Total Assets )
- **Total amount of equity investment, loans outstanding and other ordinary operations cannot, at any time, exceed the total amount of unimpaired subscribed capital, reserves, deposits, other funds raised and surplus included in the Ordinary Capital Resources**

Source: 2012 Audited Financial Statements;

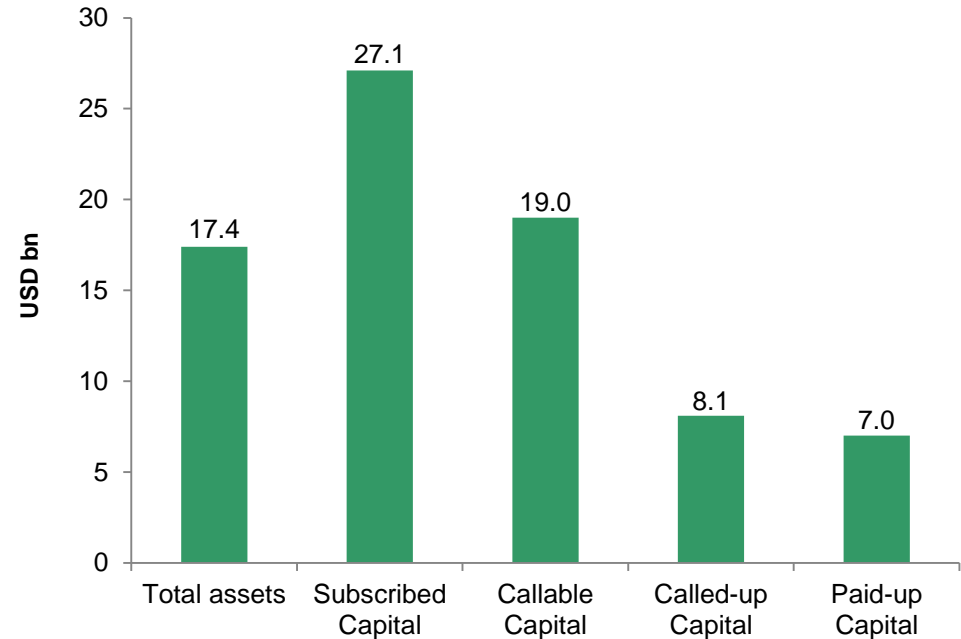
Note: Following numbers have been revised based on the Board of Governors' approval dated 22 May 2013 - Authorized Capital was increased to US\$150.0 bn; Subscribed Capital was increased to US\$75.0 bn; Callable Capital was increased to US\$61.3 bn; Called-up Capital was increased to US\$13.7 bn (exchange rate of ID 1 = US\$ 1.50)

\* Based on the Board of Governors approval dated 22 May 2013

\*\* As per Fitch Ratings Report, June 2013

\*\*\* Operating Assets include: Istisna'a, Installment Financing, Loans and Ijarah

## IsDB's Capital Structure – Nov. 2012



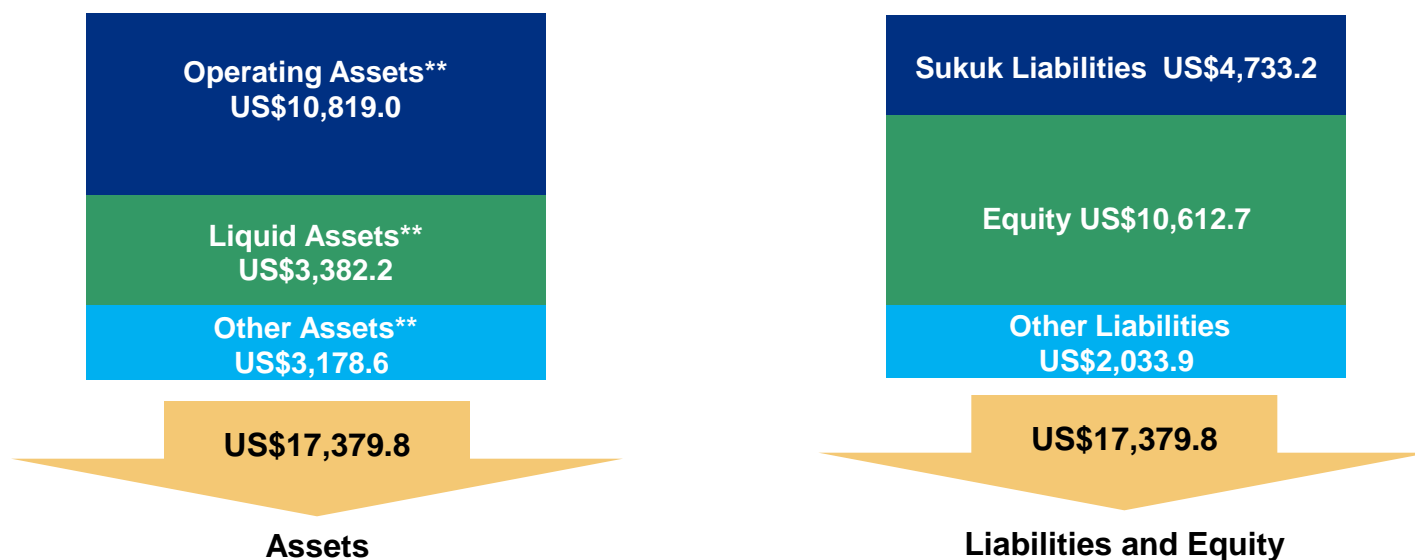
Nov. 2012	US\$ million
<b>Total Paid-up Capital and Total Reserves (usable equity)</b>	10,613
<b>Operating Assets***</b>	10,819



# Financial Highlights

(US\$ million)	Nov 2012	Nov 2011	Dec 2010	Dec 2009
<b>Total Assets</b>	17,379.8	15,798.3	13,839.2	13,316.9
<b>Total Liabilities</b>	6,767.1	5,679.9	4,027.2	4,327.1
<b>Shareholders Equity</b>	10,612.7	10,118.4	9,811.9	8,989.8
<b>Gross Income</b>	692.9	573.6	544.7	555.2
<b>Net Income</b>	174.3	166.3	258.9	190.5

## Balance Sheet Overview – As of Financial Year-End Nov. 2012 (US\$ million)



Source: 2009-2012 Audited Financial Statements;

\* Exchange Rate of ID 1 = US\$ 1.52623 has been applied across all years, numbers may differ from other sources which may have applied different exchange rates

\*\* Operating Assets include: Istisna'a, Installment Financing, Loans and Ijarah; Liquid Assets include Cash and Cash equivalents, Commodity Placements and Investments in Sukuk. Other Assets include accrued income and other assets, investments in equity, investments in subsidiaries, investments in trust funds, investments in associates, investments in fixed assets and Murabaha Financing with short-term maturity

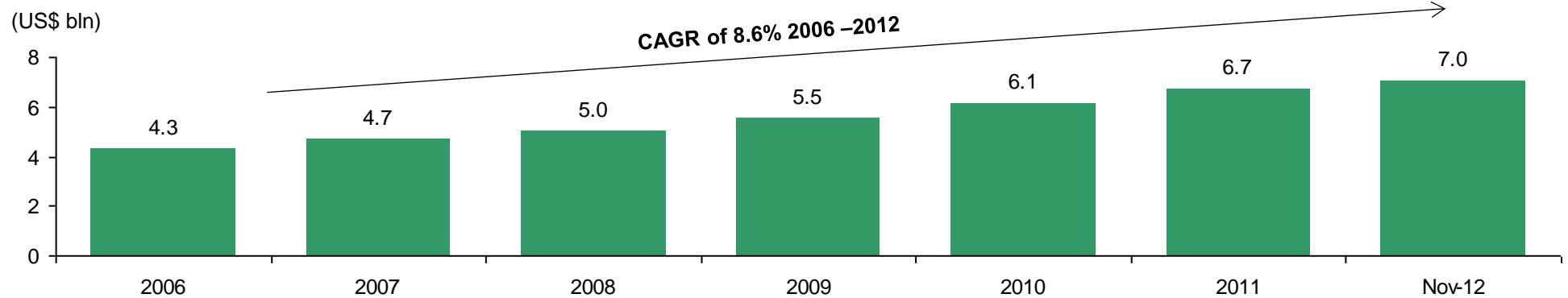
# Key Performance Metrics



## Selected Key Ratios as of Year-End Nov. 2012

LEVERAGE:	
Debt to Equity Ratio*	57.5%
CAPITALIZATION:	
Assets/Total Liabilities	257%
Equity/Total Liabilities	157%
LIQUIDITY:	
Liquid Assets/Short Term Liabilities**	248%
Liquid Assets/Total Liabilities	50%

## IsDB's Paid-Up Capital



Source: 2006-2012 Audited Financial Statements

\* Debt includes Sukuk liabilities and commodity purchase liabilities

\*\* Short Term Liabilities includes Commodity purchase liabilities

## Risk Management Controls

- Exposure limits are determined by the Group Risk Management Department
- The Treasury department and the business units each has risk management functions that manage and control the exposures in the respective businesses

## Credit Risk

- Preferred creditor status on sovereign financing:
  - >90% of all financing is sovereign guaranteed
  - Remaining exposure to public private partnerships typically with elements of sovereign support
- Exposure to member countries is diversified with a view to avoid excessive concentration of risk. IsDB has established exposure limits for each country

## Liquidity Risk

- Conservative approach to liquidity management; IsDB maintains sufficient liquidity levels to fulfill all commitments for a period of 12-18 months
- IsDB's policy with regards to liquidity management requires IsDB to hold substantial liquid assets, which include cash, cash equivalents, commodity placements and Murabaha financing with short-term maturity of three to twelve months
- The Waqf Fund (Endowment Fund) - provides an additional layer of liquidity protection with total assets of US\$ 1.71 billion

## Currency Risk

- Investment portfolio is held in currencies in line with the Islamic Dinar (SDR) basket currency which provides a natural currency hedge (consists of US\$:41.9%, EUR:37.4%, GBP:11.3%, JPY:9.4%)
- All of IsDB's financing operations are denominated in the component currencies of ID. IsDB does not trade in currencies

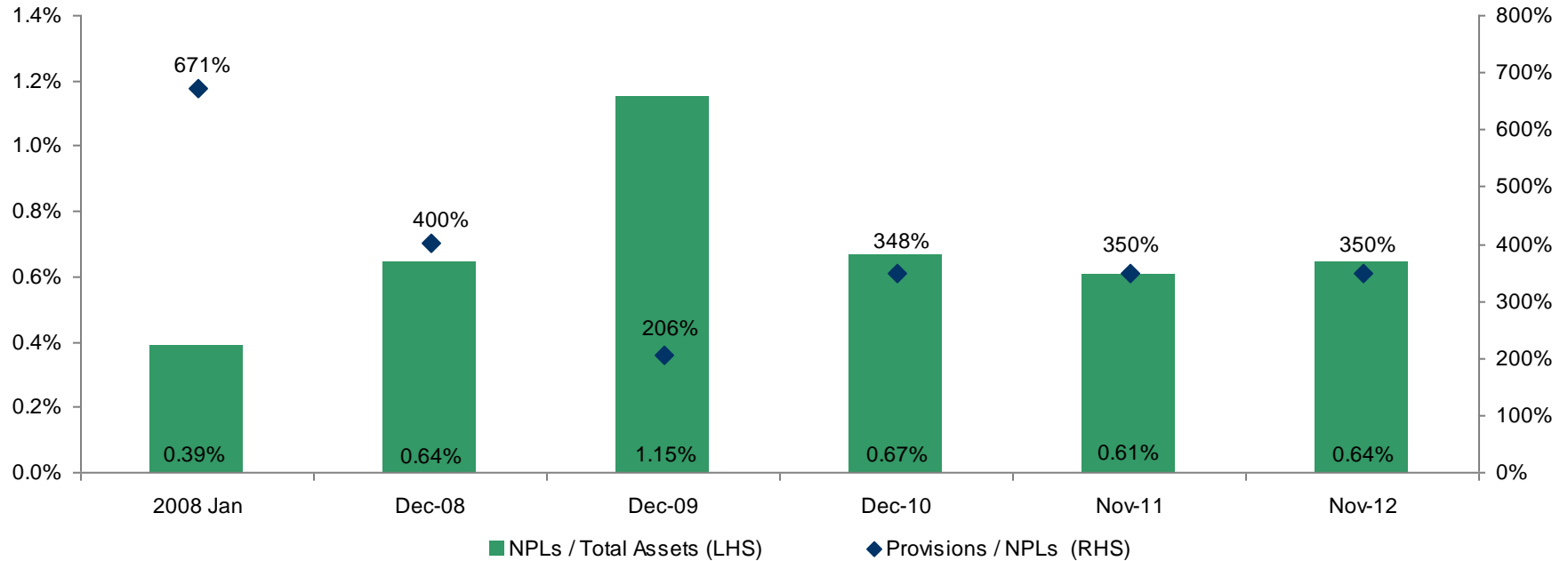
## Interest Rate Risk

- IsDB endeavors to minimise rate mismatches in liabilities and financing portfolio
- IsDB utilises Shariah compliant hedging to mitigate any mismatches

# Conservative Provisioning Policy



Since the end of 2009, IsDB's total NPLs to Total Assets have fallen considerably reflecting the Bank's prudent approach to managing risk on its earning assets

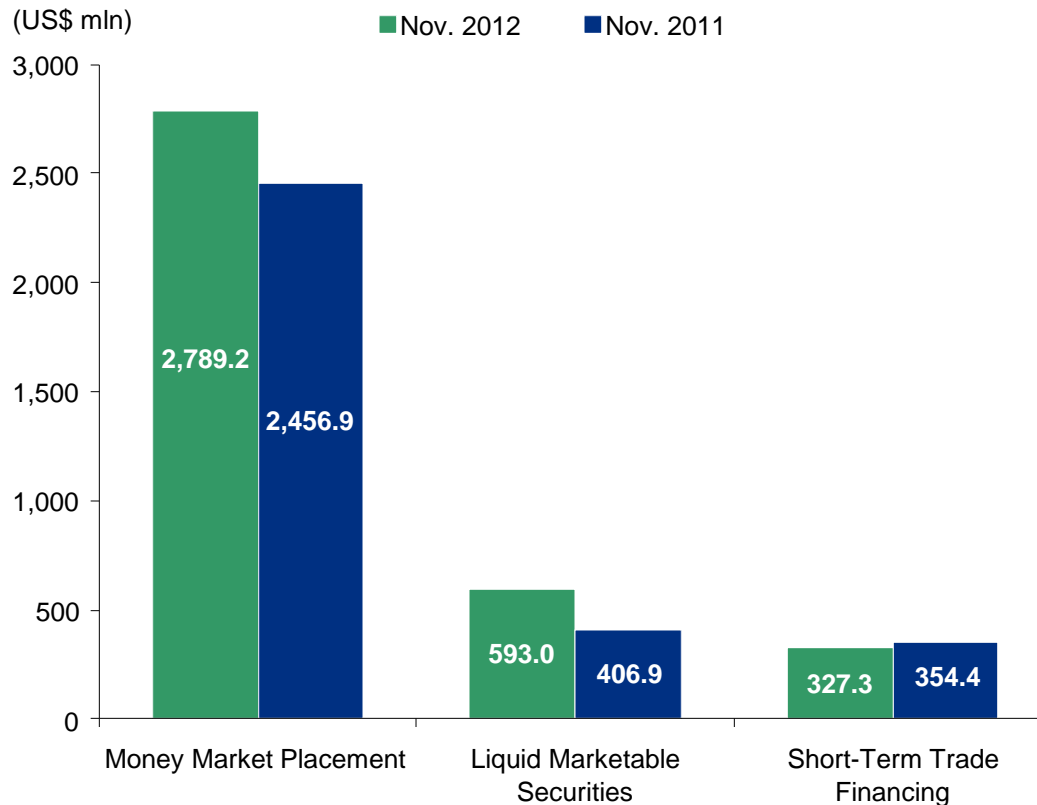


- IsDB maintains a conservative provisioning policy for recording impairment of financial assets:
  - Detailed portfolio assessment made at each balance sheet date to determine impairment of financial assets
  - Portfolio provision created where there is objective evidence that unidentified losses may be present in the portfolio at the balance sheet date

# Prudent Investment Management of Treasury Portfolio



The Treasury Department manages more than US\$ 3.5 billion of funds comprising commodity placements with financial institutions, investments in liquid marketable securities and short-term trade financing activities



- Money market placements\* comprise over half of total treasury investment portfolio:

- minimum rating of single 'A' for non-member country FIs
- for placements with member country FIs, at least 85% of exposure is to institutions rated "BBB" or higher
- conservative country and entity limits

Conservative approach to investments in marketable securities to better manage overall portfolio risk:

- investment grade for corporate paper
- selective approach for sovereign investments
- total size not to exceed 10% of total issuance

Similarly, IsDB maintains a prudent strategy for its short-term trade financing portfolio\*\*:

- mainly focused on member countries
- non-member countries are required to provide sovereign guarantees in order to avail trade financing
- total size of Murabaha financing does not exceed US\$1 bln

Source: 2011-2012 Audited Financial Statements

\* Money Market Placements = Commodity Placements +Cash and Cash Equivalents

\*\* Short - Term Trade Financing = Murabaha Financing with maturities of <6 months



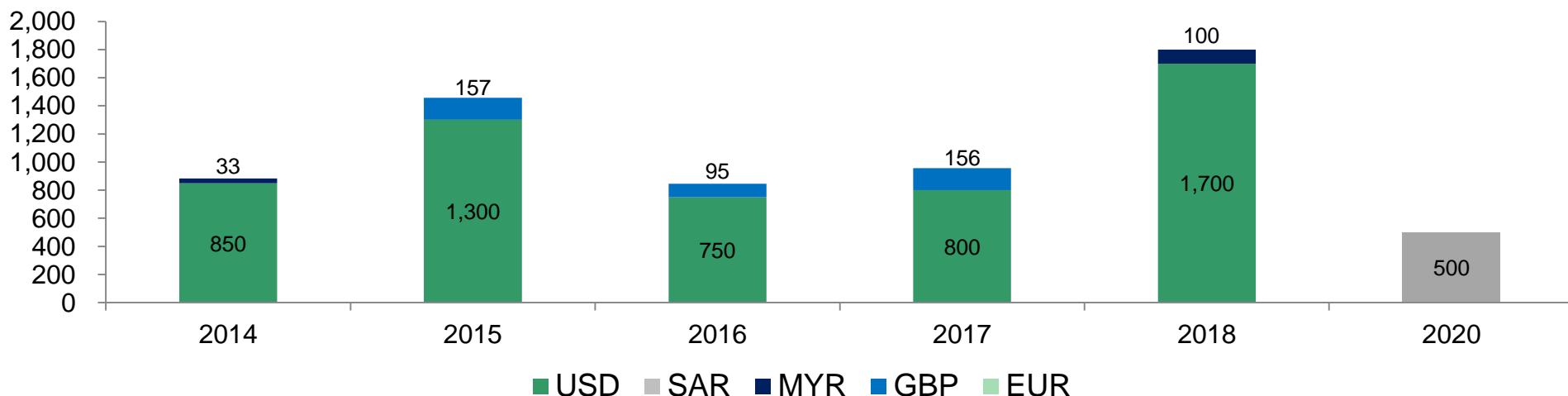
### III. IsDB in the Capital Markets



# IsDB's Funding Strategy

- IsDB has, as a matter of internal policy, targeted a growth rate of 10% p.a. for operational growth.
- Primary driver of asset growth will be project financing in member countries as part of the Member Country Partnership Strategy (MCPS)
- IsDB has demonstrated its commitment to the Sukuk market with successive issuances after 2009 and strengthened its profile as a regular issuer. While IsDB will be raising additional resources going forward, it will always maintain a conservative approach to the leverage of the Bank
- In addition to having tapped the public markets regularly in the past five years (2009-2013), IsDB has also become a frequent issuer in raising funds in private placement format
- IsDB has an EMTN program with a limit of US\$ 10.0 billion registered and listed on the London Stock Exchange, Nasdaq Dubai and Bursa Malaysia

Borrowing & Redemption Profile in the Capital Markets for IsDB (USD mn)



# IsDB's Funding Strategy: Capital Market Activities

- IsDB's capital markets objectives:
  - Develop a liquid yield curve as part of IsDB's wider strategic objectives
  - Enhance its profile in the international capital markets and reach out to new investors
  - To establish a benchmark in the Supranational market
  - Undertake issuance in or linked to different currencies

## Benchmark Program (Public Issuances)

- Establishing a track record by issuing benchmark transactions in the Reg S market
  - Deepening and broadening investor base
  - Policy of tapping markets every year through a US\$ benchmark issuance
- US\$ 400 mln 3.625% Sukuk Matured in 2008
  - US\$ 500 mln Floating Rate Sukuk Matured in 2010
  - US\$ 850 mln 3.172% Sukuk Due 2014 (XS0451543358)
  - US\$ 500 mln 1.775% Sukuk Due 2015 (XS0552790049)
  - US\$ 750 mln 2.350% Sukuk Due 2016 (XS0628646480)
  - US\$ 800 mln 1.357% Sukuk Due 2017 (XS0796312055)
  - US\$ 1,000 mln 1.535% Sukuk Due 2018 (XS0939694138)

## Non-Benchmark Program (Private Placement)

- Ultimate objective is to make lending possible in local currencies and reduce exchange rate risk for borrowers
  - Preparatory work in progress in several markets
  - Tapped local currency markets in Asia, Middle East and Europe
  - GBP 100 mln Sukuk Due 2015
  - GBP 60 mln Sukuk Due 2016
- GBP 100 mln Sukuk Due 2017
  - MYR 300 mln Sukuk Due 2018
  - MYR 100 mln Sukuk Due 2014
  - SAR 1,875 mln Fixed & Floating Rate Dual Tranche Sukuk Due 2020
  - SG\$ 200 mln Floating Rate Sukuk matured in 2012
  - US\$ 300 mln Floating Rate Sukuk Due 2015
  - US\$ 500 mln Floating Rate Sukuk Due 2017
  - US\$ 700 mln Floating Rate Sukuk Due 2018

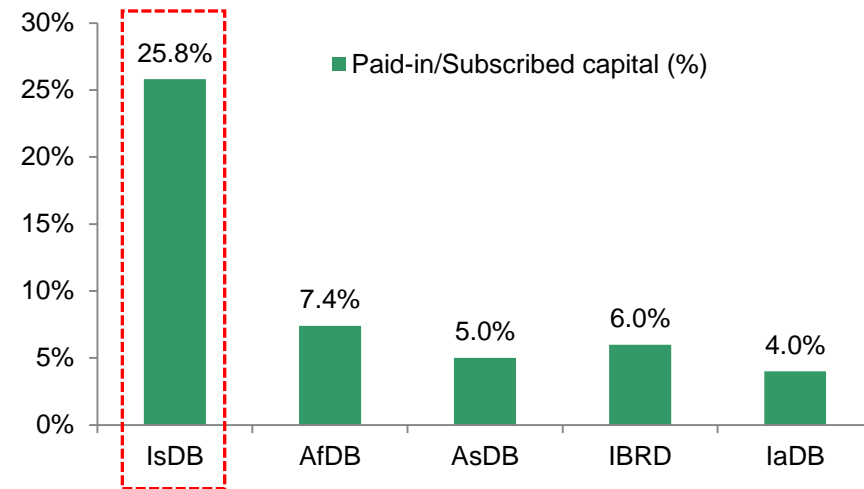
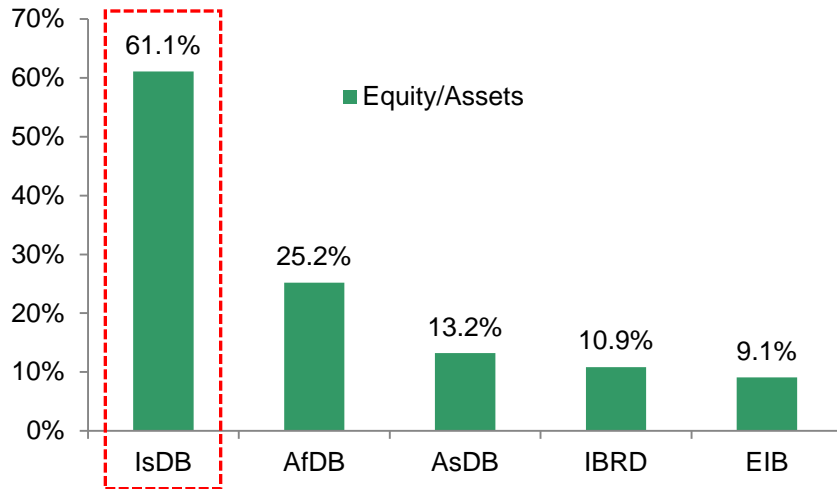


## IV. Peer Group Comparison

# Capitalization, Leverage and Profitability



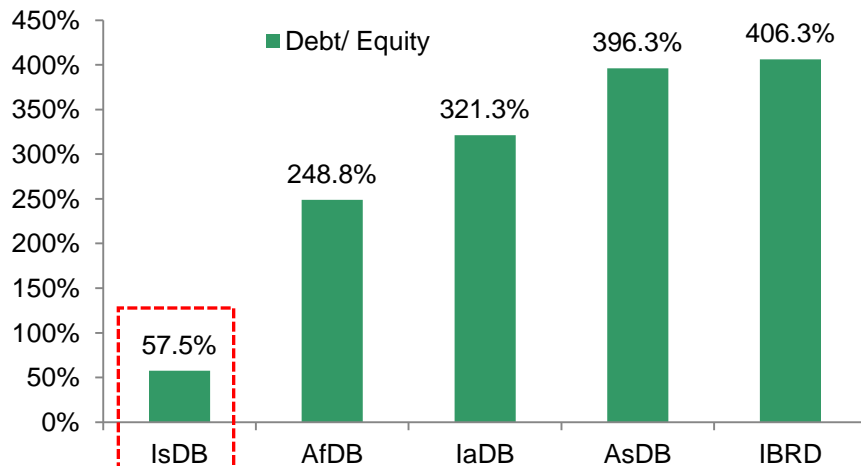
## Capitalization



Source: Fitch Rating Reports 2013

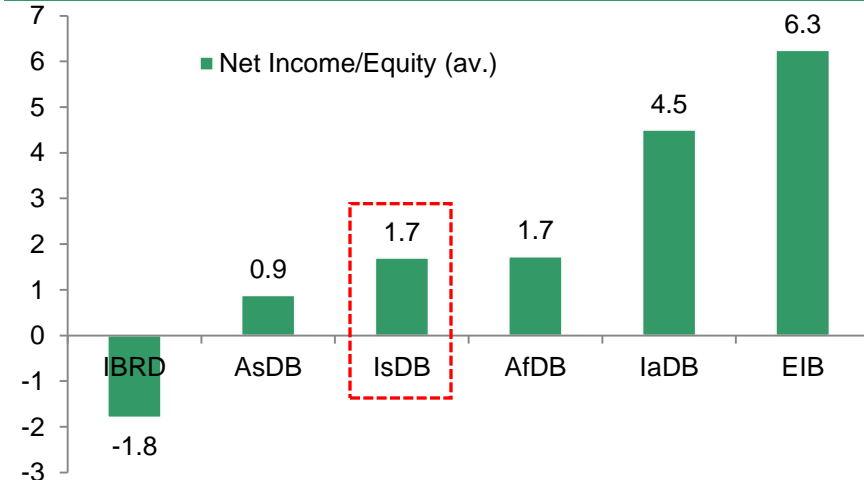
Source: Fitch Rating Reports 2013

## Leverage



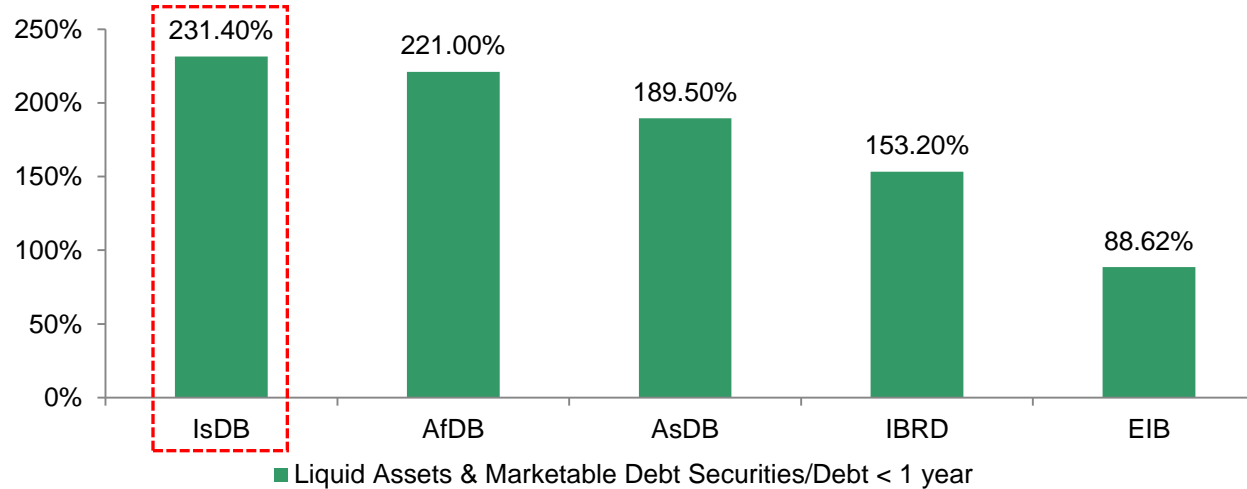
Source: Fitch Rating Reports 2013

## Profitability



Source: Fitch Rating Reports 2013

## Liquidity



Source: Fitch Rating Reports 2013

## Ratings

	Moody's/S&P/ Fitch Ratings	Standalone Credit Profile (S&P)
IsDB	Aaa/AAA/AAA	AAA
EBRD	Aaa/AAA/AAA	AAA
IBRD	Aaa/AAA/AAA	AAA
EIB	Aaa/AAA/AAA	AA
AfDB	Aaa/AAA/AAA	AA+
AsDB	Aaa/AAA/AAA	AA+
IADB	Aaa/AAA/AAA	AA

Source: S&P, Moody's and Fitch Rating Reports 2013



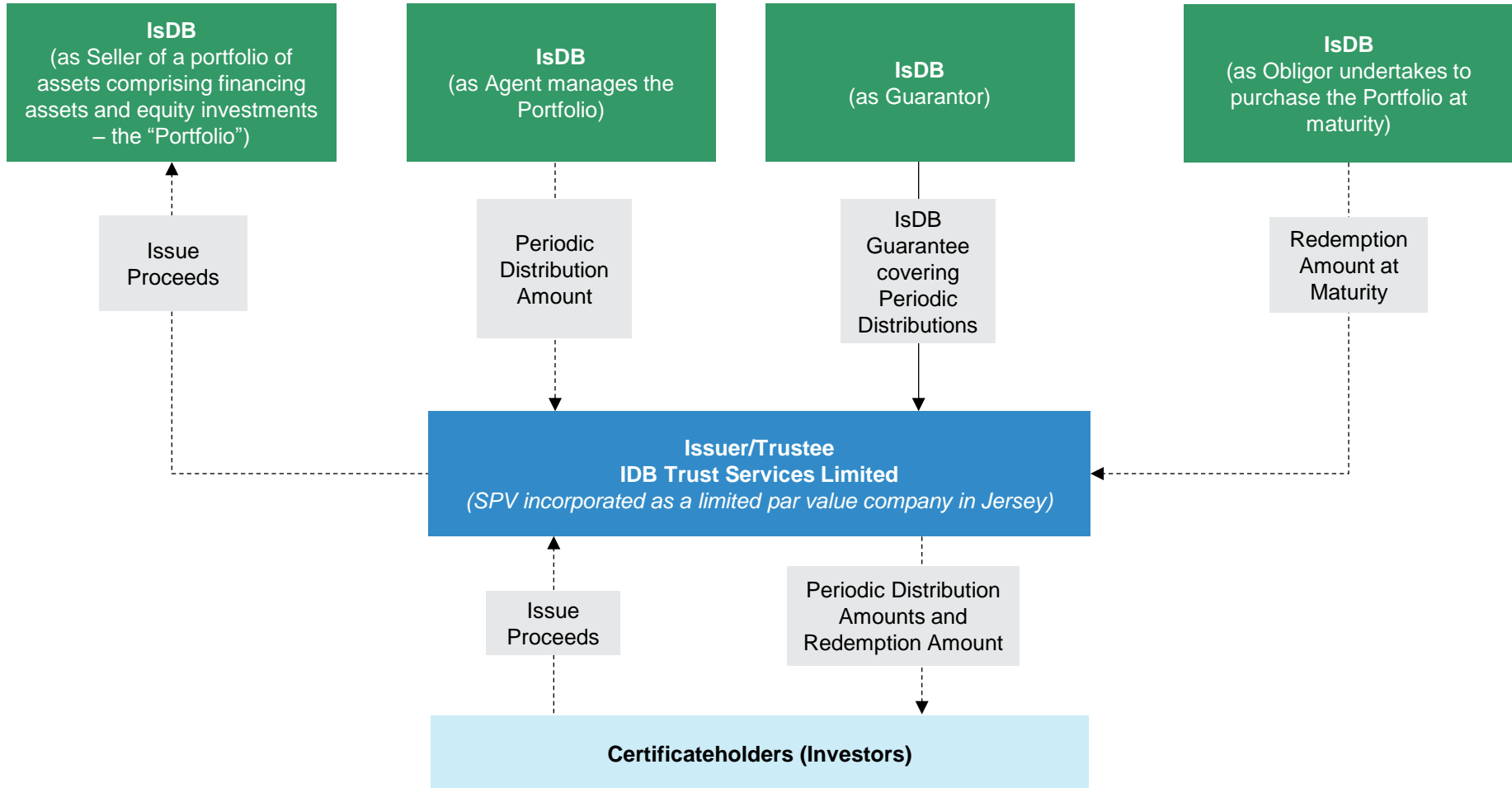
## **V. Key Terms of IsDB's US\$ Benchmark Sukuk to be issued under the USD 10 billion MTN Programme**

# Key Terms of a new US\$ Benchmark Sukuk to be issued under the US\$ 10 billion MTN Programme



<b>Issuer</b>	<ul style="list-style-type: none"> <li>IDB Trust Services Ltd</li> </ul>
<b>Guarantor / Obligor</b>	<ul style="list-style-type: none"> <li>IsDB</li> </ul>
<b>Credit Ratings</b>	<ul style="list-style-type: none"> <li>AAA/ Aaa / AAA (S&amp;P, Moody's, Fitch)</li> </ul>
<b>Format</b>	<ul style="list-style-type: none"> <li>Reg S Sukuk</li> </ul>
<b>Trade Date</b>	<ul style="list-style-type: none"> <li>February [ ], 2014</li> </ul>
<b>Settlement Date</b>	<ul style="list-style-type: none"> <li>February [ ], 2014</li> </ul>
<b>Maturity</b>	<ul style="list-style-type: none"> <li>TBD</li> </ul>
<b>Size</b>	<ul style="list-style-type: none"> <li>Benchmark</li> </ul>
<b>Profit Rate</b>	<ul style="list-style-type: none"> <li>TBD</li> </ul>
<b>Spread over Mid-Swaps</b>	<ul style="list-style-type: none"> <li>TBD</li> </ul>
<b>Price</b>	<ul style="list-style-type: none"> <li>100.00</li> </ul>
<b>Governing Law</b>	<ul style="list-style-type: none"> <li>English law</li> </ul>
<b>Listing</b>	<ul style="list-style-type: none"> <li>London Stock Exchange, Bursa Malaysia and Nasdaq Dubai</li> </ul>
<b>JLMs</b>	<ul style="list-style-type: none"> <li>CIMB, Commerzbank, First Gulf Bank PJSC, HSBC, Natixis, National Bank of Abu Dhabi PJSC, Standard Chartered Bank</li> </ul>

# Sukuk Structure Overview



————— Contractual Arrangement  
 - - - - - Cash Flow

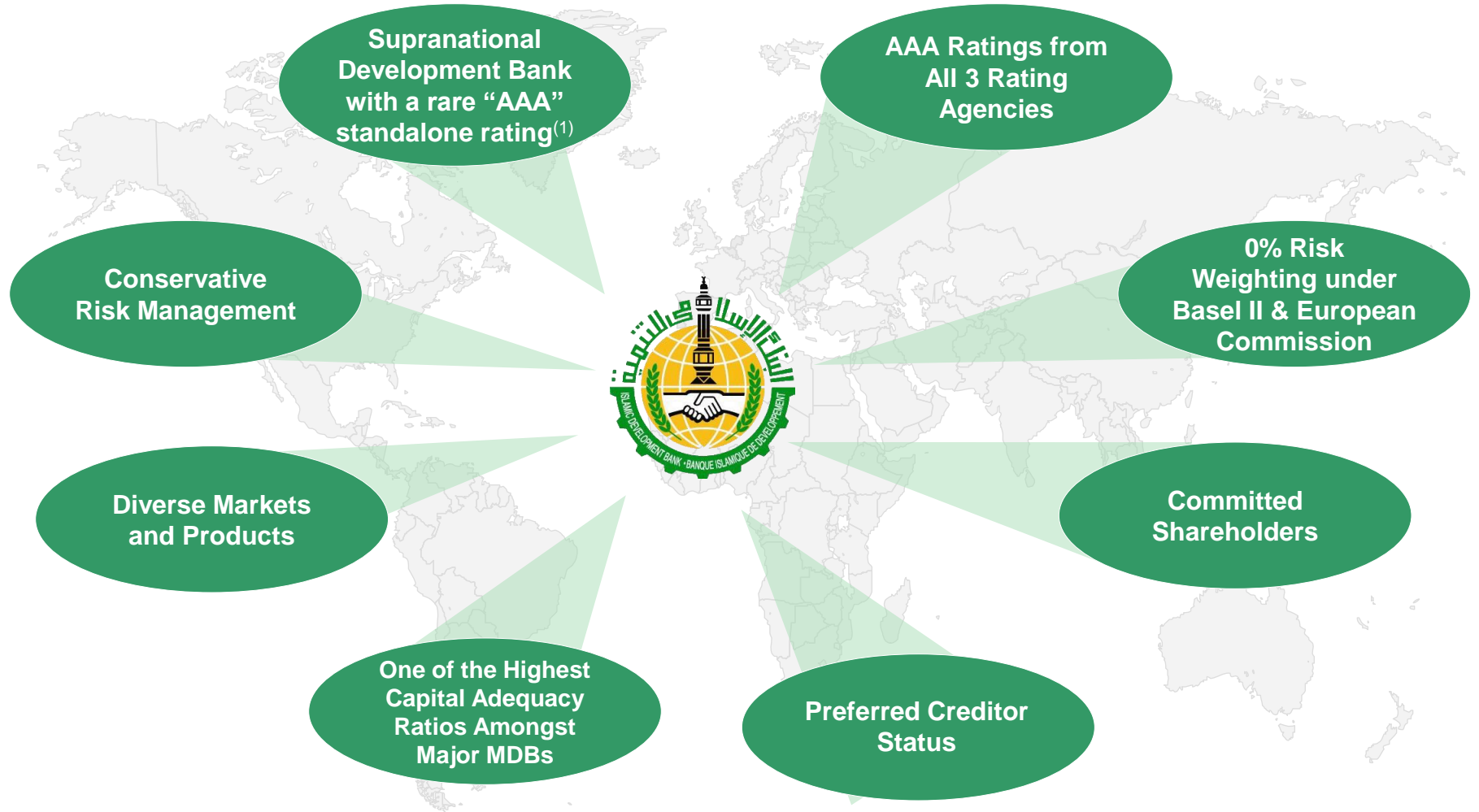
The above is a summary of the key features of the structure of an offering under IsDB’s Sukuk Programme. For a complete description of the structure, please refer to the Base Prospectus





## VI. Investment Highlights

# Overview and Investment Highlights



(1) S&P standalone credit profile  
Multilateral Development Bank (“MDB”)



## **Appendix: Selected Co-Financing Projects by IsDB with Other MDBs/Lenders in Various Regions**

# Example of Projects Co-Financed By IsDB

## Republic of Kazakhstan : Highway Project

- **Project Description:**

- Construction of 57 kilometer, Category 1 (4-lane) road in the Taraz Oblast (Region) of Kazakhstan
- A part of the mega project “Reconstruction of Western Europe-Western China International Transit Corridor”
- 20-year project tenure

- **Sponsor:** Government of the Republic of Kazakhstan

- **Total Amount:** US\$ 7 billion

- **IsDB Participation:** US\$ 170 million (Phase-I)

- **Tenure:** 20 years including 4 years gestation

- **Financiers:** IsDB, WB, ADB, EBRD, JICA



# Example of Projects Co-Financed By IsDB

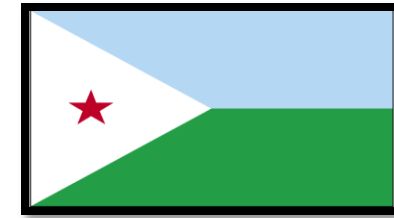
## Djibouti: Doraleh Container terminal

### ■ Project Description:

- Construction of a new container terminal with a total quay line 1.05 km long
- Project represents the first ever PPP style financing in Djibouti

### ■ Sponsors:

- Port Autonome International de Djibouti (PAID)
- Dubai Ports World (DPW)



■ Total Amount: US\$ 397 million

■ IsDB Participation: US\$ 67 million (US\$ 15 million sell down to OPEC Fund for International Development)

■ Tenure: 10 years

■ Financiers: IsDB, AfDB, Dubai Islamic Bank, Proparco, Standard Chartered Bank, West LB



# Disclaimer



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