



# Islamic Development Bank (“IsDB”)

## Investor Presentation

November 2019



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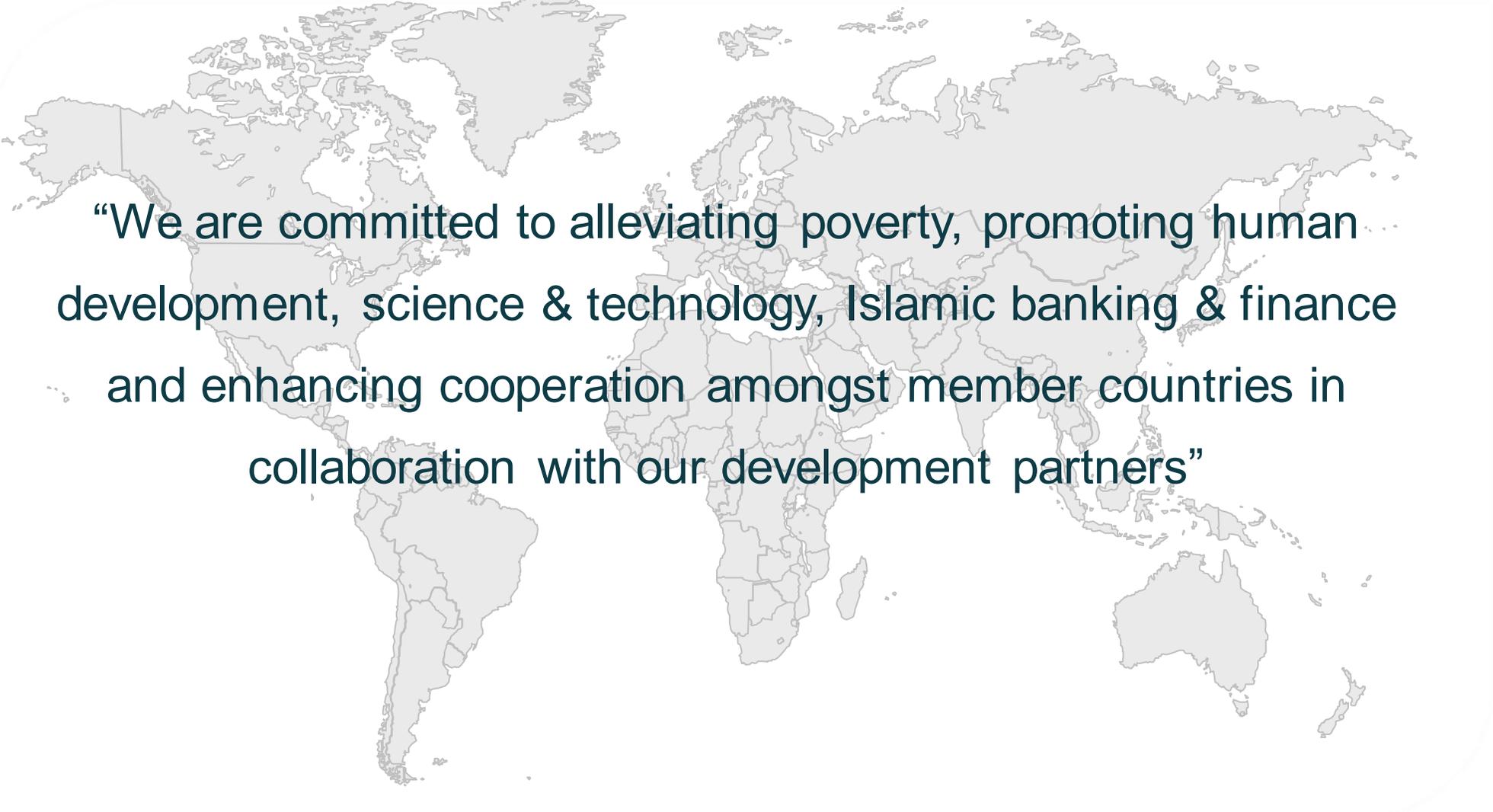
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# Mission Statement



“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”

# Executive summary

## IsDB Green Sukuk



### Issued by IsDB

- Multilateral development financing institution, with 57-member states from the Middle East, Africa, the Asia-Pacific region, South Asia, Europe and South America
- Consistently rated 'AAA' by Major Rating Agencies
- Very strong capital base
- One of the strongest-capitalised Multilateral Development Bank ("MDBs") with an equity-to-assets ratio of 39.6%



### Sustainability is at the core of our operations

- Committed to prioritizing the UN Sustainable Development Goals in accordance with the specific development needs of its Member Countries ("MCs")
- Various sector policies including energy, transport, education, agricultural sector policies which establish the overall direction for IsDB's operations in MCs, in line with the IsDB 10-Year Strategy, the P5P, the requirements of the development arena and the targets underlying the SDGs
- Aim to boost its commitment towards sustainability through the potential issuance of Sukuk to finance sustainable investments



### Developed a robust Sustainable Finance Framework

- Established a Sustainable Finance Framework with a Second Party Opinion from CICERO
- The framework is in alignment with the ICMA GBP 2018, SBP 2018 and SBG 2018
- Under this Framework, IsDB can issue two types of sukuk - Green Sukuk and Sustainable Sukuk
- Identified a portfolio of USD 6.2 billion of eligible green and social assets

# Agenda

I. Overview of Islamic Development Bank Group

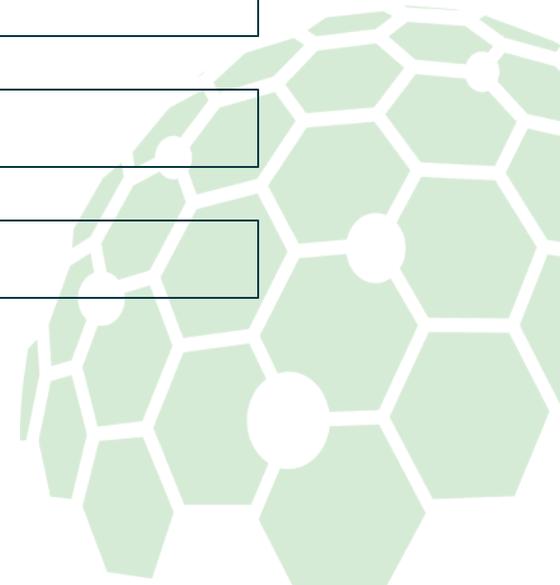
II. Financial Profile of IsDB

III. IsDB Sustainable Financing Framework - Inaugural Green Sukuk

IV. IsDB in the Capital Markets

V. Key Offering Terms & Investment Highlights

Appendix



# Overview of Islamic Development Bank

Foster the economic development and social progress of member countries in a commercially viable manner

## Overview

- Established in 1974 and headquartered in Jeddah, the Kingdom of Saudi Arabia
- Currently 57 member countries from the Middle East, Africa, the Asia-Pacific region, South Asia, Europe and South America
- Regional hubs in Morocco, Malaysia, Kazakhstan, Senegal, Turkey, Indonesia, Nigeria and Bangladesh and new openings expected in Egypt, Suriname, UAE and Uganda in addition to field representatives in several member countries
- All financial transactions are in compliance with Islamic law (Shariah)

## Key Financial Indicators

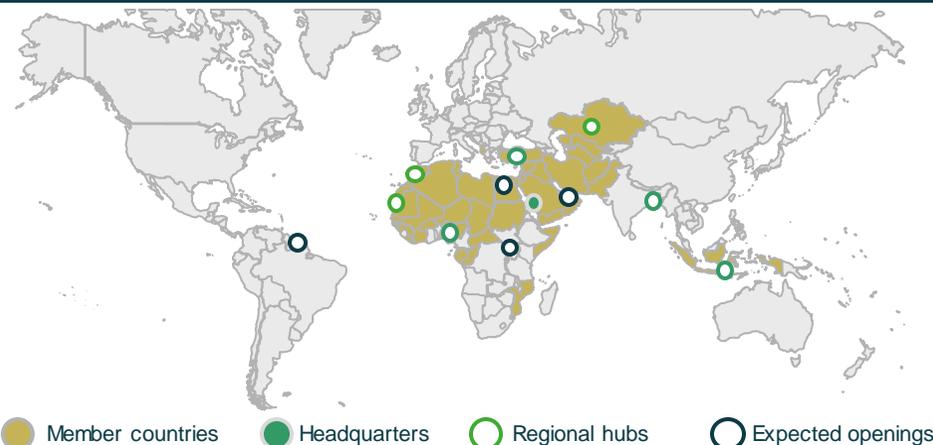
### As of Year-End 2018

Ratings (Moody's / S&P / Fitch)	Aaa / AAA / AAA
Total Assets (US\$, bn)	30.6
Subscribed Share Capital (US\$, bn)	69.9
Paid-up Capital (US\$, bn)	7.8
Debt / Equity <sup>1</sup>	147.1%
Assets / Total Liabilities <sup>1</sup>	165.7%
Liquid Assets / Total Liabilities <sup>1</sup>	52.2%
Equity / Asset <sup>1</sup>	39.6%

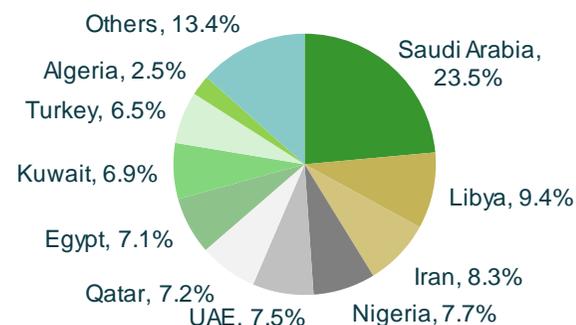
Notes: IsDB's unit of account is as follows: 1 Islamic Dinar = 1 Special Drawing Right of the IMF. Exchange rates utilized as of year-end 2008: 1ID=US\$1.54426, 2009: 1ID=US\$1.57085, 2010: 1ID=US\$1.53920, 2011: 1ID=US\$1.55621, 2012: 1ID=US\$1.52623, 2013: 1ID=US\$1.53175, 2014: 1ID=US\$1.48509, 2015: 1ID=US\$1.41162, 2016: 1ID=US\$1.34433, 2017: 1ID=US\$1.42413 and 2018: 1ID=US\$1.39079 used throughout this presentation. Throughout the presentation, financial data are based on Audited Accounts Year-end December 2018, Year-end December 2017, Year-end December 2016, Year-end December 2015, Year-End October 2014, Year-End November 2013, Year-End November 2012, Year-End November 2011 and other public information shared in IsDB's website and publications.

1. For a description of how the ratios above are calculated, please refer to the Base Prospectus dated September 19 2019

## Member Countries and IsDB Group Offices



## Ownership Structure (as at 31 December 2018)



# IsDB Group and Operations

## IsDB Mission

- To promote comprehensive human development, with a focus on the priority areas of alleviating poverty, improving health, promoting education, improving governance and prospering the people

## 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

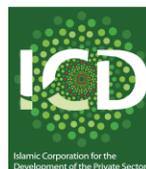
- Human Development
- Agricultural, Rural Development and Food Security
- Infrastructure Development
- Science, Technology and Innovation
- Private Sector Development (ICD)
- Intra-Trade Among Member Countries (ITFC)
- Research and Development in Islamic Banking and Finance (IRTI)

## Key IsDB Group Members<sup>1</sup>



### 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 development of private sector in the member countries



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

- Provides investment protection and export credit insurance for member countries

1. These institutions have their own separate balance sheets, ratings and member countries

# Credit Ratings

## Consistently rated 'AAA' by Major Rating Agencies

**MOODY'S**

(Since 2006)  
Last Rating Review: July 2019

**STANDARD  
& POOR'S**

(Since 2002)  
Last Rating Review: February 2019

**FitchRatings**

(Since 2007)  
Last Rating Review: May 2019  
AAA credit rating reaffirmed with a Stable Outlook

01

"Strong Shareholder Support from Highly Rated Sovereigns..."

02

"Preferred Creditor Status..."

03

"Established Track Record in Terms of Asset Quality..."

04

"Strong Capital Base..."

05

"Low Leverage..."

06

"Solid Liquidity Levels..."

## Ratings of IsDB and other Multilateral Development Banks ("MDB") Peers

	Moody's / S&P / Fitch	Standalone Rating (S&P)
 <b>IsDB</b>	Aaa / AAA / AAA	AAA
 <b>EBRD</b>	Aaa / AAA / AAA	AAA
 <b>IBRD</b>	Aaa / AAA / AAA	AAA
 <b>ADB</b>	Aaa / AAA / AAA	AAA
 <b>EIB</b>	Aaa / AAA / AAA	AAA*
 <b>IADB</b>	Aaa / AAA / AAA	AAA*
 <b>AfDB</b>	Aaa / AAA / AAA	AA+

\* following the revision of Multilateral Lending Institutions and Other Supranational Institutions Ratings Methodology by S&P, the standalone rating of these institutions has been improved from AA+ to AAA

# Regulatory Treatment for IsDB

The Bank for International Settlements provides IsDB, along with other MDBs, a zero-risk weighting as part of its eligibility criteria:

- i. A majority of an MDB's external ratings must be AAA
- ii. Shareholders include sovereigns with ratings of AA- or better, or majority of fund-raising is in the form of paid-in equity/capital with little or no leverage
- iii. Strong shareholder support demonstrated by paid-in capital and continued capital contributions and new pledges from sovereign shareholders
- iv. Adequate level of capital and liquidity
- v. Strict statutory lending requirements and conservative financial policies

**Bank for International Settlements**



■ Zero-risk weighted<sup>1</sup>

**European Central Bank**



■ A recognised Supranational issuer as per the European Central Bank (ECB) <sup>2</sup>

**Bank of England**



■ Eligible as Level B collateral for the Bank's operations<sup>3</sup>

**Financial Conduct Authority**



■ Eligible for inclusion in the liquidity buffer of banks under the FCA supervision BIPRU 12.7.2<sup>4</sup>

No.	MDBs with Zero Risk Weighting from the BIS
1	African Development Bank (AfDB)
2	Asian Development Bank (ADB)
3	Asian Infrastructure Investment Bank (AIIB)
4	Caribbean Development Bank (CDB)
5	Council of Europe Development Bank (CEDB)
6	European Bank for Reconstruction and Development (EBRD)
7	European Investment Bank (EIB)
8	European Investment Fund (EIF)
9	Inter-American Development Bank (IADB)
10	International Bank for Reconstruction and Development (IBRD)
11	International Development Association (IDA)
12	International Finance Corporation (IFC)
13	International Finance Facility for Immunization (IFFIm)
<b>14</b>	<b>Islamic Development Bank (ISDB)</b>
15	Multilateral Investment Guarantee Agency (MIGA)
16	Nordic Investment Bank (NIB)

Sources:

1. Basel Committee on Banking Supervision - Basel III: Finalising post-crisis reforms (December 2017), Standardised Approach for Credit Risk, page 6
2. <https://www.ecb.europa.eu/paym/coll/standards/marketable/html/index.en.html>
3. <https://www.bankofengland.co.uk/-/media/boe/files/markets/sterling-monetary-framework/level-b-collateral>
4. <https://www.handbook.fca.org.uk/handbook/glossary/G2685.html>

# IsDB's Portfolio

## A well-diversified portfolio with the lowest concentration of top 5 exposures among peers

### Overview

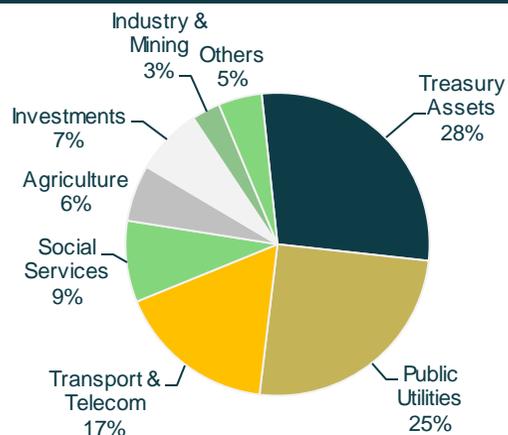
- IsDB conducts business across Asia, Africa and the Middle East through its 57 member countries
- In light of this, IsDB has one of the broadest operational scopes amongst major MDBs
- Exposure limits by country help achieve asset diversification and minimise excessive concentration of risk within member countries
- Similarly, IsDB's asset portfolio is well diversified by sectors within the existing policies and guidelines

### Lending Profile vs other MDB Peers

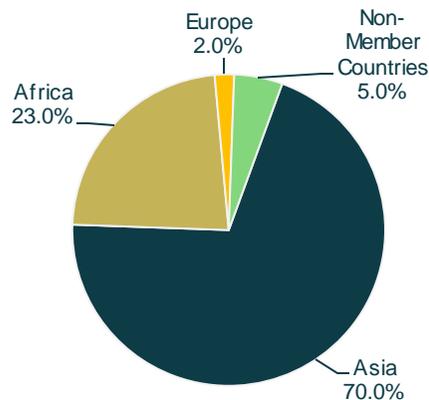
#### Regional Lending Profile of MDB Peers

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

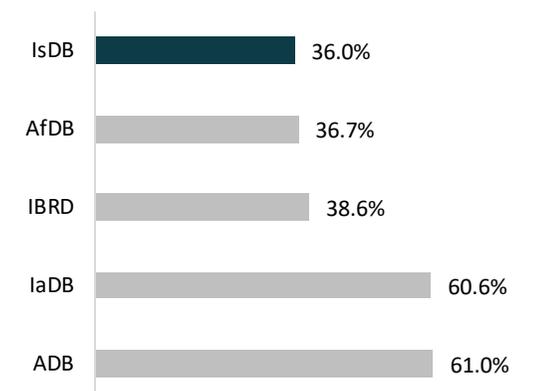
### Asset Portfolio by Sectoral Distribution



### Asset Portfolio by Geographic Distribution



### Concentration of Top 5 Exposures / Total Loans



Total Sovereign Exposure (USD '000)	18,270,311.7	92.2%
Total Non-sovereign Exposure (USD '000)	1,554,472.1	7.8%
<b>Total</b>	<b>19,824,783.8</b>	<b>100.0%</b>

Sources:  
 IsDB & IaDB: Financial Statements as of 31 December 2018  
 AfDB: Financial Statements as of 31 December 2017  
 IBRD: Financial Statements as of 30 June 2018  
 ADB: Financial Statements as of 31 March 2017

For a description of how the IsDB ratios above are calculated, please refer to the Base Prospectus dated 7 June 2018 and Supplement dated 9 April 2019

# IsDB's Commitment to SDGs

## Sustainable Development Goals ("SDGs") – The 2030 Agenda<sup>1</sup>

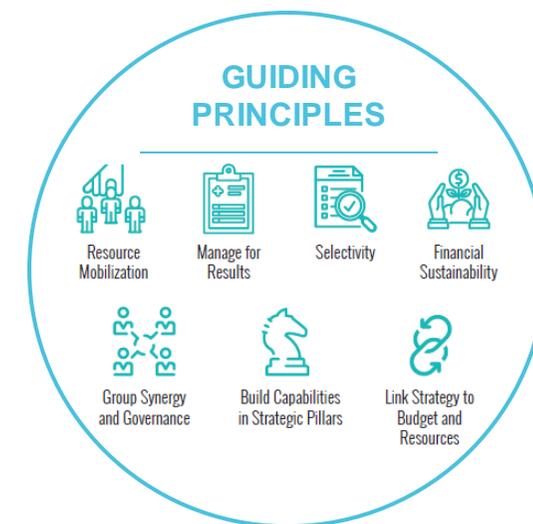
- In September 2015, countries throughout the world, spearheaded by the United Nations, signed up to a new agenda for comprehensive and sustainable human development
- The 2030 Agenda aspires to achieve 17 themed SDGs with 169 specific underlying targets, encompassing the social, economic and environmental dimensions of development

These aspirations for human dignity, and 'to leave no one behind', is fully in line with the principles and objectives of the IsDB

- The IsDB group is fully committed to the SDGs. It recognizes that development objectives vary from one country to another
- The IsDB group supports the implementation of this transformative agenda according to the needs and priorities of its member countries, through a collaborative approach, and in partnership with bilateral and multilateral development financing institutions, the private sector and civil society



## IsDB Group 10 Year Strategic Framework (2016 – 2025)<sup>2</sup>



1. Source: United Nations Development Programme – Sustainable Development Goals

2. Source: IsDB Development Effectiveness Report 2018 – April 2019

# Status of Selected SDGs Indicators

## Select Strategic Initiatives<sup>1</sup>



**Islamic Financial** services available in 56 countries offered by 1,389 institutions



Mainstreaming **Women empowerment** policy and **Youth Development** strategy – SheTrades, Tamkeen



Mainstreaming **climate change** by preparing screening tools in agriculture, energy, transport, water and sanitation



**Science, Technology and Innovation** fund of US\$ 500 million to finding development solutions



US\$ 3.9 million benefitting 15 non member countries



Implemented **Fragility and Conflict Affected Region Financing** to respond to humanitarian, reconstruction and resilience development

IsDB selected **380** students and scholars from **100** countries



Scholarships Distribution

<b>280</b> Undergraduates	<b>50</b> Masters
	<b>50</b> PhD and Post-doctoral research



**61%** **39%**

Scholarship recipients

In 2018, IsDB approved projects worth **US\$1.27 billion**



Energy sector accounted for **31%** of the approvals



Transportation **19%**



Health and Agriculture **13%** each

Water, Sanitation and Urban services **9%** each

## Results from Projects completed in 2018 and 2019<sup>1</sup>



- 272 Grant based operations
- Complete 71 Projects



Completed 7 projects in health and social services sector in the MCs with total spending of nearly US\$ 500 million



6 Projects and 112 grants operations in Education with an amount of US\$ 181 million benefiting six MCs



Completed 13 projects in the transportation sector totaling US\$ 905 million in 12 MCs



31 projects and grant operations in the agricultural sector amounting to US\$ 653 million covering 15 MCs



12 Urban development projects completed worth US\$ 800 million spread over 9 MCs



7 energy projects and 1 ICT totaling US\$ 700 million



Trained 2,000 people leading to new employment opportunities for 12,000 people



Provided 937 students from China with scholarships and dedicated US\$11.8m to educational, and health sector in various Chinese provinces



1. Source: IsDB Development Effectiveness Report 2018 – April 2019

# Agenda

I. Overview of Islamic Development Bank Group

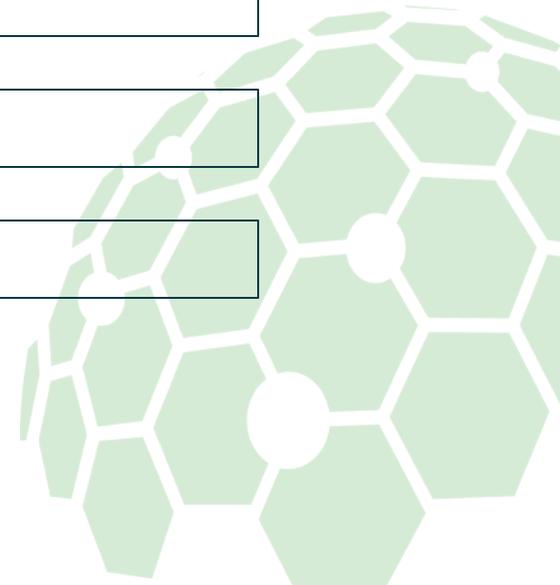
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# IsDB's Capital Structure & Strong Capital Base

## Stable Capital Structure

- Ordinary operations are funded primarily by shareholders' equity from IsDB – Ordinary Capital Resources' ("OCRs") member countries and supplemented by resources mobilised from the market
- Authorized Capital of ID 100.0 billion (US\$139.1 billion), Subscribed Share Capital at US\$69.9 billion and Callable Capital at US\$56.8 billion
- Member countries are irrevocably committed to pay their portion of the subscribed capital
- Maintained a high equity to assets ratio of 39.6%<sup>1</sup> or above since inception
- Calls are made in freely convertible currencies acceptable to IsDB
- IsDB OCR's shares cannot be pledged or encumbered and cannot be transferred to any entity other than the IsDB – OCRs

## Strong Capital Base

- Very strong capital base
- One of the strongest-capitalised MDBs with an equity-to-assets ratio of 39.6%
- Total amount of equity investment, outstanding loans 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 IsDB - Ordinary Capital Resources

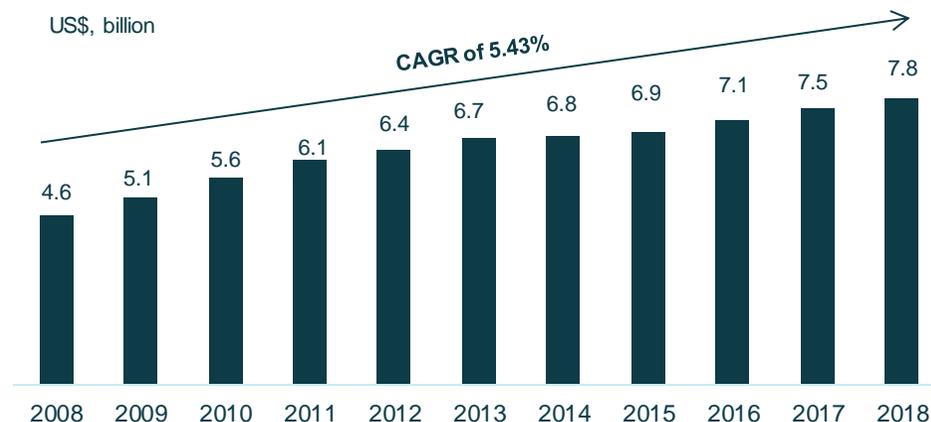
Source: 2018 Financial Statements

Notes: IsDB's unit of account 1 Islamic Dinar = 1 Special Drawing Right of the IMF

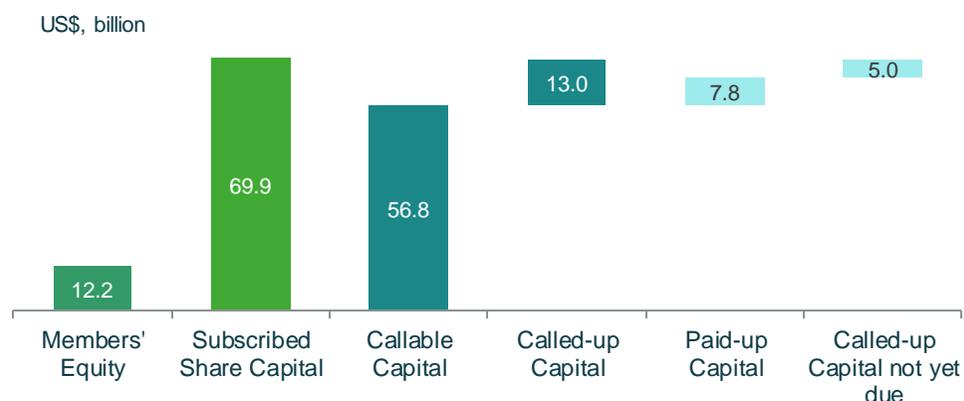
1. For a description of how the ratios above are calculated, please refer to the Base Prospectus dated 7 June 2018 and Supplement dated 9 April 2019

2. US\$ equivalent, ID to USD conversion rate used as of end of Year 2018 (1ID = US\$1.39079)

## Paid-up Capital<sup>2</sup>



## Capital Structure (as at 31 December 2018)

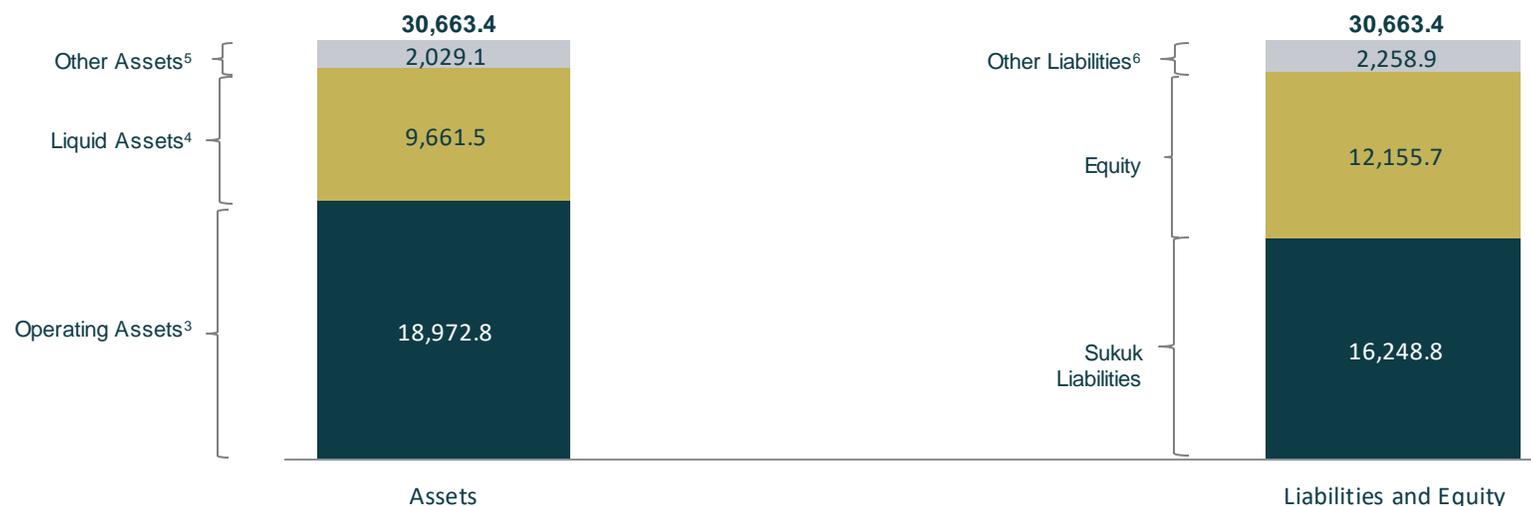


Note: Subscribed share capital comprises of called-up capital and callable capital; Called-up capital comprises of paid-up capital, instalments due but not yet paid and instalments not yet due

# Financial Highlights

(US\$ million)	Year End 2018	Year End 2017	Year End 2016 <sup>1</sup>	Year End 2015	Year End 2014
<b>Total Assets</b>	30,663.4	28,021.1	24,395.3	22,723.5	22,388.1
<b>Total Liabilities</b>	18,507.7	15,894.9	13,197.5	11,643.0	10,921.6
<b>Shareholders Equity</b>	12,155.7	12,126.2	11,197.8	11,080.5	11,466.5
<b>Total Income<sup>2</sup></b>	747,826.4	819,564.0	925,087.3	567,131.0	529,961.8
<b>Net Income</b>	116.7	280.5	412.9	222.6	245.1

## Balance Sheet Overview, US\$ million (as at 31 December 2018)



Source: 2014-2018 Audited Financial Statements

1. Financial Statements from 14 October 2015 to 31 December 2016

2. Income from Treasury Assets, Project Assets, Investment Assets and Other Income

3. Operating Assets include Istisna'a, Restricted Mudarabah, Instalment Financing, Loans and Ijarah

4. Liquid Assets include Cash and Cash equivalents, Commodity Placements, Investments in Sukuk and Murabaha financings

5. Other Assets include accrued income and other assets, investments in equity, investments in associates, investments in fixed assets

6. Other liabilities include other liabilities, wakala deposits and commodity purchase liabilities

# Key Performance Metrics

A highly conservative institution with high capitalization, high liquidity and low leverage versus other MDB peers

Selected Key Ratios (as at 31 December 2018)<sup>1</sup>

Leverage Ratio		IsDB
Debt / Equity		147.1% <sup>2</sup>
Capitalization Metrics		
Assets / Total Liabilities		165.7%
Equity / Total Liabilities		65.7%
Liquidity Metrics		
Liquid Assets <sup>3</sup> / Short Term Liabilities <sup>4</sup>		562.3%
Liquid Assets <sup>3</sup> / Total Liabilities		52.2%

Other Key Ratios (as at 31 December 2018)<sup>5</sup>

	 IsDB البنك الإسلامي للتنمية Islamic Development Bank	 THE WORLD BANK IBRD - IDA   WORLD BANK GROUP	 African Development Bank AFRICAN DEVELOPMENT BANK	 IDB	 ADB ASIAN DEVELOPMENT BANK	 European Bank for Reconstruction and Development
	IsDB	IBRD	AfDB	IADB	ADB	EBRD
Liquid assets / adjusted total assets	30%	18%	37%	25%	16%	47%
Liquid assets / gross debt	57%	55%	52%	36%	35%	71%
Risk adjusted capital ratio	35%	28%	21%	23%	40%	29%
Gross debt / adjusted total assets (%)	53.6%	51.6%	71.0%	69.7%	47.2%	65.9%

Source: 2018 Audited Financial Statements

1. For a description of how the ratios above are calculated, please refer to the Base Prospectus dated 7 June 2018 and Supplement dated 9 April 2019

2. Debt includes Sukuk issued and commodity purchase liabilities

3. Liquid Assets include Cash and Cash equivalents, Commodity Placements and Investments in Sukuk

4. Short Term Liabilities include commodity purchase liabilities

5. Source: S&P "Abridged Supranationals Interim Edition 2019: Comparative Data For Multilateral Lending Institutions" – 15 July 2019

# Conservative Risk Management

## Risk Management Controls

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

### Credit Risk

- Preferred creditor status on sovereign financing:
  - 92% of all financing, excluding equity investments, 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

### Currency Risk

- Investment portfolio is held in currencies in line with the Islamic Dinar (ID) basket currency which provides a natural currency hedge (consists of US\$:41.73%, EUR:30.93%, GBP:10.92%, JPY:8.09%, RMB: 8.33% since October 1, 2016)
- All of IsDB's financing operations are denominated in the component currencies of ID. IsDB does not trade in currencies

### 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 3-12 months
- The *Waqf* Fund (Endowment Fund) – provides an additional layer of liquidity protection with total assets of US\$938.8 million as at 31 December 2018<sup>1</sup>

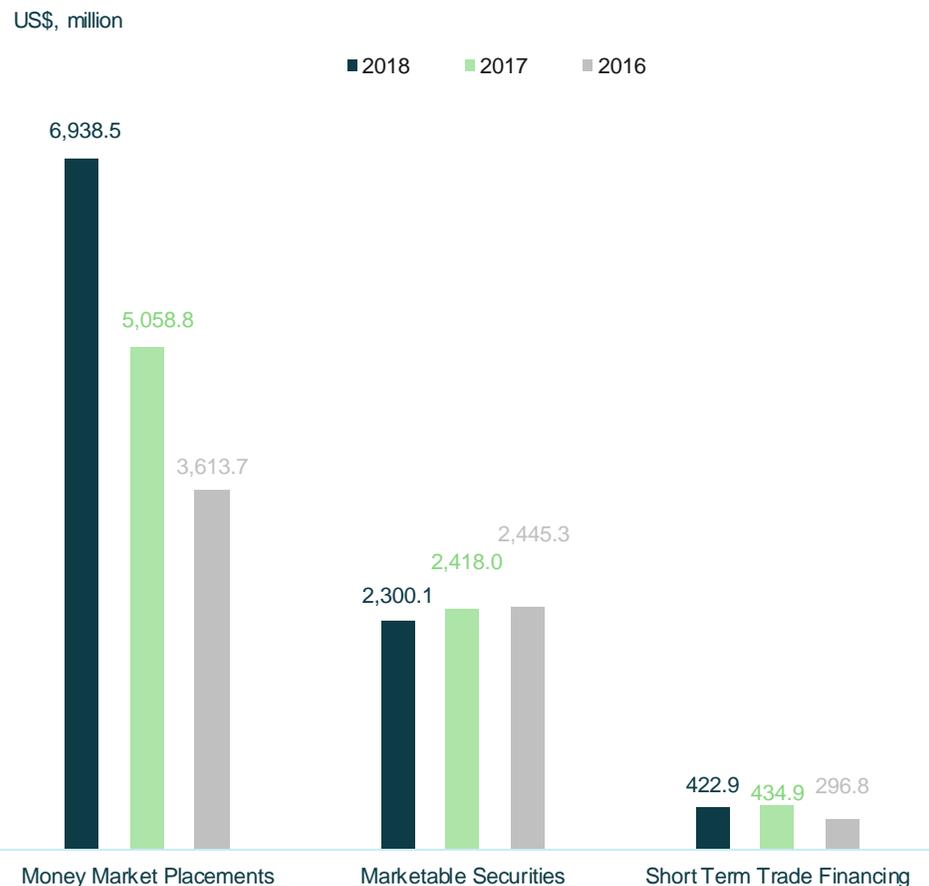
### Interest Rate Risk

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

1. For IsDB's unit of account is as follows: 1 Islamic Dinar = 1 Special Drawing Right of the IMF. Exchange rate of ID1 = US\$1.39079 for the year ended 31 December 2018

# Prudent Investment Management of Treasury Portfolio

## Treasury Department manages more than US\$7 billion of Funds



Source: 2016-2018 Financial Statements

1 Money Market Placements = Commodity Placements + Cash and Cash Equivalents

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

### A Money Market Placements<sup>1</sup>

- Money market placements comprise about 72% 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

### B Marketable Securities

- Conservative approach to investments in marketable securities to better manage overall portfolio risk:
  - Investment grade for corporate papers
  - Selective approach for sovereign investments
  - Total size not to exceed 10% of total issuance

### C Short Term Trade Financing<sup>2</sup>

- 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\$1.0 billion

# Agenda

I. Overview of Islamic Development Bank Group

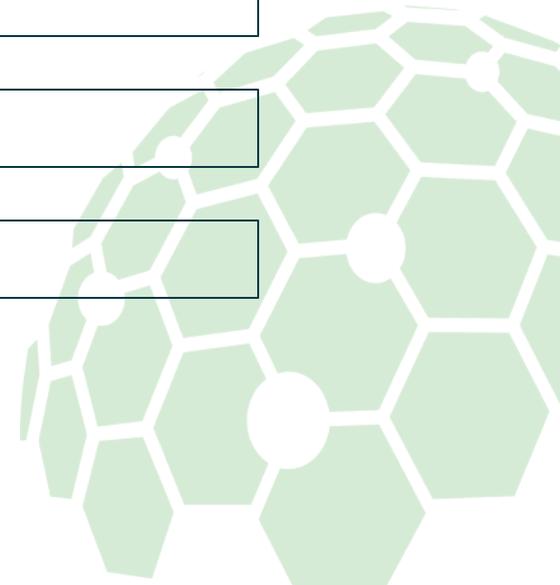
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# Sustainable Financing Framework (SFF) - 1. Use of Proceeds

## Eligible green project categories

- Renewable energy
- Clean transportation
- Energy efficiency
- Pollution prevention and control
- Environmentally sustainable management of natural living resources and land use
- Sustainable water and wastewater management

## Eligible social project categories

- Employment generation / SME financing
- Affordable housing
- Affordable basic infrastructure
- Access to essential services
- Socioeconomic advancement and empowerment



# SFF- 2. Project Evaluation and Selection Process

Sustainable Finance Task Force (SFTF) to carry the evaluation and selection process for IsDB's Green / Sustainable Bond / Sukuk

- As per IsDB's Climate Change Policy and commitment to mainstreaming Climate Finance all of IsDB's activities across all areas of its operations, investments and policies, incorporate climate risk identification and management
- All projects are screened through IsDB's environmental and social assessment procedures / polices - including the energy, transport, education, agricultural sector policies
- All physical assets are screened using a customized online tool, Aware. The tool helps to inform project design on potential climate change, environmental and disaster risks and ensure that robust climate adaptation and resilience measures are incorporated in project formulation and design

Screening for alignment with the member countries' Nationally Determined Contribution (NDC) commitments

Screening for alignment with the Eligibility Criteria

**Selected green / social projects**

SFTF consists of representatives from:

- Resilience and Social Department
- Treasury Department
- Risk Management Department
- Budget, Performance and Results Department

# SFF - 3. Management of Proceeds

## Green or Sustainability Sukuk Register

- It is IsDB's intention to manage the proceeds of the IsDB Green or Sustainability Sukuk, establishing a Green or Sustainability Sukuk Register (known as the "GSS Sukuk Register")

## Deposit in general funding accounts

- The proceeds of each IsDB Green or Sustainability Sukuk will be deposited in the general funding accounts and earmarked for allocation using the GSS Sukuk Register
- Until they are allocated to eligible projects, proceeds will be invested according to IsDB's normal liquidity policy

## Review of the GSS Sukuk Register

- The GSS Sukuk Register will be reviewed half yearly
- The GSS Sukuk Register will contain relevant information including:
  - Details of the Sukuk: ISIN, pricing date, maturity date, etc.
  - Per each Green and Sustainability Sukuk issued, details of Eligible Use of Proceeds, including:
    - Eligible Projects identified (including eligibility criteria considerations)
    - Project Categories utilised
    - Allocation made to each Eligible Project
    - Estimate of impact of each respective Eligible Project

# SFF - 4. Reporting

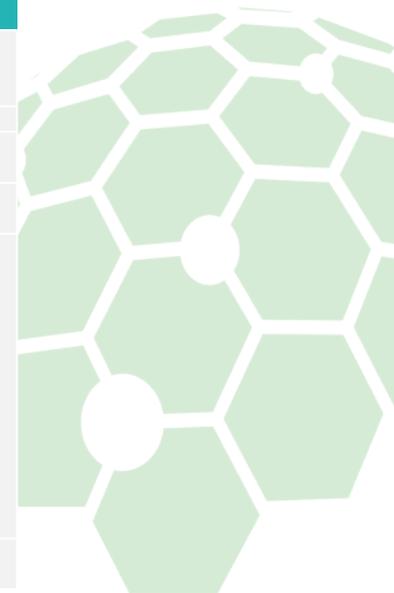
## Allocation reporting

- IsDB will provide information on the allocation of the net proceeds of its Green or Sustainability Sukuk. The information will contain at least the following details:
  - A list of Eligible Projects financed through IsDB's Green or Sustainability Sukuk, including amounts allocated to each Eligible Project;
  - Sukuk proceeds allocated per each Eligibility Category;
  - The geographic distribution of green or social Eligible Projects;
  - The remaining balance of unallocated proceeds;
  - Wherever material and possible, the share of Green/ Sustainability Sukuk financing, wherever a project requires more financing than the allocation received from the Green/

## Impact reporting will include:

- A qualitative description of the green or social Eligible Projects;
- The Environmental Objective pursued with the green or social Eligible Projects;
- A breakdown of green or social Eligible Projects by the nature of what is being financed (assets, capital expenditures, operating expenditures, etc.);
- IsDB's share of financing;
- Potential key environmental impact indicators (as mentioned in the below table);
- Information on the methodology and assumptions used to evaluate the green or social Eligible Projects impacts

Project Category	Indicative impact Reporting Metrics
Renewable energy	<ul style="list-style-type: none"> <li>• Renewable MWh generated or purchased</li> <li>• % of electricity consumption from renewable sources</li> </ul>
Clean transportation	<ul style="list-style-type: none"> <li>• Estimated avoided GHG emissions (tCO<sub>2</sub>eq)</li> </ul>
Energy efficiency	<ul style="list-style-type: none"> <li>• Estimated GHG emissions reduced (tCO<sub>2</sub>eq)</li> <li>• Expected energy saved (in MWh)</li> </ul>
Pollution prevention and control	<ul style="list-style-type: none"> <li>• Amount of waste recycled (tons)</li> <li>• Amount of waste reused (tons)</li> </ul>
Environmentally sustainable management of natural living resources and land use	<ul style="list-style-type: none"> <li>• Estimated annual GHG emissions reduced (in tCO<sub>2</sub>e/year)</li> <li>• Estimated land area with biodiversity management (including species, soil and water)</li> <li>• Area under afforestation or reforestation (hectares)</li> <li>• Area under preservation or restoration (hectares)</li> <li>• Type of harmful substances removed</li> <li>• Area of remediated land (square meters)</li> <li>• Quantity of remediated soil (tons)</li> <li>• Crop yield increased (tons/hectare)</li> <li>• Crop production increased (tons)</li> <li>• Area irrigated (hectares)</li> <li>• Population accessing microfinance (number)</li> <li>• Rural (farm, non-farm or cottage industry) enterprises established or promoted (number)</li> </ul>
Sustainable water and wastewater management	<ul style="list-style-type: none"> <li>• Estimated kilometres of areas protected from flooding</li> <li>• Estimated number of flood disasters avoided</li> </ul>



# Second Party Opinion



## Islamic Development Bank (IsDB) Sustainable Finance Framework

November 05, 2019

The Islamic Development Bank (IsDB) is a multilateral development financing institution with 57 member countries (MCs) with significant Muslim communities. As a multilateral development bank aiming to advance the SDGs, it provides a solid foundation for the issuance of green and sustainability bonds.

The projects that can be financed under this sustainable finance framework are broadly defined and can include fossil fuel elements in nearly all project categories. However, the framework excludes, e.g., direct investments in fossil fuel extraction, production and transport, new and existing fossil fuel power plants (e.g., natural gas, combined cycle), roads, large hydropower (>25MW), new landfill construction or expansion, heavy duty vehicles or bunker fueled shipping, deforestation, expansion of livestock production and palm oil plantations. Proceeds finance or refinance projects within green and social categories in all of IsDB's MCs. Green eligible project categories are renewable energy, clean transportation, energy efficiency, pollution prevention and control, environmentally sustainable management of natural living resources and land use and sustainable water and wastewater management. Social categories include employment generation / SME Financing, affordable housing, affordable basic infrastructure, access to essential services and socioeconomic advancement and empowerment.

IsDB provides a sound governance structure that includes a two-step project selection process including environmental and social screening procedures as well as climate resilience assessments, despite a lack of activity level emissions reporting and targets. Reporting for the sustainability and green risks will be conducted on a project-by-project level and an external review of the impact reporting will be published. However, more progress oriented impact metrics would substantially improve this framework in addition to also reporting on environmental indicators for all social projects financed and vice versa.

The social project categories aim at development of IsDB's MCs in a socially sustainable fashion, but would benefit from targeting audiences to ensure equal access. The issuer demonstrates a strong drive to facilitate economic development, while taking into consideration the trade-off between green growth and economic development. However, the strong focus on economic development results in a broad categorization of target audiences for social development. The lack of detailed definitions of marginalized, vulnerable and poor target populations benefitting from this framework risks unequal access to infrastructure and

*[Executive Summary continues on next page]*

### SUSTAINABILITY BOND GUIDELINES

Based on this review, the framework is found in alignment with the green bond principles, the social bond principles and the sustainability bond guidelines.

Included in the overall shading is an assessment of the governance structure of the sustainable finance framework. CICERO Shades of Green and IISD find the governance procedures in IsDB's framework to be Excellent.



### SOCIAL ASSESSMENT

Based on our review, the social projects aim for sustainable development, but without target audience identification, bear some risk to intended social benefits and effectiveness of eligible asset categories proposed in the framework.

### SHADES OF GREEN

Based on our review, we rate the IsDB's sustainable finance framework CICERO Medium Green.

*"Based on this review, the framework is found in alignment with the green bond principles, the social bond principles and the sustainability bond guidelines"*

*"Included in the overall shading is an assessment of the governance structure of the sustainable finance framework. CICERO Shades of Green and IISD find the governance procedures in IsDB's framework to be Excellent."*

*"Based on our review, we rate the IsDB's sustainable finance framework CICERO Medium Green"*

*"IsDB has in place a sound management and governance structure, as well as regular and transparent reporting about sustainability and green finance project achievements to investors and the public."*

*"Green and social projects are selected via a two-step selection process that includes significant due-diligence and climate resilience, vulnerability, environmental impact assessments and "do no harm" screening procedures for all physical assets. In addition, IsDB classifies projects into different risk categories with respective additional requirements to mitigate potentially higher risks."*

# Indicative eligible assets portfolio

Portfolio breakdown by location



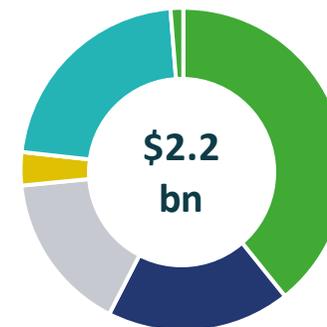
- Indonesia (12.9%)
- Oman (9.2%)
- Egypt (5.9%)
- Morocco (4.9%)
- Uganda (3.5%)
- Uzbekistan (3.4%)
- Benin (2.9%)
- Pakistan (2.2%)
- Mauritania (1.8%)
- Utd.Arab Emir. (1.8%)
- Others (7.3%)
- Turkey (10.8%)
- Senegal (9.0%)
- Lebanon (5.8%)
- Bangladesh (4.3%)
- Mozambique (3.4%)
- Turkmenistan (3.2%)
- Nigeria (2.5%)
- Jordan (1.9%)
- Cote d'Ivoire (1.8%)
- Burkina Faso (1.7%)

Breakdown of eligible social assets



- Affordable basic infrastructure (63.4%)
- Access to essential services (32.0%)
- Employment generation / SME Financing (4.3%)
- Affordable housing (0.3%)

Breakdown of eligible green assets



- Clean transportation (39.3%)
- Energy efficiency (18.3%)
- Environmentally sustainable management of natural living resources and land use (15.9%)
- Pollution prevention and control (3.3%)
- Renewable energy (22.0%)
- Sustainable water and wastewater management (1.3%)

# Agenda

I. Overview of Islamic Development Bank Group

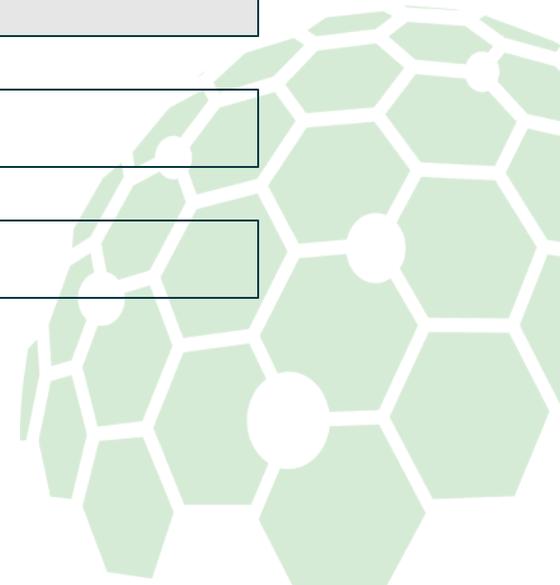
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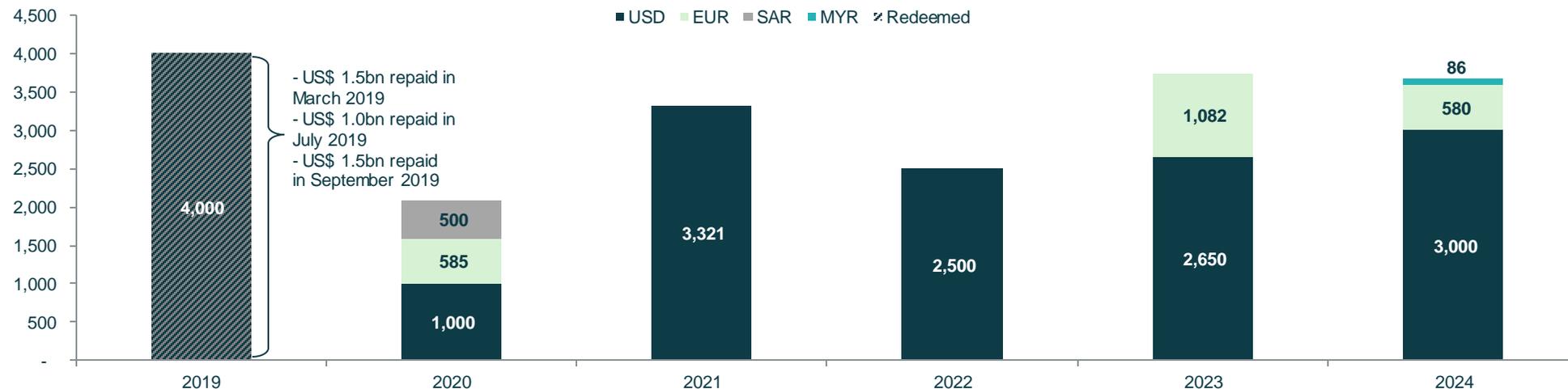
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# IsDB's Funding Strategy

## Borrowing & Redemption Profile in the Capital Markets for IsDB (in US\$ million equivalent)



- 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 frequent issuer
- IsDB is a frequent US\$ issuer and intends to become a frequent EUR issuer. IsDB issued its inaugural EUR 650mn RegS Sukuk issuance in 2018
- While IsDB will be raising additional resources going forward, it will always maintain a conservative approach to leverage
- In 2019, from the US\$ 4 billion redemption, US\$ 1.5bn was repaid on 6 March 2019 and US\$ 1.0bn was repaid on 17 July 2019
- In addition to having tapped the public markets regularly in the past ten years (2009-2018), IsDB has also become a frequent issuer in raising funds in private placement format in various currencies
- IsDB has an EMTN/TCIP programme with a limit of US\$25 billion admitted to the official list and to trading on the Euronext Dublin, NASDAQ Dubai, and Bursa Malaysia (Exempt Regime)

Notes: Exchange rate of EUR1 = US\$1.1387; 1 US\$= SAR3.751; US\$1 = MYR4.08, as at 18<sup>th</sup> February 2019

# IsDB's Funding Strategy *(continued)*

## Funding Requirements and Objectives

- The funding program for the year 2019 is estimated at US\$ 4.0 billion
- 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
  - Establish a benchmark in the supranational market
  - Undertake issuance in or linked to different currencies

## Public Issuances by IsDB

- Establishing a track record by issuing benchmark transactions in the RegS market
- Deepening and broadening investor base
- Policy of tapping markets every year through US\$ benchmark issuance(s)

Issue Date	Maturity	Amount (mn)	Profit Rate (%)
Mar-15	Mar-20	US\$1,000	1.831
Mar-16	Mar-21	US\$1,500	1.775
Dec-16	Dec-21	US\$1,250	2.263
Apr-17	Apr-22	US\$1,250	2.393
Sep-17	Sep-22	US\$1,250	2.261
Mar-18	Mar-23	US\$1,250	3.100
Sep-18	Sep-23	US\$1,300	3.389
Nov-18	Nov-23	EUR650	0.554
Apr-19	Apr-24	US\$1,500	2.843
Oct-19	Oct-24	US\$1,500	1.957

## Private Placement Issuances by IsDB

- Preparatory work in progress in several markets
- Tapped various currency markets in Asia, Middle East and Europe

Issue Date	Maturity	Amount (mn)	Profit Rate (%)
Jul-15	Jul-20	EUR100	0.310
Sep-10	Sep-20	SAR1,875	2.550
Sep-15	Sep-20	EUR100	0.230
Oct-15	Oct-20	EUR300	0.318
Sep-16	Sep-21	US\$100	3mL+43bps
Nov-18	Nov-21	US\$471	3.287%
Feb-16	Mar-23	EUR300	0.255
Jul-18	Jul-23	US\$ 100	6mL+20bps
Feb-17	Feb-24	EUR300	0.374
Feb-17	Feb-24	EUR150	0.350
Jun-16	Jun-24	MYR350	4.360

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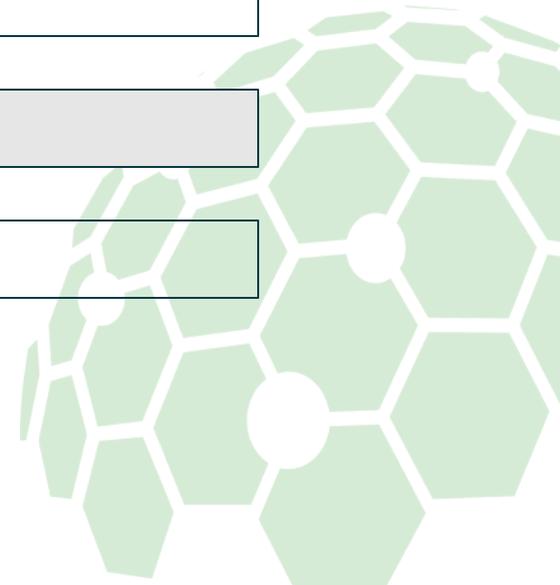
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# Transaction overview

## IsDB receives zero % risk weighting by Basel Committee, similar to other AAA-rated MDBs<sup>1</sup>

<b>Issuer</b>	■ IDB Trust Services Limited <sup>2</sup>
<b>Guarantor / Obligor</b>	■ The Islamic Development Bank
<b>Issuer Ratings</b>	■ Aaa / AAA / AAA (Moody's, S&P, Fitch)
<b>Structure</b>	■ Fixed Rate, Senior, Unsecured Trust Certificates
<b>Format</b>	■ Regulation S
<b>Currency</b>	■ EUR
<b>Amount</b>	■ Benchmark
<b>Tenor (Maturity)</b>	■ Intermediate Tenor
<b>Coupon</b>	■ [ ]%
<b>Use of Net Proceeds</b>	■ To finance new or existing eligible projects in accordance with the IsDB Sustainable Finance Framework
<b>Joint Bookrunners:</b>	■ Citi, First Abu Dhabi Bank, HSBC, LBBW, NATIXIS, Société Générale, and Standard Chartered Bank
<b>Governing Law</b>	■ English Law
<b>Listings</b>	■ Euronext Dublin and Nasdaq
<b>ISIN</b>	■ [ ]

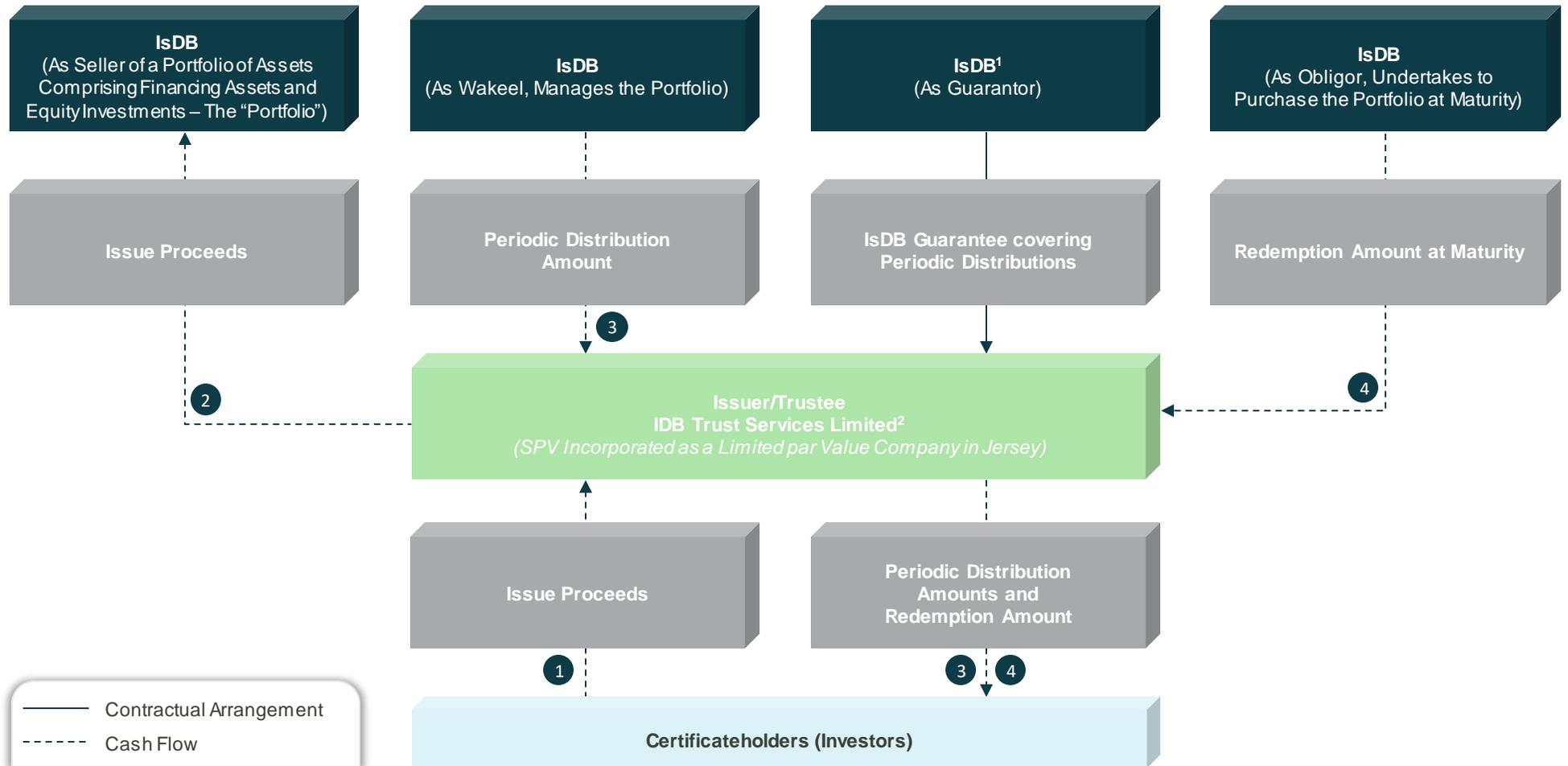
1. Source: Basel Committee for Banking Supervision

2. Subject to conditions Banks can substitute the risk weight of the counterparty with the risk weight of the Guarantor – Source: Basel Committee on Banking Supervision – Basel III: Finalising post-crisis reforms (December 2017) - Section 5 (iv) – Range of eligible guarantors (counter-guarantors)/ protection providers and credit derivatives – page 50

# Key Investment Highlights



# Trust Certificate (Sukuk) Structure Overview – Rated AAA by the three rating Agencies



The above is a summary of the key features of the structure of an offering under IsDB’s Trust Certificate Issuance Programme. For a complete description of the structure, please refer to the Base Prospectus dated September 19<sup>th</sup> 2019

1. IsDB receives zero % risk weighting by Basel Committee, similar to other AAA-rated MDBs
2. Subject to conditions Banks can substitute the risk weight of the counterparty with the risk weight of the Guarantor – Source: Basel Committee on Banking Supervision – Basel III: Finalising post-crisis reforms (December 2017) - Section 5 (iv) – Range of eligible guarantors (counter-guarantors)/ protection providers and credit derivatives – page 50

# Sukuk Features & Comparison

- **Sukuk is commercially identical to a conventional bond**
  - It is an **asset-based** financing that eliminates the key prohibitions from conventional bonds (**not asset-backed**)
- Two components to every Sukuk structure:
  - The capital markets component; and
  - The Islamic structuring component

	IsDB Trust Certificate	Peer Conventional Bonds	Asset-Backed Securities
Debt Obligation	✓	✓	✓
Unsecured	✓	✓	X
Bullet Maturity	✓	✓	✓
Interest / Profit Rate	✓	✓	✓
Par Value	✓	✓	✓
Listing	✓	✓	✓
EMTN/TCIP Program	✓	✓	✓
Secondary Market Trading	✓	✓	✓

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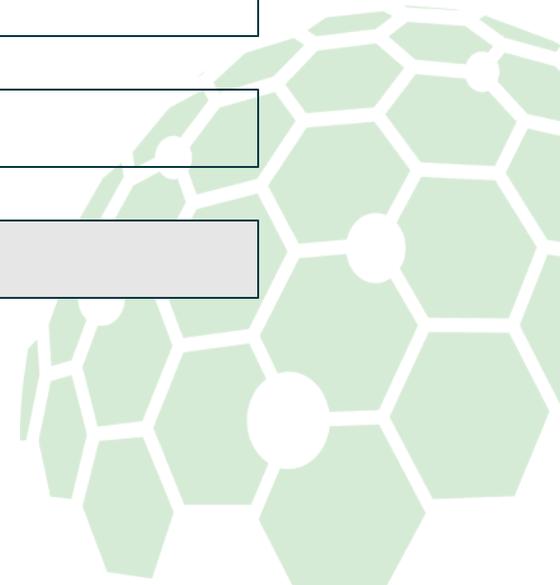
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# Examples Projects

## Turkey: 10 High-Speed Train Sets

- 10 HST sets and related operational accessories
- Providing a cost effective, modern and environmentally friendly high-speed railway facility for long distance traveling

<b>Sponsors</b>	<ul style="list-style-type: none"> <li>Government of Turkey</li> </ul>
<b>Total Amount</b>	<ul style="list-style-type: none"> <li>EUR 426 million</li> </ul>
<b>IsDB's Participation</b>	<ul style="list-style-type: none"> <li>EUR 312 million</li> </ul>
<b>Key dates</b>	<ul style="list-style-type: none"> <li>Approved 13-NOV-2016; Start 01-AUG-2018</li> <li>First Disbursement 16-NOV-2018</li> </ul>
<b>Financiers</b>	<ul style="list-style-type: none"> <li>GoT</li> </ul>
<b>Potential KPIs</b>	<ul style="list-style-type: none"> <li>Annual capacity increase at maritime ports (tons)</li> <li>People employed (number)</li> <li>Number of people transported</li> </ul>



## Senegal: Railways Project

- 2-line railway and 13 train stations
- Improving overall railway transport efficiency, reducing operating costs in addition to improving safety, and reducing air pollution (estimated at 17,000 tons of CO2/year)

<b>Sponsors</b>	<ul style="list-style-type: none"> <li>Government of Senegal</li> </ul>
<b>Total Amount</b>	<ul style="list-style-type: none"> <li>EUR 717.9 million</li> </ul>
<b>IsDB's Participation</b>	<ul style="list-style-type: none"> <li>EUR 300 million</li> </ul>
<b>Key dates</b>	<ul style="list-style-type: none"> <li>Approved 13-JUL-2016; Start 13-OCT-17</li> <li>First Disbursement 20-SEP-2017</li> </ul>
<b>Financiers</b>	<ul style="list-style-type: none"> <li>IsDB, AfDB, AFD, GoF &amp; GoS</li> </ul>
<b>Potential KPIs</b>	<ul style="list-style-type: none"> <li>Annual capacity increase</li> </ul>



# Examples Projects *(continued)*

## UAE: DEWA 800MW Photovoltaic Solar Power Plant – Ph. III

- 800MW of clean and sustainable electricity generation capacity
- Supporting Dubai's strategy to increase the electricity generation capacity to meet the growing demand

<b>Sponsors</b>	<ul style="list-style-type: none"> <li>Shuaa Energy 2 PSC</li> </ul>
<b>Total Amount</b>	<ul style="list-style-type: none"> <li>US\$ 924 million</li> </ul>
<b>IsDB's Participation</b>	<ul style="list-style-type: none"> <li>US\$ 110 million</li> </ul>
<b>Key dates</b>	<ul style="list-style-type: none"> <li>Approval 25-DEC-2016; Start 11-JAN-2018</li> <li>First Disbursement 10-JAN-2018</li> </ul>
<b>Financiers</b>	<ul style="list-style-type: none"> <li>Abu Dhabi Islamic Bank, Natixis, National Bank of Abu Dhabi, Union National Bank and First Gulf Bank</li> </ul>
<b>Potential KPIs</b>	<ul style="list-style-type: none"> <li>Installed energy generation capacity using renewable sources</li> </ul>

## Morocco: Olive Value Chain Development for Smallholders Project

- Expansion of land under olive plantations by 18,615 ha
- Enhancing rural small farmers' income

<b>Sponsors</b>	<ul style="list-style-type: none"> <li>Government of Morocco</li> </ul>
<b>Total Amount</b>	<ul style="list-style-type: none"> <li>US\$ 84 million</li> </ul>
<b>IsDB's Participation</b>	<ul style="list-style-type: none"> <li>US\$ 80 million</li> </ul>
<b>Key dates</b>	<ul style="list-style-type: none"> <li>Approval 31-MAR-2013; Start 21-JUL-2017</li> <li>First Disbursement 11-DEC-2014</li> </ul>
<b>Financiers</b>	<ul style="list-style-type: none"> <li>GoM</li> </ul>
<b>Potential KPIs</b>	<ul style="list-style-type: none"> <li>Crop production increase (tons)</li> <li>Yield increase (tons/hectare)</li> <li>Local Roads Built (km)</li> <li>People trained (number)</li> </ul>



# Examples Projects *(continued)*

## Uzbekistan: Reconstruction and expansion of sewerage

- Reconstruction and development of sewerage systems in the three cities of Gulistan, Shirin and Yangiyer in the Syrdarya Region
- Improving the coverage and quality of the sanitation services

<b>Sponsors</b>	<ul style="list-style-type: none"> <li>Government of Uzbekistan</li> </ul>
<b>Total Amount</b>	<ul style="list-style-type: none"> <li>US\$ 61 million</li> </ul>
<b>IsDB's Participation</b>	<ul style="list-style-type: none"> <li>US\$ 58 million</li> </ul>
<b>Key dates</b>	<ul style="list-style-type: none"> <li>Approval 08-MAR-2015; Start 10-OCT-2017</li> <li>First Disbursement 30-JUN-2017</li> </ul>
<b>Financiers</b>	<ul style="list-style-type: none"> <li>GoU</li> </ul>
<b>Potential KPIs</b>	<ul style="list-style-type: none"> <li>Increased wastewater treatment capacity (m<sup>3</sup>/day)</li> <li>Sewerage network installed or upgraded (length in KM)</li> </ul>



## Senegal: Floods Impacts Mitigation Project in Dakar

- Construction of water drainage infrastructure and restricting of flooding zones and 1,500 housing units (700 units financed by IDB)
- Preventing the losses of human lives, properties, plus reducing the costs associated with the effects of water borne diseases

<b>Sponsors</b>	<ul style="list-style-type: none"> <li>Government of Senegal</li> </ul>
<b>Total Amount</b>	<ul style="list-style-type: none"> <li>US\$ 61 million</li> </ul>
<b>IsDB's Participation</b>	<ul style="list-style-type: none"> <li>US\$ 38 million</li> </ul>
<b>Key dates</b>	<ul style="list-style-type: none"> <li>Approval 01-SEP-2013; Start 12-FEB-2016</li> <li>First Disbursement 12-FEB-2016</li> </ul>
<b>Financiers</b>	<ul style="list-style-type: none"> <li>GoS</li> </ul>
<b>Potential KPIs</b>	<ul style="list-style-type: none"> <li>Population with access to improved decent/shelter (number) &amp; Shelters/houses built, upgraded or rehabilitated (number) &amp; Households with access to potable water supply systems &amp; New households connected to electricity (number)</li> </ul>



# Governance

IsDB has multiple governance bodies within the organization spanning oversight, risk, audit, compliance and departments to assess the Bank's development impact and effectiveness

Board of Executive Directors

President's Advisory Panel

Risk Management Department

Group Internal Audit Department

Group Integrity & Compliance Office

Group Operations Evaluation Department

Development Effectiveness Review

Shariah Audit