

# Reinvigorating the private sector to shape a better future



ANNUAL  
REPORT  
2022

اللَّهُمَّ صَلِّ وَسَلِّمْ وَبَارِكْ عَلَى سَيِّدِنَا مُحَمَّدٍ

# What we do

We fund projects that develop the private sector of our member countries by creating competition, entrepreneurship, employment opportunities and export potential. We also bring additional resources to projects, encouraging the development of Islamic finance, attracting co-financiers and advising governments and private sector groups on how to establish, develop and modernize private enterprises and capital markets. We advise on best management practices and enhancing the role of the market economy.





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**AS WE CONFRONT SHARED AND INCREASINGLY VARIED GLOBAL CHALLENGES, ICD UNDERSTAND MORE THAN EVER THE POWER OF STAKEHOLDER COLLABORATION AND COOPERATION.**



# Chairman's message



From the Chairman of  
the Board of Directors  
to the Chairman of the  
General Assembly

## In the name of Allah, the Beneficent, the Merciful

### **H.E. The Chairman,**

General Assembly of the Islamic Corporation for  
the Development of the Private Sector.

In accordance with the Articles of Agreement  
and the by-laws of the Islamic Corporation for the  
Development of the Private Sector (ICD) and on  
behalf of the ICD Board of Directors, I am pleased  
to submit to the esteemed General Assembly the  
Twenty-Third Annual Report of the ICD for the fiscal  
year 2022.

This report contains an overview of ICD's 2022  
operations, including its business interventions,  
development impact and financial analysis.  
ICD will pursue all efforts to meet the aspirations  
of its shareholders.

Please accept the assurances of my highest  
consideration.



### **Dr. Muhammad Al Jasser**

Chairman, Board of Directors,  
Islamic Corporation for the Development  
of the Private Sector

# Message from our Acting Chief Executive Officer



## In the name of Allah, the Beneficent, the Merciful

**I hereby present ICD's Annual Report  
for the year 2022.**

2022 was an eventful year to say the least. While leading the path towards recovery, we continued to support our stakeholders and help them cope with yet another year of uncertainty stemming from the global pandemic in addition to ongoing issues such as tightening financial conditions, skyrocketing inflation as well as conflicts that are geopolitical in nature. We continued to innovate and, in the process, re-developed value drivers to best cater to the critical needs of our member countries and to help smaller businesses to advance and grow. Over the past year, we took the opportunity to realign ICD's activities with its mandate and reshape our portfolio by focusing on core areas of growth across our regions of operations while responding to various market trends.

Our efforts have paid off and yielded positive results. Operationally, ICD achieved its highest approval and disbursements rates to date, with USD 525.83 million worth of projects approved and disbursements in the year totalling USD 310.53 million. This corresponds with ICD's commitment of funding meaningful private sector projects and businesses in economic sectors that help address key challenges such as food security and energy access. At the same time, our targeted approach also helped build globally competitive industrial sectors and create better jobs. ICD has delivered USD 761 billion in cumulative approvals and more than USD 4.07 billion in disbursements since inception, all of which is serving our mission to support private sector development. Moving forward, we are ready to offer support the best way we can.



**IN 2022, WE ENHANCED OUR ENGAGEMENTS AND IMPORTANT BUSINESS SYNERGIES WITH LIKE-MINDED MULTILATERAL PARTNERS AND INSTITUTIONS.**

As we confront shared and increasingly varied global challenges, we understand more than ever the power of stakeholder collaboration and cooperation. In 2022, we enhanced our engagements and important business synergies with like-minded multilateral partners and institutions. This includes, for example, a Lines of Finance for Africa and Asia agreement with the Arab Fund for Economic and Social Development (Arab Fund), and an agreement with Africa Finance Corporation (AFC) on pipeline sharing and co-financing. We also organized numerous workshops and sessions for knowledge sharing and to explore opportunities for enhanced cooperation with institutions such as the Arab Bank for Economic Development in Africa (BADEA), the Asian Infrastructure Investment Bank (AIIB), British International Investment (BII), the International Financial Corporation (IFC) and the Trade and Development Bank (TDB).

We seek to be there for all our stakeholders, from our clients to our communities, to help them progress on their journey towards transitioning to a sustainable economy, no matter what stage they are at, and to address issues that matter the most to them. In light of this, we have taken bolder steps through our focus on sustainability to drive collective change. The latest Annual Development Effectiveness Survey results revealed that ICD's respected clients and partners contributed greatly to the SDGs. A total of 2,256 SMEs benefited from ICD's financing activities, with funding totaling USD 172.2 million. We also helped advance the Islamic finance agenda, with our interventions resulting in the increase of 74,524 new Islamic finance clients. Our projects and investments have also significantly supported employment growth, having sustained 86,358 jobs while creating new ones (15,464 jobs). We were also active in community development, having contributed a total of USD

6.6 million in programs that promote better living in member countries, focusing on improving social, economic and environmental conditions in which people live.

I am honored to serve in the capacity of Acting Chief Executive Officer of ICD and since my appointment, I have focused my efforts on bringing more excellence in service delivery and improving the operational stability of ICD. I will remain vigilant and will continue to steadily move forward our business improvement plan, which includes strengthening our value drivers, personnel, and organization, transforming the way we work, and establishing a foundation for growth and new ventures. I would like to take this opportunity to acknowledge the contributions of our former Chief Executive Officer, Br. Ayman Sejiny, who left ICD in mid-2022 and played an integral role in driving ICD's performance given the myriad difficulties faced, especially at the height of the pandemic. ICD's journey, achievements and value over the past few critical years are noted and respected. I would also like to leave a special note of appreciation to our esteemed Board members and to our senior leadership team. Thank you for your unwavering passion and support that has allowed us to prosper and grow to greater heights. To the entire ICD family: you are our greatest asset, and I thank you in advance for your hard work and dedication to reaching organizational excellence.

Faithfully,

**Eng. Hani Salem Sonbol**



Acting Chief Executive Officer  
Islamic Corporation for the Development of  
the Private Sector

# 1



# 1. About the Islamic Corporation for the Development of the Private Sector (ICD)

**The Islamic Corporation for the Development of the Private Sector (ICD) is a multilateral organization affiliated with the Islamic Development Bank (IsDB).**

ICD's authorized capital stands at USD 4 billion, of which USD 2 billion is available for subscription. Its shareholders consist of the IsDB, 55 member countries and five public financial institutions. Headquartered in Jeddah, ICD was established by the IsDB Board of Governors during its 24th annual meeting held in Jeddah in Rajab 1420H (November 1999).

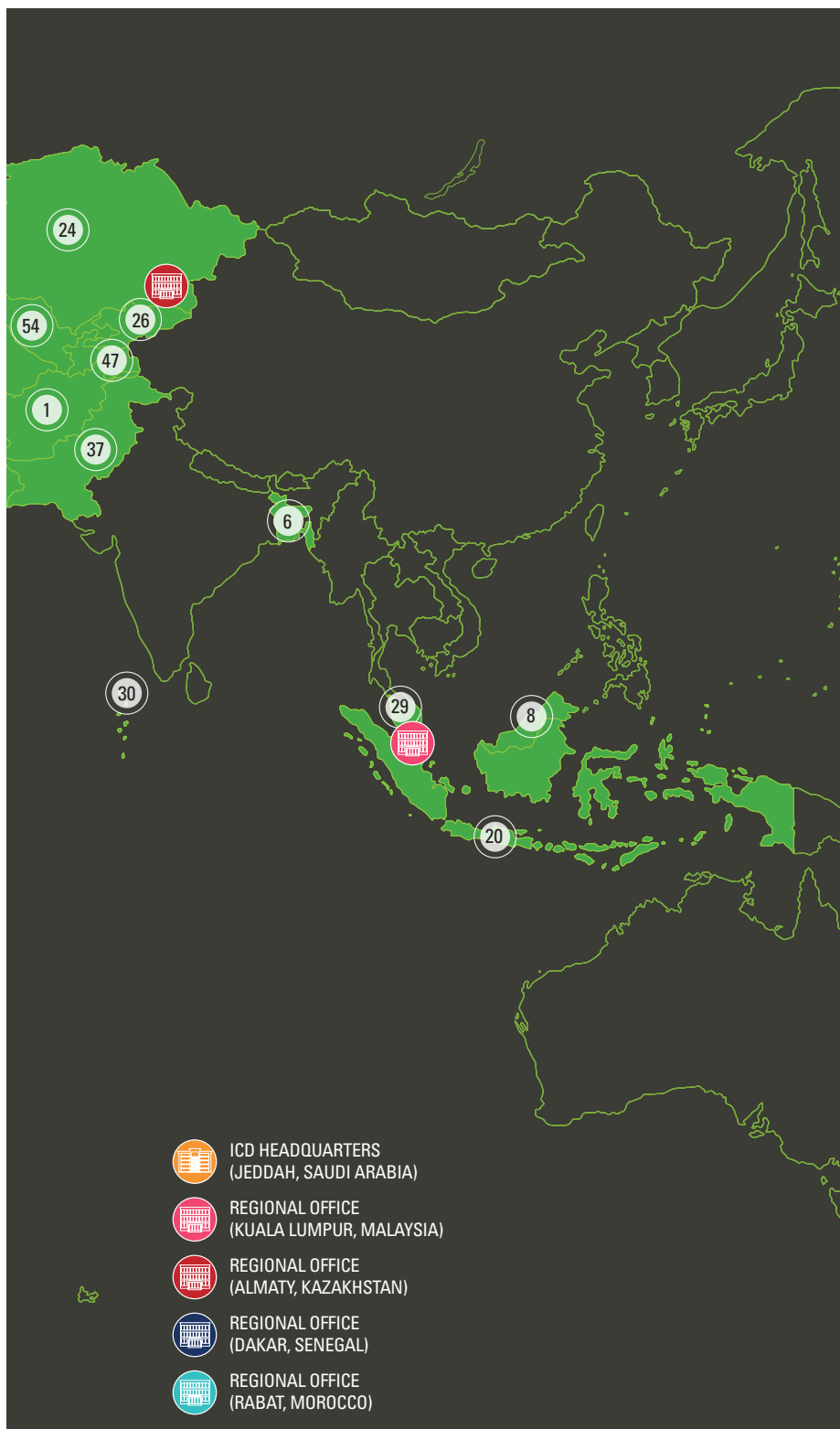
With its significant role in driving inclusive and dynamic growth, private sector development has been the primary focus of the ICD since its inception in November 1999. ICD's mission is to complement the role played by the Islamic Development Bank (IsDB) through the development and promotion of the private sector as a vehicle for boosting economic growth and prosperity, with a vision of being a premier Islamic multilateral financial institution for that purpose.

ICD's objectives as the private sector arm of the Islamic Development Bank (IsDB) Group, in accordance with the principles of the Shari'ah, include: i) to identify opportunities and initiatives in the private sector that could function as engines of growth, ii) to provide a wide range of productive financial products and services for private sector development; iii) to mobilize additional resources for the private sector in member countries, and iv) to encourage the development of Islamic financial and capital markets.





## ICD Member Countries



- |                    |                         |
|--------------------|-------------------------|
| 1 Afghanistan      | 29 Malaysia             |
| 2 Albania          | 30 Maldives             |
| 3 Algeria          | 31 Mali                 |
| 4 Azerbaijan       | 32 Mauritania           |
| 5 Bahrain          | 33 Morocco              |
| 6 Bangladesh       | 34 Mozambique           |
| 7 Benin            | 35 Niger                |
| 8 Brunei           | 36 Nigeria              |
| 9 Burkina Faso     | 37 Pakistan             |
| 10 Cameroon        | 38 Palestine            |
| 11 Chad            | 39 Qatar                |
| 12 Comoros         | 40 Saudi Arabia         |
| 13 Côte d'Ivoire   | 41 Senegal              |
| 14 Djibouti        | 42 Sierra Leone         |
| 15 Egypt           | 43 Somalia              |
| 16 Gabon           | 44 Sudan                |
| 17 The Gambia      | 45 Suriname             |
| 18 Guinea          | 46 Syria                |
| 19 Guinea Bissau   | 47 Tajikistan           |
| 20 Indonesia       | 48 Togo                 |
| 21 Iran            | 49 Tunisia              |
| 22 Iraq            | 50 Türkiye              |
| 23 Jordan          | 51 Turkmenistan         |
| 24 Kazakhstan      | 52 United Arab Emirates |
| 25 Kuwait          | 53 Uganda               |
| 26 Kyrgyz Republic | 54 Uzbekistan           |
| 27 Lebanon         | 55 Yemen                |

**Disclaimer:** Any country borders or names used in this report do not necessarily reflect ICD's official position. Any maps are for illustrative purposes and do not imply the expression of any opinion of ICD concerning the legal status of any country or territory or concerning the delimitation of frontiers or boundaries.



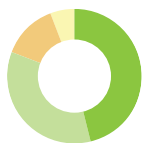
# 2. ICD in numbers

## 2.1 A Snapshot of 2022



### Approvals by Product

- **Line of Finance**  
USD 347.91 million
- **Term Finance**  
USD 177.92 million



### Approvals by Region

- **Sub-Saharan Africa:** 46.20%
- **Europe and Central Asia:** 34.79%
- **Asia:** 13.31%
- **Middle East and North Africa:** 5.71%



### Approvals by Sector

- **Finance:** 71.87%  
15 projects
- **Energy:** 18.62%  
2 projects
- **Industry & Mining:** 9.51%  
2 projects

USD 525.83 million approved

71.87% invested in the financial sector with MSMEs as end-beneficiaries

1 regional project

9 countries reached

Bangladesh	Saudi Arabia
Cameroon	Senegal
Côte d'Ivoire	Uganda
Mali	Uzbekistan
Nigeria	

19 projects approved

**Note:** In the following section, the sum of the percentages does not always add up to 100.0% due to rounding differences.

## 2.2 2022 in Review

**Given its importance in job creation, unleashing export potential and in driving sustainable growth, private sector development has been the primary focus of ICD since inception.**

ICD's approvals for the year totalled USD 525.83 million, more than double last year's figure (USD 243.60 million). This reflects ICD's extending of lines of financing to partner financial institutions and investments in various projects addressing key global challenges such as energy access and food security. In terms of product breakdown, 2022 approvals consisted of Line of Finance (LoF) (66.16% share) and term finance (33.84% share), underpinned by a re-aligned approach to focus ICD's business model on credit financing.

By sector, 71.87% of new project approvals were earmarked for the finance sector, followed by energy (18.62%) and industry and mining (9.51%). In terms of regional distribution, 46.20% of project approvals were allocated to Sub-Saharan Africa, followed by Europe and Central Asia (34.79%), Asia (13.31%) and the Middle East and North Africa (MENA) (5.71%).

In terms of disbursements, the total distribution for the year – USD 310.53 million (2021: USD 208.71 million) – was mainly in high-impact sectors such as finance (80.23%), industry and mining (15.78%), transportation (3.22%) and energy (0.77%). Overall, the disbursement-to-approval ratio stood at 54.88% (2021: 85.68%).

**FIGURE 2.1**

PROJECT APPROVALS BY PRODUCT: 2022

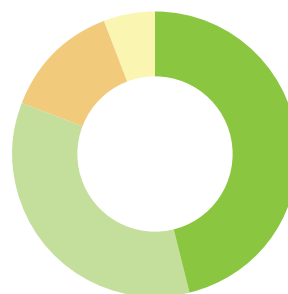
- LINE OF FINANCE  
66.16%
- TERM FINANCE  
33.84%



**FIGURE 2.2**

PROJECT APPROVALS BY REGION: 2022

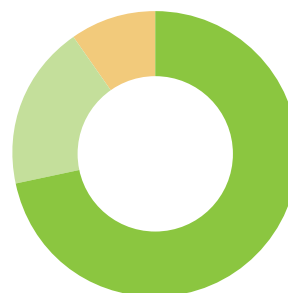
- SUB SAHARAN AFRICA  
46.20%
- EUROPE AND CENTRAL ASIA  
34.79%
- ASIA  
13.31%
- MENA  
5.71%



**FIGURE 2.3**

SECTORAL ALLOCATION OF PROJECT APPROVALS: 2022

- FINANCE  
71.87%
- ENERGY  
18.62%
- INDUSTRY & MINING  
9.51%



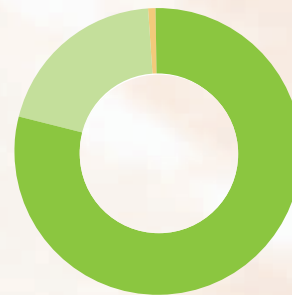


**ICD'S APPROVALS FOR THE YEAR TOTALLED USD 525.83 MILLION, MORE THAN DOUBLE LAST YEAR'S FIGURE (USD 243.60 MILLION).**

**FIGURE 2.4**

SECTORAL ALLOCATION OF DISBURSEMENTS: 2022

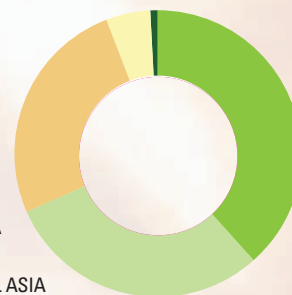
- LINE OF FINANCE **79.42%**
- TERM OF FINANCE **19.77%**
- NON-BANKING EQUITY **0.81%**



**FIGURE 2.5**

DISBURSEMENTS BY REGION: 2022

- ASIA **38.43%**
- SUB SAHARAN AFRICA **30.01%**
- EUROPE AND CENTRAL ASIA **25.79%**
- MENA **4.96%**
- GLOBAL **0.81%**



## 2.3 Highlights since inception

**Since inception, ICD has delivered USD 7.61 billion in cumulative approvals and USD 4.07 billion in disbursements for private sector development.**

Since ICD's establishment in 1999, it has approved 524 projects, valued at USD 7.61 billion. ICD approvals support a wide array of industries including finance, infrastructure, agriculture, manufacturing and energy, with investment operations active in 50 member countries.

### Our approvals include:

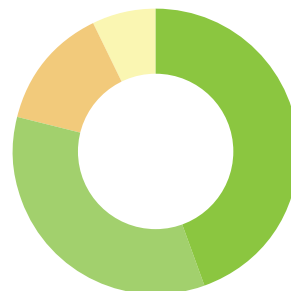
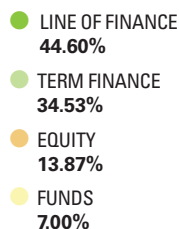
- 130 Line of Finance projects valued at USD 3.39 billion
- 233 Term Finance projects valued at USD 2.63 billion
- 146 Equity projects valued at USD 1.06 billion
- 15 Funds projects valued at USD 532.85 million

To date, 79.13% of approvals have been allocated to credit financing (term finance plus line of finance), followed by 13.87% in equity participation (institutional equity and corporate equity), and the remaining 7.00% in funds.

By far, the largest share of approvals since inception has been allocated to the finance sector (excluding funds) which is the intermediation of SME finance, representing 52.63% of gross approvals (more than USD 4.00 billion) to date.

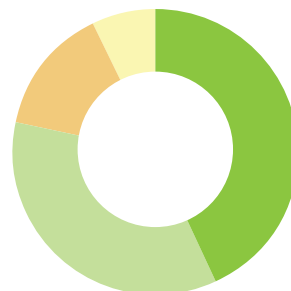
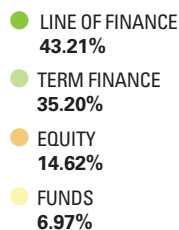
**FIGURE 2.6**

TOTAL PROJECT APPROVALS BY PRODUCT SINCE INCEPTION



**FIGURE 2.7**

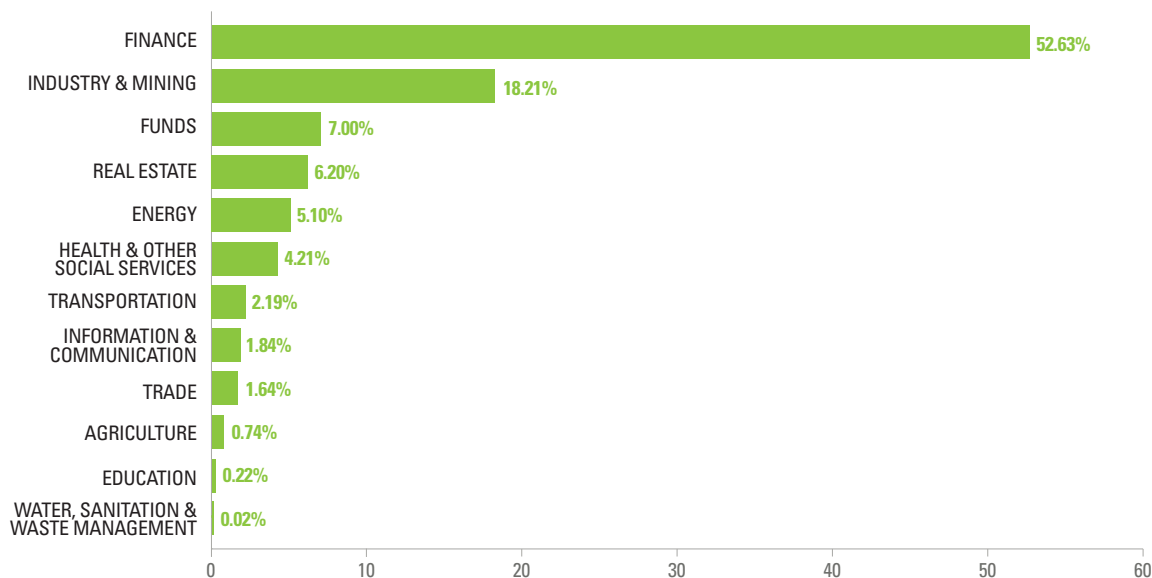
TOTAL DISBURSEMENTS BY PRODUCT SINCE INCEPTION



**SINCE ICD'S  
ESTABLISHMENT IN 1999,  
IT HAS APPROVED 524  
PROJECTS, VALUED AT  
USD 7.61 BILLION.**

**FIGURE 2.8**

TOTAL PROJECT APPROVALS BY SECTOR SINCE INCEPTION



The industrial and mining sector takes up the second largest share (18.21%) with a gross approved amount of USD 1.39 billion. This is followed by funds with 7.00%, and energy, real estate, health and other social services, transportation, information and communication, and trade, accounting for 21.18% of gross approvals. The remaining USD 74.38 million, representing 0.98% of cumulative approvals, is allocated to three economic sectors: agriculture, education, and water, sanitation and waste management.

Our approvals also reflect our wide geographic reach. By the end of 2022, ICD investment operations covered 50 member countries, in addition to a number of regional and global-level projects spanning several economies. The Middle

East and North Africa (MENA) region accounts for 27.71% of gross approvals, followed by Europe and Central Asia (ECA) with 21.76%, Sub-Saharan Africa (SSA) with 20.08%, and the Asia region with 15.32%. The share of regional/global projects covering several countries across different regions represents 15.13% of gross approvals.

ICD has disbursed a total of approximately USD 4.07 billion since inception. Disbursements vary according to product, with line of finance and term finance projects accounting for the largest proportion (43.21% and 35.20%, respectively). Equity operations accounted for 14.62%, followed by funds at 6.97%.



# 3. Our Operations, Activities and Performance: 2022 Highlights

**In 2022, ICD's work helped SMEs grow and innovate, improved energy and food security in member countries, addressed the widespread demand for housing, and contributed to the post-COVID-19 recovery efforts of member countries.**

## **3.1 Raising the production capacity of one of Bangladesh's largest industrial conglomerates**

In 2022, ICD extended a EUR 22.50 million facility using an Ijarah structure to Abul Khair Strips Processing Limited (AKSPL), a subsidiary of Abul Khair Group in Bangladesh. Abul Khair Group is one of the largest conglomerates in Bangladesh, having a strong foothold in the steel, cement, ceramics and fast-moving consumer goods (FMCG) market segments. The Group is currently the market leader in steel and cement products in Bangladesh. AKSPL, the beneficiary of ICD financing, produces intermediate products required for roofing and fencing in rural and industrial areas. ICD's financing enabled AKSPL to expand its capacity from 305,000 metric tons (MT) to 505,000 MT and add new products to its portfolio by procuring equipment from Italy's Danieli, one of the most renowned steel equipment manufacturers in the world.

The project has had a very strong development impact in terms of employment creation, technology transfer and improving local capacities. The total

**IN ADDITION TO ITS MAIN OBJECTIVE OF POWER PRODUCTION, THE CCGT POWER PLANT PROJECT WILL ALSO FULFIL A STRATEGIC ROLE FOR THE STABILITY OF UZBEKISTAN'S POWER GRID.**

number of jobs generated from this new project is estimated to be 800. The project was implemented by in-house engineers within the Abul Khair Group with the help of the equipment supplier. With the addition of the new production lines, the company was able to enhance the quality of its existing products and increase product offerings to clients worldwide.

Abul Khair Group is an existing client of ICD. In the past, ICD extended USD 25.00 million of financing for constructing a 1 million MT per annum steel billet production factory for Abul Khair Steel Melting Limited (AKSML), another subsidiary of the Group. The company is now the largest steel billet production plant in Bangladesh. The ICD facility has been repaid in full and the plant is now fully operational and is planning to expand its capacities.

### **3.2 Supporting Uzbekistan's energy transition and enhancing its power supply**

Stone City Energy B.V. (the "Investor" or the "Founding Sponsor") was established in 2019 to help Uzbekistan increase energy efficiency and electrical output as well as to strengthen the country's energy security. This is expected to be achieved by the development of a 1,560 MW Combined Cycle Gas Turbine (CCGT) power plant (the "Project") to be located in the Surkhandarya region of Uzbekistan. Following a series of negotiations, SCE-Quvvat LLC (the "Project Company") was established in March 2021 and the Power Purchase Agreement (PPA) and the Investment Agreement (IA) were executed between



the Company and the relevant Uzbek government entities and ministries in April 2021. Since then, Stone City Energy B.V., the founding sponsor of the Company has brought international energy market players in as partners to develop the project.

The CCGT power plant project cost is estimated at EUR 1.30 billion which will be funded on an 80:20 senior debt to contributed equity ratio. The senior debt financiers are (i) lenders covered with export credit agencies and (ii) development finance institutions (DFI). To date, ICD and IsDB have confirmed their participation. Société Generale (Soc Gen) and KfW-Ipex will benefit from Euler Hermes and Credendo, the German and Belgian export credit agencies, respectively. ICD's participation will be structured as a procurement (Istisna'a) plus forward lease (Ijarah) facility.

The project is currently being developed under a Build-Own-Operate-Transfer (BOOT) structure, and will benefit from a long-term Power Purchase Agreement (PPA) with the National Grid Company of Uzbekistan (NEGU). It involves top-class equipment and technology from renowned suppliers that will help achieve excellent thermal efficiency, competitive generation costs and low emissions.

Given the country's strong GDP growth trajectory as well as its aging fleet of thermal power plants, investment in modern CCGT projects is one of Uzbekistan's key strategies. The replacement of existing old gas fired power plants with new and efficient CCGT plants during the first half of this decade will be a significant step and is in line with Uzbekistan's goal of achieving a carbon-neutral electricity sector by 2050. In addition to its main objective of power production, the project will also fulfil a strategic role for the stability of Uzbekistan's power grid.

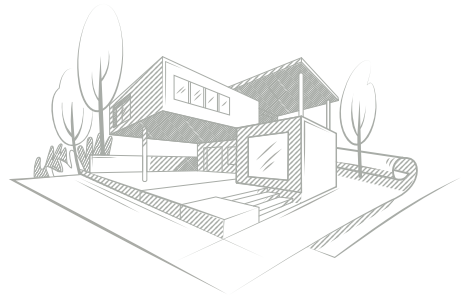
### 3.3 Helping SMEs scale up in challenging economic environments

#### Supporting SMEs to thrive post-pandemic

Small and medium-sized enterprises (SMEs) and entrepreneurs are fundamental to economic growth, competitiveness, and job creation. By nature innovative and opportunity-seeking, their viability will be critical to any post-crisis recovery. To this end, SMEs must be supported with a sharpened focus on building sustainability and resilience to enable them to make a greater contribution to a post-pandemic economic revival.

With the coronavirus shifting into an endemic phase, there has been a strong rebound in demand in both domestic and overseas markets. Despite this, SMEs are still currently facing several headwinds underpinned by the ongoing conflict in Ukraine, recurring lockdowns in China and rising inflation. This includes problems such as labour shortages, rising costs of raw materials, supply disruptions, difficulty in obtaining loans and, as of late, higher borrowing costs.

**SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs) AND ENTREPRENEURS ARE FUNDAMENTAL TO ECONOMIC GROWTH, COMPETITIVENESS, AND JOB CREATION.**



## ICD intervention

A lack of appropriate forms of finance has long been a hurdle for SMEs and prevented them from reaching their full potential, with varying degrees of severity of financing constraints across member countries. Informal SMEs in particular may be unserved or underserved by financial institutions. Capital gaps also exist for innovative and growth-

oriented firms, as well as for medium-sized enterprises that seek to invest and expand, and for SMEs seeking to undertake green investments.

In 2022, ICD continued to focus on extending lines of finance to partner financial institutions in its regions of operations in order to support SMEs.



ICD and Agrobank sign a USD 25.00 million Shari'ah compliant Line of Financing agreement to support SMEs in Uzbekistan

## Sub-Saharan Africa (USD 192.9 million)

- i) USD 26.50 million to Banque Islamique du Senegal (BIS) (Senegal)
- ii) USD 25.00 million to BMS (Mali)
- iii) USD 15.00 million to Afriland First Bank (Cameroon)
- iv) USD 31.40 million to Coris Bank International (Cote d'Ivoire)
- v) USD 25.00 million to Wema Bank (Nigeria)
- vi) USD 20.00 million to Coronation Merchant Bank
- vii) USD 50.00 million to Afreximbank (regional)

## Europe and Central Asia (USD 135.00 million)

- i) USD 20.00 million to Trust Bank (Uzbekistan)
- ii) USD 20.00 million to Orient Finans Bank (Uzbekistan)
- iii) USD 25.00 million to Turonbank (Uzbekistan)
- iv) USD 30.00 million to Aloqabank (Uzbekistan)
- v) USD 15.00 million to Uzbek Leasing International (Uzbekistan)
- vi) USD 25.00 million to Agrobank (Uzbekistan)

## Asia (USD 20.0 million)

- i) USD 20.00 million to Mutual Trust Bank (Bangladesh)



ICD signs a USD 20.00 million Shari'ah compliant Line of Financing agreement with Trustbank



**THE SAUDI GOVERNMENT AIMS TO DOUBLE THE CONTRIBUTION OF REAL ESTATE TO THE COUNTRY'S GDP TO 10% AND INCREASE HOME OWNERSHIP BY SAUDI NATIONALS TO 70% BY 2030.**



### 3.4 Providing onward home financing to consumers

In line with the National Transformational Plan (Vision 2030), the Saudi government aims to double the contribution of real estate to the country's GDP to 10% and increase home ownership by Saudi nationals to 70% by 2030. To achieve this, various measures have been initiated, such as incentivizing developers and building affordable housing projects. The Saudi government's focus on the real estate sector, as part of the diversification process of the economy, is anticipated to boost the residential market over the coming years. Consequently, ICD extended USD 30.00 million Commodity Murabaha to Bidaya Home Finance (BHF) for the financing of its home mortgage portfolio and the

refinancing of its existing debt. The developmental impact of the project is significant and includes i) assisting Saudi Arabia in addressing its growing demand for housing, and b) provide financing for BHF to enhance its portfolio and encourage home ownership in Saudi Arabia. The project will contribute to at least four Sustainable Development Goals (SDGs): SDG8 (Decent Work and Economic Growth), SDG9 (Industry, Innovation, and Infrastructure), SDG11 (Sustainable Cities and Communities), and SDG17 (Partnership for the Goals).

## ICD AND REFINITIV RELEASE THE ISLAMIC FINANCE DEVELOPMENT INDICATOR (IFDI) 2022 REPORT.



### 3.5 Other highlights of 2022

#### ICD maintains strong credit rating and stable outlook, according to Moody's and Fitch

Moody's Investors Service has recently affirmed the Islamic Corporation for the Development of the Private Sector (ICD) A2 issuer rating with a stable outlook, citing balanced risks to the credit profile and a strong liquidity position compared to similarly rated peers. Fitch Ratings also reaffirmed ICD's Long-Term IDR at 'A+', indicating a strong creditworthiness. These affirmations reflect the financial stability and creditworthiness of ICD.

#### ICD's 'BRAVE Women Yemen 2.0' Initiative approved by We-Fi Secretariat

The Women Entrepreneurs Finance Initiative (We-Fi) Secretariat has approved the "BRAVE Women Yemen 2.0 Blended Finance" project proposal, prepared by ICD with a funding request of USD 5.5 million. This new initiative, the first of its kind in Yemen, will introduce new components to the existing BRAVE Women program and support a greater number of women entrepreneurs in the country. The BRAVE Women program, which is already running in Yemen, Nigeria, and Burkina Faso, aims to enhance the resilience of women-owned or led SMEs (WSMEs) in fragile contexts and works to increase their business growth opportunities through capacity building and funding.

#### ICD and Refinitiv launch report on Islamic finance and evolving landscape of technology and society

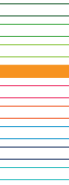
ICD and financial data and infrastructure provider Refinitiv have jointly launched a report on the intersection of technology and society and the potential for Islamic finance to address the challenges presented by these trends. The report, which highlights the interrelatedness between technology and society, identifies opportunities and solutions anchored in Islamic finance that have the most potential to address the challenges we may face. It also discusses the potential of Islamic finance to lead market metamorphosis in response to these trends.

#### ICD and Refinitiv release the Islamic Finance Development Indicator (IFDI) 2022 report on the state of the global Islamic finance industry

ICD, in collaboration with Refinitiv, released the IFDI 2022 report presenting the overall development of the Islamic finance sector. The report is a guide on the state of the global Islamic finance industry and measures countries across knowledge, governance, corporate social responsibility, and awareness metrics.

#### ICD releases the first edition of the Fintech Market Entry Report series

In 2022 ICD published the first edition of its Fintech Market Entry Report series, focusing on Albania, Azerbaijan, Bosnia and Herzegovina, and Türkiye. The report is available on ICD's website and aims to provide insights into the development and growth potential of the FinTech industry in these countries. The series is intended to be a resource for those looking to enter or expand in the FinTech market in member countries.



**THE BRAVE WOMEN PROGRAM, WHICH IS ALREADY RUNNING IN YEMEN, NIGERIA, AND BURKINA FASO, AIMS TO ENHANCE THE RESILIENCE OF WOMEN-OWNED OR LED SMEs (WSMEs).**





## 4. ICD Synergies and Partnerships

**ICD engages with numerous stakeholders with the aim of increasing the role of the private sector in addressing global development challenges.**

### 4.1 Upholding the virtue of international cooperation

The IsDB Group member countries, along with a significant number of other countries, continue to face development challenges such as food insecurity, climate change, poverty, gender and economic inequality, all of which are intensifying at unprecedented levels. These complex, interrelated challenges are impacting the lives of the poorest the most, particularly in developing countries, and call for immediate and collective action with global partners to address them.

At ICD, we believe that effective multilateral partnerships and strong engagement with communities and relevant stakeholders are essential in the achievement of sustainable development. In this regard, the private sector

– with its innovative capacities and technological know-how, in addition to its financing and investment contributions – plays an increasingly strategic role in delivering solutions that can change the world.

Over the course of 2022, ICD has capitalized on its established network of partnerships which include multilateral development banks, development finance institutions, sovereign wealth funds, financial institutions, central banks and technical advisors. In line with our core mandate, ICD's key priorities are to develop the private sector through the provision of financing solutions and thereby to contribute to the SDGs. Thus, ICD identified several partners with similar mandates and objectives, and we have established a number of strategic partnerships and collaborative efforts that will help us achieve lasting synergies.

## Technical Coordination Committee: Key Achievements

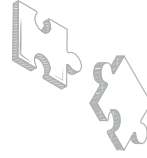


### Technical Coordination Committee (TCC)

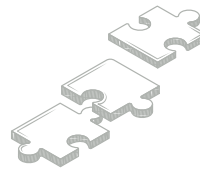
ICD has been working very closely with IsDB Group entities, namely ITFC and ICIEC, to foster greater intra-group partnerships and cooperation. This was achieved through regular TCC meetings and Entities' CEOs Meetings. In 2022, ICD, ITFC and ICIEC agreed to implement joint Key Performance Indicators (KPIs) to drive stronger engagements and an increased volume of co-financing activity between group entities. 2022 was a successful year for TCC in terms of engagements, the shared deal pipeline and approvals.

### IsDB Group Synergy Enhancement "One Bank, One Group"

IsDB Group Synergy was recognized as an area requiring greater focus, being a pivotal guiding principle in the implementation of the 10-Year Strategy 2016-25 (10YS) of the Bank. Throughout 2022, ICD was actively involved in the Group Executive Coordination Meeting (GECM) and the Group Synergy Facilitation Team (GSFT) to draft, review and implement the Group Synergy Enhancement Agenda of the IsDB Group.



**IN 2022, ICD, ITFC AND ICIEC AGREED TO IMPLEMENT JOINT KEY PERFORMANCE INDICATORS (KPIs) TO DRIVE STRONGER ENGAGEMENTS AND AN INCREASED VOLUME OF CO-FINANCING ACTIVITY BETWEEN GROUP ENTITIES.**



### **IsDB Working Group 3 Partnerships (WG3)**

ICD has been working very closely with IsDB, ITFC and ICIEC to increase collaborative efforts with Multilateral Development Banks (MDBs), Development Finance Institutions (DFIs), Sovereign Wealth Funds (SWFs), Development Agencies (DAs) and International Financial Institutions (IFIs). In 2022, ICD participated in the WG3 monthly meetings and shared monthly reports on major coordination activities and achievements related to the Food Security Response carried out with partner DFIs and IFIs.

## ICD in the spotlight

### ■ ICD engages in discussions on future cooperation at the IsDB Group Annual Meeting

ICD held a CEO session at the event on “Repositioning the Development Priorities for the Private Sector” and has implemented a system for ranking projects based on their contribution to the United Nations Sustainable Development Goals.

### ■ ICD signs multiple MoUs with international partners at the 2022 IsDB Group Annual Meetings

ICD signed multiple Memorandums of Understanding (MoUs) with partners from Burkina Faso, Egypt, Uzbekistan, Turkmenistan, and Indonesia during the 2022 IsDB Group Annual Meetings.



ICD engages in discussions on future cooperation at the IsDB Group Annual Meeting



ICD and ITFC strengthen relationships and support development efforts in Eastern and Southern Africa

### ■ ICD and ITFC strengthen relationships and support development efforts in Eastern and Southern Africa

ICD and the International Islamic Trade Finance Corporation (ITFC) met with officials from several countries in Eastern and Southern Africa during the International Monetary Fund and World Bank meetings in Washington D.C. ICD and ITFC, led by Acting CEO Eng. Hani Salem Sonbol, reaffirmed their commitment to supporting the development efforts of these countries through trade solutions, private sector support, and interventions under programs such as AFTIAS and AATB.



## — ICD INITIATED AND SIGNED MULTIPLE AGREEMENTS WITH NEW PARTNERS IN 2022.



### Newly established Partnerships and MoUs

ICD initiated and signed multiple agreements with new partners in 2022. This included a Lines of Finance for Africa and Asia agreement with the Arab Fund for Economic and Social Development (Arab Fund), and an agreement with Africa Finance Corporation (AFC) on pipeline sharing and co-financing. ICD had active engagements with multiple MDBs and DFIs, and an MoU for co-financing with Abu Dhabi Islamic Bank Egypt.

### In-depth review of Partnership MoU and Action Plans with partner MDBs/DFIs

In coordination with the IsDB, ICD carried out an in-depth review of the following Partnership MoUs: i) African Development Bank - IsDB Group MoU; ii) Asian Development Bank - IsDB Group Framework Cooperation and Co-financing Agreement; iii) Inter-American Development Bank - IsDB Group MoU, and iv) BADEA - IsDB Group MoU.

## 4.2 Strategic consultations and workshops with DFIs, MDBs and IFIs on opportunities for enhanced cooperation

**In 2022, ICD's Partnership Unit successfully organized and participated in several partners' consultations and workshops including the following:**



### Asian Infrastructure Investment Bank (AIIB)

In September 2022, ICD organized a workshop with AIIB where ICD's Infrastructure Corporate Finance and Lines of Finance teams and AIIB Infrastructure Investment Department shared their experiences in common member countries in the Asia and Africa regions. Both teams also discussed the structure of their products and co-financing opportunities.



### The Arab Bank for Economic Development in Africa (BADEA)

In May 2022, ICD organized a workshop with BADEA at ICD's headquarters with the participation of the Risk Management, Compliance, Internal Audit, and Legal teams. The workshop covered ICD's and BADEA's risk management structure

## ICD ORGANIZED A VIRTUAL WORKSHOP BETWEEN ICD'S DEVELOPMENT EFFECTIVENESS AND COMPLIANCE AND BII'S ENVIRONMENTAL SOCIAL GOVERNANCE AND BUSINESS INTEGRITY TEAMS.

and process, credit risk and market risk, and legal process related to both entities' operations and corporate activities. ICD Compliance team also showcased a presentation on the anti-money laundering and anti-corruption policy implemented in 2020.



### British International Investment (BII)

ICD organized a virtual workshop between ICD's Development Effectiveness and Compliance and BII's Environmental Social Governance and Business Integrity teams. The workshop program focused on BII's and ICD's institutional policy, procedure for Environmental and Social Governance, the roles and functions of Environmental and Social Governance and on developing an understanding regarding the policy and strategy of both institutions in order to strengthen their partnership and accelerate progress on exploring co-financing opportunities.



### CrossBoundary

ICD organized a virtual workshop between ICD MENA, the IsDB and the CrossBoundary team to discuss CrossBoundary and the United States Agency for International Development (USAID) Business Growth Activity (BGA) program in Jordan. The session also covered the scope and scale of Islamic finance for IsDB's activities in Jordan, including target sectors and investment as well as potential avenues of collaboration between IsDB and BGA in Jordan.



### International Financial Corporation (IFC) Middle East, Afghanistan, and Pakistan

In April 2022, ICD organized a virtual knowledge sharing session with the IFC Egypt team. During the session, the ICD-ICF team and IFC discussed opportunities for co-financing in the power and energy sectors in Egypt. Subsequently, in May 2022, ICD and IFC jointly organized a workshop chaired by the Acting CEO of ICD, where the Infrastructure and Corporate Finance and Sukuk teams and IFC discussed the mechanism for developing regional engagements and sharing a pipeline. Both teams also exchanged knowledge on local currency financing. Both regional teams agreed to have monthly meetings to discuss the pipeline projects and co-financing opportunities.



In November 2022, ICD organized a meeting with IFC Jordan and Iraq at ICD's headquarters. During the meeting, the Head of IFC Jordan and Iraq, the IFC Team, and IsDB PPP discussed IFC pipeline projects in Jordan and Iraq and opportunities to co-finance projects in MENA led by IFC and healthcare projects in Jordan.



*Creating Markets, Creating Opportunities*

### **International Financial Corporation (IFC) Central and West Africa**

ICD had several engagements during the year with IFC Central and West Africa. In April 2022, the ICD Partnerships Unit had a virtual meeting with the IFC Central and West Africa office, in which the ICD team shared the potential for equity investment in Africa, and the IFC team shared information about IFC's focus on investing in affordable housing projects in Africa.



### **Proparco, AFD Group**

In January 2022, ICD organized a workshop between the ICD LoF team, Sukuk team, ICF, and the Proparco Guarantees and Risk Sharing teams. During the session, the ICD and Proparco teams exchanged experiences and knowledge regarding project finance in African member countries. The discussions also covered potential partnerships opportunities in Lines of Finance to Financial Institutions (FIs), risk-sharing solutions and Sukuk. Proparco and ICD agreed to organize deep dive sessions on Lines of Finance and Sukuk.



### **Trade and Development Bank (TDB)**

ICD organized a workshop on ICD Sukuk Advisory in April 2022, where ICD Sukuk team showcased a detailed presentation on ICD's Sukuk Advisory to TDB teams. During the session, TDB's Syndication and Infrastructure teams, along with ICD's Infrastructure Corporate Finance team, discussed project pipelines in common member countries, including, Egypt, Mozambique, and Comoros.

**ICD COMPLIANCE TEAM  
SHOWCASED A PRESENTATION  
ON THE ANTI-MONEY  
LAUNDERING AND ANTI-  
CORRUPTION POLICY  
IMPLEMENTED IN 2020.**



## **Africa Investment Forum (AIF) Partners meeting**

The Africa Investment Forum (AIF) is Africa's investment marketplace, championed by the African Development Bank (AfDB) and its partners, to accelerate the closure of the continent's investment gaps. ICD represented the IsDB Group in the AIF platform throughout 2021 and 2022 and has actively engaged with AIF founding members and project sponsors for co-financing deals originated by the AIF deal development platform. In April 2022, ICD participated in the AIF Market Days. The event featured 63 deals worth USD 46.9 billion, from which IsDB Group shortlisted 30 deals. ICD's ICF team also participated in the virtual Deal Rooms sessions for Trade-Infrastructure projects, and Infrastructure and Transport projects in the ECOWAS Region: Côte d'Ivoire, Ghana, Togo, Benin, and Nigeria. Subsequently, in November 2022, the Acting CEO of ICD, represented H.E. the President of IsDB Group during the AIF Market Days held in Abidjan on 2-4 November 2022. The event was also attended virtually by IsDB Group colleagues. The technical teams from IsDB-PPP, ICD-ICF and ICIEC attended several Deal Rooms to explore deal opportunities that would be of interest for co-financing, co-investment, and de-risking. ICD attended nine Deal Rooms virtually, including deals for hydropower projects, affordable housing projects, renewable energy projects, and transport and infrastructure projects in Southern Africa and Central Africa member countries.



## **ICD leading the Investment Pillar under the Arab-Africa Trade Bridges Program (AATB)**

The AATB Program is a regional trade promotion program that aims to address some of the challenges faced in promoting trade between the two regions. The AATB Program is expected to increase investment and trade between the Arab and African regions, and it covers different dimensions including infrastructure financing and advisory and technical assistance. ICD's role is focused on the Investment Pillar. In 2022, ICD's intervention focused only on Lines of Finance to eligible Financial Institutions: ICD secured the approval of USD 50 million to Afreximbank (ITFC syndication of a USD 100.00 million LoF), with a target disbursement in Q1 2023. This LoF will contribute to increase access to finance for private sector SMEs, including those involved in trade between Arab and African countries. Several additional LoF transactions are expected to reach IC stage in 2023. Furthermore, ICD will use both direct (Term Finance) and indirect (LoF) intervention mechanisms in 2023 to tackle priority AATB themes such as food security.

**ICD WILL USE BOTH DIRECT (TERM FINANCE) AND INDIRECT (LOF) INTERVENTION MECHANISMS IN 2023 TO TACKLE PRIORITY AATB THEMES SUCH AS FOOD SECURITY.**

ICD SYNERGIES AND PARTNERSHIPS



## 4.3 Awards & Recognition To Date

**BRAVE Project earns Honorable Mention in Global SME Finance Awards**  
Global SME Finance Awards 2022

**Best Contributor to the Islamic Finance Industry**  
AIHuda Centre of Islamic Banking & Economics 2021

**'The Kuwait Deal of the Year' for the Kuwait International Bank's USD 300 million Tier 2 Sukuk**  
Islamic Finance News (IFN) 2021

**'The Social Impact/SRI/ ESG Deal of the Year' for IsDB's USD 1.5 billion Sustainable Sukuk**  
Islamic Finance News (IFN) 2021

**'Cross-Border Deal of the Year' and 'Pakistan Deal of the Year' 2019 for the dual-currency financing facility for NASDA Green Energy's 50 MW wind power project**  
Islamic Finance News (IFN) 2020

**Outstanding Contribution to ESG Responsible Financial Innovation Global 2019**  
Capital Finance International (CFI) 2019

**The Best Human Capital Development Program 2017**  
Global Islamic Finance Awards (GIFA)

**Sovereign Deal of the Year 2016**  
Islamic Finance News (IFN) 2017

**The Most Outstanding Institution for Contribution to Islamic Finance**  
Kuala Lumpur Islamic Finance Forum (KLIFF) 2015

**'Africa Deal of the Year' for the CFA 100 billion inaugural sovereign Sukuk from the Republic of Senegal in July**  
Islamic Finance News (IFN) 2015

**'Cross-border Deal of the Year' for the landmark USD 100 million commodity Murabahah transaction with Bank of Tokyo-Mitsubishi UFJ in September**  
Islamic Finance News (IFN) 2015

**The Award of Excellence for Outstanding Contribution to the Development of Islamic Finance in the Private Sector**  
The London Sukuk Summit 2015

**The Islamic Economy Award – The Money and Finance Category**  
Dubai Chamber of Commerce and Industry and Thomson Reuters 2015

**Best Islamic Finance Initiative Award**  
African Banker Magazine 2015

**Best Development Bank**  
CPI Financial 2015

**Excellence in Development of the  
Islamic Private Sector – MENA 2014**  
International Finance Magazine 2014

**'Best Islamic Leasing Provider'  
and 'Best Islamic Finance Advisor**  
CMO Organization 2014

**Islamic Banking Business  
Excellence Award**  
Acquisition International Magazine 2014

**Islamic' Bank of the Year**  
ACQ Global Awards 2014

**Best Private Sector Developer  
– Middle East**  
IAIR Awards on Global Economy  
and Sustainability 2014

**Best Development Bank**  
CPI Financial 2014

**Best Islamic Financial Initiative**  
Tatweej Academy for Excellence  
Awards 2013

**The Institutional Excellence  
Award 2012**  
The World Islamic Banking  
Conference (WIBC) 2012



**ICD FUND PROJECTS  
THAT ARE AIMED AT  
CREATING COMPETITION,  
ENTREPRENEURSHIP,  
EMPLOYMENT OPPORTUNITIES  
AND EXPORT POTENTIAL.**

#### 4.4 ICD in Photos

The 3rd ICD Mobile Photography Contest invited resident citizens of all ICD's member countries to submit their best photographs. The brief was to showcase their country's culture, heritage, people, and development from their individual perspective. An editor's selection from the submissions appears on the following pages.





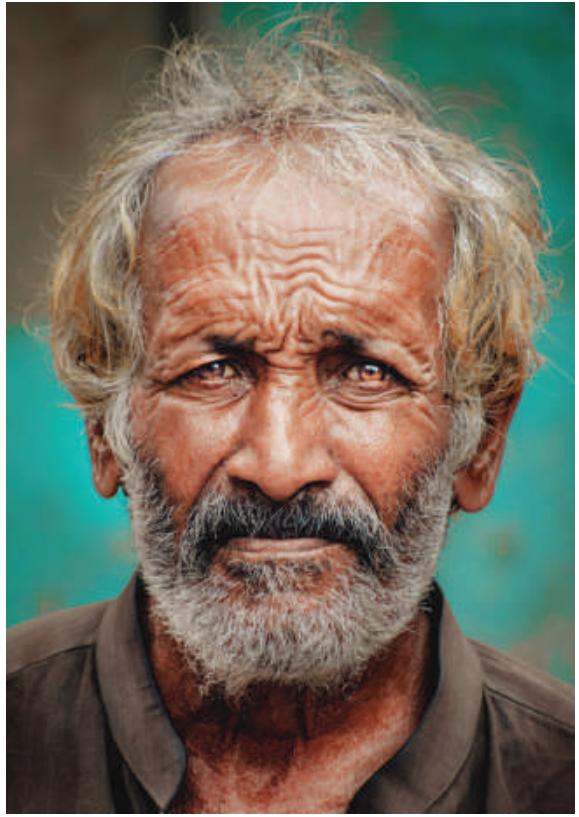


Left: The winner of the contest is **Siti Nur KHAFIDAH** from Indonesia for her photograph titled "A girl on a bamboo raft." The photograph depicts a young girl enjoying reading the Quran on a traditional raft. The winner receives an iPhone 14 or equivalent, based on the availability of the phone.

Right: The runner-up is **Mohamed RIYD** from Egypt for his photograph titled "A daily Life." The photograph shows how a man spends his day enjoying handcrafting Egyptian antiques. This image also appears on page 12 of this report where it introduces ICD in Numbers.



Above: The third place goes to **Amar HABEEB** from the United Arab Emirates. Her photograph titled "Teach them young" shows a fascinated young girl receiving a craft work lesson, at the Alhosn Festival in Abu Dhabi.











# 5. Development Effectiveness (DE)

**Achieving development effectiveness is fundamental to ICD's purpose as a development finance institution.**

## 5.1 Developments in 2022

### **SDG Alignment Initiative: Applying the Stop, Adjust, Amplify, Undertake (SAAU) Framework**

ICD management recognizes the importance of the 2030 Agenda and has ensured that ICD operations help contribute to the SDGs, thereby fostering a promising future for the societies of its member countries. ICD advocates the use of sustainable development to provide for the needs of today while ensuring the needs of tomorrow's generation are protected. As a member of the International Development Finance Club (IDFC), ICD took part in the SDG Alignment study entitled "*PDBs' catalytic role in achieving the UN SDGs*". The study was authored by Natixis CIB's Green and Sustainable Hub (GSH). The study spelled out a set of "SDG contribution principles" and "integration trackers" at entity and activity levels. It proposed a practical and simplistic canvas

### SAAU Framework



**Stop**  
NO LONGER DOING

**Adjust**  
DOING DIFFERENTLY

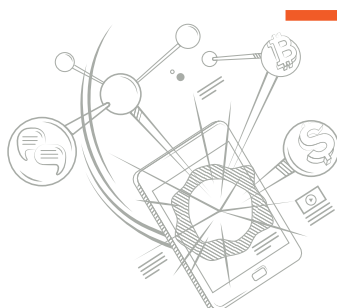
**Amplify**  
DOING MORE

**Undertake**  
DOING NEW

designed to accommodate different maturity levels or starting points: the SAAU Framework (*Stop, Adjust, Amplify, Undertake*). It can be used by an individual bank for diagnosis and strategy setting purposes, but also by coalitions or clubs looking for collective commitments.<sup>1</sup>

As an enabler of alignment, the priority for ICD is to identify to what extent and how best it can contribute to SDG gap bridging. The use of the SAAU Framework as a diagnosis and guidance tool helped identify how ICD could become a better SDG-aligned corporation. Led by the DEO, ICD introduced the SAAU Framework and began by filling the four categories to design a coherent and consistent action plan. The SAAU framework (see figure top right) recognizes different levels of contribution to achieving the SDGs.

<sup>1</sup> PDBs' catalytic role in achieving the UN SDGs – IDFC & Natixis.



## IT IS HOPED THAT IMPROVING PEOPLE'S UNDERSTANDING OF THE FINANCIAL SYSTEM WILL EQUIP THEM WITH SKILLS FOR EFFECTIVE MONEY AND DEBT MANAGEMENT.

Ultimately, the use of the SAAU Framework has allowed ICD to:

- Ensure that every facet of ICD activities or operations do not directly or indirectly hinder progress towards the SDGs;
- Finance activities and entities that contribute substantially to meeting the 2030 targets; and
- Deconstruct and rethink ICD activities with the sole purpose of contributing to the SDGs.

### Supporting the FinTech Industry

- In 2022 ICD contributed to the FinTech industry by organizing FinTech CEOs Roundtables in Egypt, Uzbekistan, and Türkiye. Additionally, it developed and published the FinTech Market Entry Report for four countries: Azerbaijan, Türkiye, Albania, and Bosnia & Herzegovina.
- In collaboration with Pearl Initiatives, ICD organized four events for FinTech start-ups to highlight the importance of corporate governance. ICD also developed a report on corporate governance for start-ups based on various interventions with FinTech start-ups.

### Supporting entrepreneurship

- In partnership with JPMC Foundation, ICD contributed to women's empowerment by developing a women entrepreneurs' incubation program. The incubation program was designed to develop entrepreneurial skills among women in the fashion industry in Saudi Arabia.
- In 2022, ICD – in partnership with many organizations – supported entrepreneurship by jointly organizing workshops, webinars,

bootcamps and hackathons to prepare young entrepreneurs for translating their business ideas into commercial and bankable businesses. The interventions exposed the young entrepreneurs to a variety of skillsets that will allow them to successfully set up their own businesses and build their capacities in many aspects of business, thereby making their start-ups more sustainable and profitable.

### Supporting the financial inclusion agenda

- In 2022, ICD focused on the financial inclusion agenda by organizing financial literacy workshops in three member countries: Egypt, Nigeria and Saudi Arabia. The workshops reflected ICD's belief in the importance of financial literacy in improving individuals' living standards.
- ICD also translated a book titled "Financing our common future" into Arabic in order to help individuals learn more about money and the world of finance. It is hoped that improving people's understanding of the financial system will equip them with skills for effective money and debt management, improving their financial security and ultimately their living standards and prosperity.

### ICD Financial Literacy Platform

- ICD's Financial Literacy Platform will improve the inclusion of individuals and MSMEs in the digital economy. The platform aims to encourage financial service providers, especially FinTech companies, to extend affordable and easy access to financial services. Additionally, the platform offer access to financial educational resources and opportunities.



- The platform will also serve as a marketplace for all financial services offered by leading FinTechs around the globe to better serve unbanked and/or underserved population and MSMEs. ICD, along with its strategic business partners, can use the platform to promote inclusivity for all, including the poor, women, youth, and MSMEs, to ensure no one is left behind.

## 5.2 2022 Development Effectiveness Survey Results

ICD conducts a survey on an annual basis to gather evidence on the contribution of ICD's clients/partners to addressing the SDGs as well as their specific development impacts.

### Annual Development Effectiveness Survey Results 2022

DESCRIPTION	2022
Number of clients who gained access to Islamic finance since ICD intervention	647,400
Number of new Islamic finance clients in 2022	74,524
Number of new clients who are women	21,721
SMEs supported through ICD financing	2,256
Women-led/managed SMEs funded	78
Total amount of funding to SMES	USD 172,178,291
Number of jobs sustained	86,358
Number of women jobs sustained	23,538
Number of new jobs created	15,464
Number of new women jobs created	3,956
Women in senior management positions	545
Export sales generated	USD 543,677,200
Taxes collected for government revenues	USD 303,264,183
Spending on community development	USD 6,600,419
Total KWh energy produced	1,773,382,822
Total MW Energy Capacity financed	1,764
Total patients served	4,640,231
Total students enrolled	50,323
Total farmers reached	5,305
Total housing units	11,332
Number of people trained	3,566

**Note:** The ICD Annual Development Effectiveness Survey included specific questions regarding the contribution of ICD-supported projects to the SDGs. Further information can be found in the 2022 Annual Development Effectiveness Report.



# 6. Our governance

**A commitment to principles of good governance and the strategic role of our Board, senior leadership and talented workforce collectively contribute to shaping a forward-looking organization dedicated to empowering the private sector.**

## 6.1 General Assembly

The General Assembly is the highest decision-making authority. Each member is represented at the General Assembly by an appointed representative. The main function of the General Assembly is to lay down the policies governing the work and general supervision of ICD. It may delegate authority to the Board of Directors to exercise any of its powers, except those reserved to the General Assembly under the Articles of Agreement.

## 6.2 Board of Directors (BOD)

The BOD is mainly responsible for the adoption of policies, the operations strategy, budget, and general conduct of ICD operations within the powers delegated to it by the General Assembly. The Board consists of ten members (including the Chairman) and is chaired by the President of the IsDB Group. Other members include the representatives of IsDB, member country groups from Africa, Asia, and Arab Asia, public financial institutions and a permanent member from Saudi Arabia (representing the largest shareholder after IsDB).

In accordance with the Articles of Agreement, the BOD shall meet when the business of the corporation requires, and a majority of the members of the Board shall constitute a quorum for any meeting, provided that such majority represents at least two-thirds of the total voting powers of the members. A special meeting may also be called at any time by the Chairman or at the request of three members of the Board.

## Board of Directors as of end 2022



1  
H.E. Dr. Muhammad  
Al Jasser



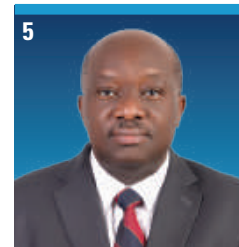
2  
H.E. Dr. Hamad  
Suleiman Al Bazai



3  
H.E. Ismail Ali Manik



4  
Hon. Dr. Rami Ahmad



5  
Hon. Dr. Mahmoud  
Isa-Dutse



6  
Hon. Wesam Jasem  
Al Othman



7  
Hon. Moufida  
Jaballah Srarfi



8  
Hon. Dr. Fahad  
M. Alturki



9  
Hon. Abdulrahman  
Abdullah Alsakran



10  
Hon. Dr. Nada  
Massoud

Members of the BOD appointed by IsDB shall have the votes of the IsDB divided equally among them, and each member of the BOD is entitled to cast a number of votes equivalent to the number of votes which were counted towards his or her election, and which the electing members of ICD were entitled to.

The BOD is authorized as per the corporation's by-laws to exercise all the powers of the corporation, with the exception of the powers reserved to the General Assembly, as well as establishing conditions and procedures pursuant to which the Chairman of the Board may submit various types of matters under an expedited procedure.

### Board of Directors as of end 2022

- 1 H.E. Dr. Muhammad Al Jasser  
(Chairman of the Board)
- 2 H.E. Dr. Hamad Suleiman Al Bazai
- 3 H.E. Ismail Ali Manik
- 4 Hon. Dr. Rami Ahmad
- 5 Hon. Dr. Mahmoud Isa-Dutse
- 6 Hon. Wesam Jasem Al Othman
- 7 Hon. Moufida Jaballah Srarfi
- 8 Hon. Dr. Fahad M. Alturki
- 9 Hon. Abdulrahman Abdullah Alsakran
- 10 Hon. Dr. Nada Massoud



## THE BOD APPOINTS AN EXECUTIVE COMMITTEE (EC) FROM ITS MEMBERS THAT SERVES AS A FAST-TRACK DECISION-MAKING BODY.

### 6.3 Executive Committee

The BOD appoints an Executive Committee (EC) from its members that serves as a fast-track decision-making body. The EC has the power to approve all financing and investment operations, review the performance of existing investments and financing operations and ensuring their alignment with ICD’s developmental mandate, review ICD’s progress in achieving its development effectiveness mandate, review and recommend ICD’s Business Plans, review and recommend the annual budget of ICD in addition to other powers delegated to the EC by the Board.

The EC is composed of up to six members of which two seats are allocated permanently to the Chairman of the Board and the representative from the member country holding the largest number of shares in ICD (Saudi Arabia), respectively. The EC members are rotated on a yearly basis, enabling all Board members the opportunity to serve on the committee.

#### Executive Committee Members of the Board as of end 2022

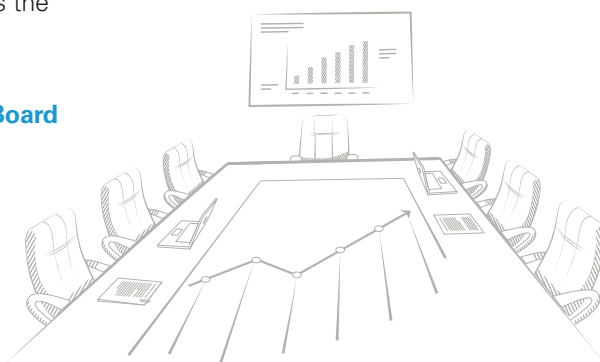
- 1 H.E. Dr. Muhammad Al Jasser  
(Chairman of ICD Board of Directors)
- 2 Hon. Dr. Fahad M. Alturki
- 3 Hon. Dr. Nada Massoud
- 4 Hon. Abdulrahman Abdullah Alsakran
- 5 Hon. Mofida Jaballah Srarfi

### 6.4 Nomination & Remuneration Committee

The purpose of the Nomination & Remuneration Committee (NRC) is to assist the BOD in fulfilling its oversight responsibilities regarding remuneration and human resources matters. The NRC is composed of four members including one independent member with relevant expertise and education in Human Resources Management. The membership of the NRC is based on annual rotation of the members of the BOD.

#### Nomination & Remuneration Committee of the Board as of end 2022

- 1 H.E. Ismail Ali Manik
- 2 H.E. Dr. Hamad Suleiman Al Bazai
- 3 Hon. Dr. Rami Ahmad





## 6.5 Audit, Risk & Compliance Committee

The BOD appoints an Audit, Risk & Compliance Committee (ARCC) from among its members for a three-year term. The Committee has oversight responsibilities over the ICD Audit, Risk and Compliance functions, and it reports its findings to the BOD. ARCC is composed of four members: three members from the appointed members of the Board, and one independent expert member appointed by the BOD. The members of the committee serve for the full three years commensurate with their term on the BOD.

### Board Audit, Risk & Compliance Committee as of end 2022

- 1 Hon. Dr. Fahad M. Alturki (Chairman)
- 2 Hon. Dr. Mahmoud Isa-Dutse
- 3 Hon. Wesam Jasem Al Othman
- 4 Hon. Saleh Mugbel Al Khalaf (Independent Expert Member)

## 6.6 The Chief Executive Officer

The CEO, under the general supervision of the Chairman of the Board of Directors, conducts the day-to-day business of ICD. The CEO is also responsible for the appointment of officers and staff of the Corporation. To the extent that he is authorized by the BOD, the CEO approves ICD's financing and investment. The BOD appointed Eng. Hani Sonbol as the Acting Chief Executive Officer of ICD on 16/02/1444H (12/09/2022).

## 6.7 IsDB Group Shari'ah Board

In 2012, the ICD Shari'ah Board was subsumed within that of IsDB, forming the IsDB Group Shari'ah Board. The Board is responsible for advising the IsDB Group on the Shari'ah compliance of its products and transactions. The Board consists of the following eminent scholars:

### IsDB Group Shari'ah Board as of end 2022

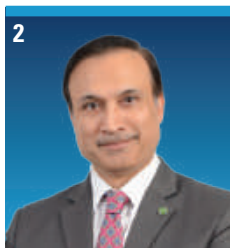
- 1 Shaikh Mohamad Taqi Alosmni
- 2 Shaikh Abdulla Bin Manei'a
- 3 Dr. Mohammed Alroki
- 4 Dr. Mohammad Alshafe'e
- 5 Dr. Bashir Aliyu Umar
- 6 Dr. Osaid Kailani
- 7 Dr. Koutoub Moustapha Sano

**THE ISDB GROUP SHARI'AH BOARD IS RESPONSIBLE FOR ADVISING THE ISDB GROUP ON THE SHARI'AH COMPLIANCE OF ITS PRODUCTS AND TRANSACTIONS.**

## ICD Management as of end 2022



Eng. Hani Sonbol



Br. Aamir Husain Khan



Br. Mohammad  
Asheque Moyeed



Br. Omar Hashem



Br. Osman Buyukmutlu



Dr. Mohammed Alyami



Br. Tahir Naseem



Br. Samer Babelli



Br. Nourredine Lafhel



Br. Hussam  
Abuaisheh



Br. Abdullah Khatib



Dr. Muhammad  
Al Bashir Muhammad  
Al Amine

## 6.8 ICD Management

- 1 Eng. Hani Sonbol, Acting Chief Executive Officer (CEO)
- 2 Br. Aamir Husain Khan, Director of Equity
- 3 Br. Mohammad Asheque Moyeed, Acting Director of Banking
- 4 Br. Omar Hashem, Director of Corporate Services & Digitalization and Acting Director of Human Resources
- 5 Br. Osman Buyukmutlu, Director of Strategy
- 6 Dr. Mohammed Alyami, Director of Development Effectiveness Office
- 7 Br. Tahir Naseem, Director of Legal & Compliance
- 8 Br. Samer Babelli, Director of Finance
- 9 Br. Nourredine Lafhel, Director of Risk Management
- 10 Br. Hussam Abuaisheh, Director of Internal Audit
- 11 Br. Abdullah Khatib, CEO Advisor
- 12 Dr. Muhammad Al Bashir Muhammad Al Amine, CEO Advisor on Shari'ah Matters



## 6.9 Senior and Middle Management changes

As part of ICD's realigned organizational structure and new hiring, the following changes took place in ICD's Senior and Middle Management in the course of 2022:



- 1** Mr. Nourredine Lafhel joined ICD as the Director of Risk Management on 08/05/2022.
- 2** Mr. Samer Babelli joined ICD as the Director of Finance on 11/09/2022.
- 3** Mr. Hussam Abuaisheh joined ICD as Director of Internal Audit on 12/12/2022.
- 4** Mr. Omar Hashem was appointed as the Director of Corporate Services & Digitalization and Acting Director of Human Resources effective from 21/12/2022.
- 5** Mr. Tahir Naseem was appointed as the Director of Legal and Compliance effective from 21/12/2022.
- 6** Mr. Osman Buyukmutlu was appointed as the Director of Strategy effective from 21/12/2022.
- 7** Mr. Mohammad Asheque Moyeed was appointed as the Acting Director of the Banking Department effective from 21/12/2022.
- 8** Mr. Aamir Husain Khan was appointed as the Director of Equity effective from 21/12/2022.
- 9** Mr. Mohammed Alyami was appointed as the Director of the Development Effectiveness Office effective from 21/12/2022.
- 10** Mr. Abdullah Khatib was appointed as the Advisor to the CEO under the CEO Executive Office effective from 21/12/2022.
- 11** Mr. Hamza Boukili was appointed as the Division Head of Partnerships under the CEO Executive Office effective from 21/12/2022.
- 12** Mr. Nabil El Alami was appointed as the Division Head of Communication and Outreach under the CEO Executive Office effective from 21/12/2022.
- 13** Mr. Aboubaker Ilsafy was appointed as the Unit Head of Corporate Secretariat under the CEO Executive Office effective from 21/12/2022.
- 14** Mr. Muhammad Al-Bashir Muhammad Al-Amine was appointed as the Advisor to the CEO on Shariah Matters under the CEO Executive Office effective from 21/12/2022.

7



# 7. Our practices

**ICD has institutional and governance mechanisms in place to ensure the utmost compliance with Shari’ah principles, regularity, transparency, integrity, and legality in all its activities, transactions, and operations. Our greatest priority lies in the adherence to the highest accountability and transparency standards to ensure public confidence while delivering maximum development effectiveness.**

## 7.1 Risk Management

The mandate and strategic focus of ICD’s risk management function is to ensure active risk management of various risks inherent in ICD’s operations, including credit, market and operational risks, thereby ensuring its long-term financial sustainability and preserving its creditworthiness.

In a world where market volatility, complexity, disruption, and technology innovations are fundamentally changing how the business of multilateral development banks such as ICD should operate, the Risk Management function is aligned with the organizational structure and equipped with industry best-practice and facilitates building a high-performance and resilient organization through the development and maintenance of a comprehensive risk management framework i.e. policies, guidelines, processes, methodologies and IT systems, managing the portfolio with a specialized and dedicated team, establishing effective business continuity management and ensuring regular measurement, reporting and mitigation of major risks inherent to ICD’s activities.



## **INTERNAL AUDIT HAS DILIGENTLY RAISED AWARENESS OF KEY RISKS IMPACTING THE ORGANIZATION AND PROVIDED ADVICE TO MANAGEMENT AND THE BOARD IN DEVELOPING CONTROL SOLUTIONS.**

The Risk Management function supports ICD's strategic plan and business delivery, thereby helping it to achieve sustainable growth and profitability. It also promotes a strong risk culture and establishes governance standards and best practices where strategic decisions and day-to-day operations are made from a risk-return/development impact perspective. It aims to achieve efficiencies within the Corporation and strengthen synergies with IsDB Group entities and other multilateral development banks. It maintains a constructive relationship with credit rating agencies and other stakeholders.

## **7.2 Compliance**

Based on the Anti Money Laundering, Combating Financing Terrorism and the Know Your Customer Policy of the IsDB Group, ICD is strongly committed to ensuring that all its activities are governed by its strict rules, procedures and guidelines. All activities are undertaken based on rigorous scrutiny, due diligence, monitoring and oversight using automated filtering and screening systems which cover all major international sanctions programs, embargoes, politically exposed persons (PEPs) and legal and regulatory enforcement lists etc. This policy was approved by the IsDB Board of Executive Directors in 2019 and the ICD Board adopted the policy in 2020. Additionally, ICD takes into consideration the latest version of the unbiased and non-political recommendations of specialized international entities such as the Financial Action Task Force (FATF) on Anti-Money Laundering and Combating Financing of Terrorists, International Convention for Suppression of the Financing of Terrorism and

the UN Security Council Resolution No. 1373, as measures to combat money laundering and the financing of terrorism. As a member of the IsDB Group, ICD also has an approved Integrity Policy, Disclosure of Information & Conflict of Interest Policy and Whistleblowing Policy dealing with anti-bribery, anti-corruption, anti-fraud and conflict of interest.

All compliance-related matters are entrusted to and handled by a dedicated Compliance Unit within ICD, which reports functionally to the CEO and submits semi-annual reports to Audit, the Risk and Compliance Committee of the Board and is responsible for: the development and implementation of compliance-related policies, manuals and procedures; the oversight and monitoring of all activities relating to the prevention, detection and combating of Money Laundering (ML) and Terrorism Financing (TF); conducting compliance-related training and awareness activities; and the provision of support and guidance to ICD senior management, as well as to all ICD employees. This ensures that ML and TF risks are adequately identified, excluded, and mitigated.

## **7.3 Internal Audit**

The Internal Audit function is an independent assurance and consulting activity that adds value to ICD by assisting it to accomplish its objectives. With numerous changes occurring across the globe significantly impacting ICD and our member countries, the function has employed a more dynamic, systematic, and disciplined approach in evaluating and improving the effectiveness of ICD's governance, risk management and internal control mechanisms. Internal Audit has diligently



raised awareness of key risks impacting the organization and provided advice to Management and the Board in developing control solutions.

The function is free from interference from any element in ICD on matters of audit selection, scope, access to information, procedures, frequency, or internal audit report content. Its independence is further ensured by functionally reporting to the Audit, Risk and Compliance Committee of the ICD Board.

The function utilizes a risk-based approach to develop its Annual Audit Plan, which it aligns with ICD's strategic priorities and objectives, thereby confronting ICD's most pressing risks. Audit coverage is achieved through channelling audit efforts to business, support, and control functions within the Corporation. In 2022, the function focused on providing assurance services to ICD's core business functions but with other critical areas in Human Resources and financial control and reporting also being audited.

Looking ahead, as part of its continuous improvement processes, the function seeks to enhance the efficiency of its activities by upgrading some of its audit systems and evaluating some of its procedures for better efficiency and quality. Internal Audit shall also be seen not only as an assurance provider, but also an advisor and strategic partner. Whilst this requires a sufficient level of trust and open exchange of timely information, the function shall ensure that candid dialogue continues to occur, especially when differing views have arisen. With 2023 earmarked for further enhancing the Corporation's corporate governance, culture, systems and controls, the Audit team shall, alongside other assurance activities, play an enhanced advisory role to both Management and the Board while ensuring that it remains independent.

## 7.4 Legal

The Legal function has steadily carried on with its mandate to support and complement the mission of ICD through the provision of accurate, effective, and efficient and timely legal services that protect ICD's interests. The Legal Department has also successfully managed all the legal risks emanating from the operations of ICD and institutional affairs (internal and external), provided support at the organizational and business unit levels, and advised on all projects, transactions and corporate arrangements of ICD. To further streamline the process for partnership engagement, the Memorandum of Understanding (MoU) has been standardized to ensure minimum legal resource utilization.

# 8



# 8. Annexes

## Annex 1: Acronyms & Abbreviations

<b>AATB</b>	Arab-Africa Trade Bridges Programme	<b>ITFC</b>	International Islamic Trade Finance Corporation
<b>AKSPL</b>	Abul Khair Strips Processing Limited	<b>LOF</b>	Line of Finance
<b>BOOT</b>	Build-Own-Operate-Transfer	<b>MCPS</b>	Member Country Partnership Strategy
<b>BSIC</b>	Banque Sahélo-Saharienne Pour l'Investissement et le Commerce	<b>MDB</b>	Multilateral development bank
<b>CCGT</b>	Combined Cycle Gas Turbine	<b>MENA</b>	Middle East and North Africa
<b>DEF</b>	Development Effectiveness Framework	<b>MSME</b>	Micro, small- and medium-sized enterprise
<b>DE</b>	Development Effectiveness	<b>MT</b>	Metric Tons
<b>DFI</b>	Development finance institution	<b>NBFI</b>	Non-Bank financial institution
<b>EKH</b>	Egypt Kuwait Holding	<b>NEGU</b>	National Grid Company of Uzbekistan
<b>FATF</b>	Financial Action Task Force	<b>NSCO</b>	North Sinai Concession
<b>GCC</b>	Gulf Co-operation Council	<b>OIC</b>	Organization of Islamic Cooperation
<b>IA</b>	Investment Agreement	<b>PEP</b>	Politically exposed person
<b>ICD</b>	Islamic Corporation for the Development of the Private Sector	<b>PPA</b>	Power Purchase Agreement
<b>ICIEC</b>	Islamic Corporation for the Insurance of Investment & Export Credit	<b>PPP</b>	Public-private partnership
<b>IDFC</b>	International Development Finance Club	<b>SDG</b>	Sustainable Development Goals
<b>IFI</b>	International financial institution	<b>SME</b>	Small and medium-sized enterprise
<b>IsDB</b>	Islamic Development Bank	<b>SMEPS</b>	Small and Micro Enterprise Promotion Service
<b>IsDBG</b>	The Shari'ah Board of all entities of the Islamic Development Bank Group	<b>SRI</b>	Socially Responsible Investment
<b>Shari'ah Board</b>		<b>TA</b>	Technical Assistance
		<b>TCC</b>	Technical Coordination Committee
		<b>We-Fi</b>	Women Entrepreneurs Finance Initiative

## Annex 2: Approvals & Disbursements Since Inception

Country	Gross Approvals (USD million)	Gross Disbursements (USD million)
Albania	4.35	4.10
Algeria	33.00	-
Azerbaijan	143.82	102.86
Bahrain	83.81	18.24
Bangladesh	473.43	363.45
Benin	13.15	-
Brunei	3.66	-
Burkina Faso	43.94	67.36
Cameroon	60.04	39.87
Chad	28.15	5.50
Côte d'Ivoire	188.40	50.88
Djibouti	4.00	4.00
Egypt	261.52	210.19
Gabon	46.71	-
Gambia	27.35	6.15
Guinea	2.84	2.99
Indonesia	190.80	74.11
Iran	164.86	36.31
Iraq	25.00	-
Jordan	109.10	55.31
Kazakhstan	247.80	34.03
Kuwait	64.13	64.13
Kyrgyzstan	49.90	22.09
Lebanon	7.00	-
Libya	76.00	10.00
Malaysia	109.66	100.55
Maldives	43.40	51.44
Mali	105.79	55.63
Mauritania	78.99	57.70
Morocco	20.36	20.38
Mozambique	40.00	20.09
Niger	21.44	13.23
Nigeria	412.60	193.21
Pakistan	302.93	131.98
Palestine	7.00	4.00
Qatar	46.15	-
Saudi Arabia	652.98	360.11
Senegal	217.90	177.29
Sierra Leone	6.00	12.00
Sudan	79.61	52.80
Suriname	2.00	-
Syria	152.50	56.30
Tajikistan	54.50	42.42
Tunisia	54.71	51.64
Türkiye	575.87	299.63
Turkmenistan	2.50	20.00
UAE	93.90	50.90
Uganda	115.00	-
Uzbekistan	616.85	405.75
Yemen	177.31	99.73
Regional	1,266.77	621.03
<b>Total</b>	<b>7,609.48</b>	<b>4,069.40</b>

**Note:** Disbursements to some countries may appear higher than approvals due to the implementation of regional or global projects.



## Annex 3: Financial Highlights

	2022 (USD million)	2021 (USD million)	2020 (USD million)
<b>Statement of Income:</b>			
Total Income	100.89	80.37	98.03
Total Operating Expenses	42.67	46.00	47.35
Net Income	11.93	8.61	(15.23)
<b>Balance Sheet:</b>			
Liquid Assets	1,723.20	1,897.89	2,189.01
Net Operating Assets	1,127.41	1,023.80	1,029.40
Other Assets	31.96	39.19	49.42
Total Assets	2,882.57	2,960.88	3,267.83
Financing & Long-Term Debt	1,759.13	1,800.58	2,163.65
Equity	1,093.28	1,079.35	995.45
<b>Ratios:</b>			
Return on Average Assets	0.41%	0.28%	-0.53%
Return on Average Equity	1.10%	0.83%	-1.55%
Debt to Equity	160.90%	166.82%	217.35%
Equity to Assets	37.93%	36.45%	30.46%
Liquidity to Total Assets	59.78%	64.10%	66.99%

## Annex 4: Financial Statements and Independent Auditor's Report

FOR THE YEAR ENDED 31 DECEMBER 2022

### Independent Auditor's Report

Your Excellencies the Chairman and Members of the General Assembly

Islamic Corporation for the Development of Private Sector

Jeddah, Kingdom of Saudi Arabia

# Deloitte.

Deloitte and Touche & Co  
Chartered Accountants



**Waleed Bin Moha'd Sobahi**

Certified Public Accountant

License No. 378

18 April 2023

27 Ramadan 1444 AH

Jeddah, Kingdom of Saudi Arabia



### Report on the Audit of the Separate Financial Statements

#### Opinion

We have audited the accompanying separate financial statements of Islamic Corporation for the Development of Private Sector (the "Corporation"), which comprise the separate statement of financial position as at 31 December 2022, and the related separate income statement, separate statement of changes in members' equity, separate statement of cash flows and separate statement of changes in off-balance sheet assets under management for the year then ended, and the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2022, and the results of the operations, its cash flows and changes in members' equity for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

In our opinion, the Corporation has also complied with the Shari'ah Rules and Principles as determined by the Shari'ah Board of the Islamic Development Bank Group ("IsDBG") during the period under audit.

#### Basis for Opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate financial statements* section of our report. We are independent of the Corporation in accordance with the AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions (AAOIFI Code), International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate financial statements as prevailing in the local jurisdiction, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the AAOIFI and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### **Emphasis of Matter**

We draw attention to note 2 of the separate financial statements which describes that these separate financial statements present the separate financial position, separate results of operations and separate cash flows of the Corporation and not its consolidated financial position, consolidated results and consolidated cash flows. The Corporation also intends to issue consolidated financial statements to comply with the requirements of AAOIFI accounting standards. Our opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements for the year ended 31 December 2022. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the audit of the separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate financial statements.

# Report on the Audit of the Separate Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

Key audit matter	How our audit addressed the key audit matter
<p><b>Expected credit loss allowance against project assets</b></p> <p>As at 31 December 2022, the Corporation's project assets amounted to USD 780.9 million (2021: USD 664.5 million) representing 27% (2021: 22%) of total assets. The expected credit loss (ECL) allowance as at 31 December 2022 was USD 99.4 million (2021: USD 108.3 million).</p> <p>The audit of impairment allowances for project assets is a key area of focus because of its size and due to the significance of the estimates and judgments used in classifying project assets into various stages, determining related allowance requirements, and the complexity of the judgements, assumptions and estimates used in the Expected Credit Loss models.</p> <p>The Corporation recognizes allowances for expected credit losses (ECLs) at an amount equal to 12-month ECL (Stage 1) or full lifetime ECL (Stage 2). A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition.</p> <p>ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Corporation under the contract and the cash flows that the Corporation expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective profit rate. The Corporation employs statistical models for ECL calculations and the key variables used in these calculations are probability of default (PD), loss given default (LGD), and exposure at default (EAD), which are defined in Note 3 to the separate financial statements.</p> <p>The material portion of the project assets is assessed for the significant increase in credit risk (SICR) and measurement of ECL. This requires management to capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing SICR, or while assessing credit-impaired criteria for the exposure. Management judgement may also be involved in manual staging override in accordance with the Corporation's policies.</p>	<ol style="list-style-type: none"> <li>1. We obtained an understanding of the project assets business process, the credit risk management process, the policy for impairment and credit losses and the estimation process of determining impairment allowances for project assets to counterparties and the ECL modelling methodology and evaluated the design and implementation of relevant controls within these processes.</li> <li>2. We assessed and evaluated the design and implementation of automated and / or manual controls over: <ul style="list-style-type: none"> <li>• approval, accuracy and completeness of impairment allowances and governance controls over the monitoring of the model, through key management and committee meetings that form part of the approval process for project asset impairment allowances;</li> <li>• model outputs; and</li> <li>• the recognition and measurement of impairment allowances</li> </ul> </li> <li>3. On a sample basis, we selected project assets and assessed and evaluated: <ul style="list-style-type: none"> <li>• the Corporation's identification of SICR (Stage 2), the assessment of credit-impaired classification (Stage 3) and whether relevant impairment events had been identified in a timely manner and classification of project assets into various stages and the determination of defaults/individually impaired exposures.</li> <li>• The forward-looking information incorporated into the impairment calculations by involving our specialists to challenge the multiple economic scenarios chosen and related weighting applied.</li> <li>• the assumptions underlying the impairment allowance calculation, such as estimated future cash flows and estimates of recovery period.</li> <li>• the calculation methodology to determine if it complied with the requirements of AAOIFI FAS 30</li> <li>• the post model adjustments and management overlays (if any) in order to assess these adjustments and assessed the qualitative factors which were considered by the Corporation to recognize any post model adjustments, in case of data or model limitations. Where such post model adjustments were applied, we assessed those post model adjustments and the governance process around them.</li> </ul> </li> </ol>

# Report on the Audit of the Separate Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2022



Key audit matter	How our audit addressed the key audit matter
<p>The measurement of ECL amounts for project assets classified as Stage 1 and Stage 2 are carried out by the ECL models with limited manual intervention, however, it is important that models (PD, LGD, EAD and macroeconomic adjustments) are valid throughout the reporting period and are subject to a review process by an independent third party expert. For the impaired project assets the Corporation measures the ECL on the basis of difference between the carrying value of the project assets and the present value of expected future cash flows that can be recovered.</p> <p>This was considered as a key audit matter and the audit was focused on this matter due to the materiality of the project assets and the complexity of the judgements, assumptions and estimates used in the ECL models</p> <p>Refer to Note 3 to the separate financial statements for the accounting policy for the impairment of financial assets, Note 25 for the disclosure of impairment and note 31 for credit risk disclosure and the key assumptions and factors considered in determination of ECL.</p>	<ol style="list-style-type: none"> <li>4. We tested models and the IT applications used in the credit impairment process and verified the integrity of data used as input to the impairment models.</li> <li>5. The Corporation performed an external validation of the ECL model and LGD models including macro-economic model during the reporting period. We considered the process of this external validation of the models and its impact on the results of the impairment estimate. Finally, we updated our assessment of the methodology and framework designed and implemented by the Corporation as to whether the impairment models outcomes and stage allocations appear reasonable and reflective of the forecasts used by the Corporation to determine future economic conditions at the reporting date.</li> <li>6. Where relevant, we involved our specialists to assist us in reviewing model calculations, evaluating related inputs and assessing reasonableness of assumptions used in ECL model particularly around probability of default, loss given default, exposure at default, macroeconomic variables, forecasted macroeconomic scenarios and probability weights and of assumptions used in post model adjustments (if any) as mentioned above.</li> <li>7. We assessed the adequacy of disclosures in the separate financial statements against the requirements of the Financial Accounting Standards issued by AAOIFI.</li> </ol>

# Report on the Audit of the Separate Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

Key audit matter	How our audit addressed the key audit matter
<p><b>Fair valuation of unquoted equity investments</b></p> <p>As at 31 December 2022, the Corporation’s unquoted equity investments amounted to USD 326.4 million (2021: USD 336.4 million) representing 11.3% (2021: 11.4%) of total assets.</p> <p>These instruments are classified as financial assets at fair value through changes in members’ equity and are measured at fair value with the corresponding fair value change recognized in the separate statement of changes in members’ equity. The Corporation use external experts where required to assist it in determining the fair value of these investments.</p> <p>As disclosed in Notes 3 and 13 the valuation of unquoted equity investments uses inputs other than observable market data and therefore are inherently subjective. It also requires significant judgement by management in determining the appropriate valuation methodology and use of various assumptions like cash flows, discount rates, market information, market risk adjustments etc.</p> <p>Given the inherent subjectivity and judgement required in the valuation of such unquoted investments, we determined this to be a key audit matter.</p> <p>Refer to note 3 to the separate financial statements for the accounting policy and Note 13 for the investment valuation methodology, critical judgment and estimates applied in the fair valuation of equity investment.</p>	<ol style="list-style-type: none"> <li><b>1.</b> We obtained an understanding of the unquoted equity valuation process and investment policy.</li> <li><b>2.</b> We evaluated the design and implementation of manual controls over: <ul style="list-style-type: none"> <li>• the valuation methodologies used.</li> <li>• the approval, accuracy and completeness of fair valuation of unquoted equity investments and governance controls over the monitoring of the valuation exercise, through key management and committee meetings that form part of the approval process along with appropriate management review and challenge process.</li> <li>• the recognition and measurement of fair valuation impact of unquoted equity investments.</li> </ul> </li> <li><b>3.</b> On a sample basis, we selected unquoted equity investments and involved our specialists, where relevant, to assist us in assessing and evaluating: <ul style="list-style-type: none"> <li>• input parameters and assumptions i.e. relevant benchmarks from comparable companies, tracing of earnings multiples to source information, discounts/premium applied and other relevant benchmark data, and their consistent application, across the valuations, to the extent required; and</li> <li>• the valuation methodology for each investment taking into account the nature of the investment being valued.</li> </ul> </li> <li><b>4.</b> We assessed the adequacy of disclosures in the separate financial statements against the requirements of the Financial Accounting Standards issued by AAOIFI.</li> </ol>

# Report on the Audit of the Separate Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

## Other Information

Other information consists of the information included in the Corporation's 2022 Annual Report, other than the separate financial Statements and our Auditor's Report thereon. Management is responsible for the other information. The Corporation's 2022 Annual Report is expected to be made available to us after the date of this Auditor's Report.

Our opinion on the separate financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

## Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

These separate financial statements and the Corporation's undertaking to operate in accordance with Shari'ah Rules and Principles are the responsibility of the Corporation's management and those charged with governance.

Management are responsible for the preparation and fair presentation of the separate financial statements in accordance with Financial Accounting Standards issued by AAOIFI and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going

concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

## Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

# Report on the Audit of the Separate Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of managements' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to

communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Deloitte.

Deloitte and Touche & Co  
Chartered Accountants



**Waleed Bin Moha'd Sobahi**

Certified Public Accountant

License No. 378

18 April 2023

27 Ramadan 1444 AH

Jeddah, Kingdom of Saudi Arabia





# Separate Statement of Financial Position

AS AT 31 DECEMBER 2022

	Note	31 December 2022 USD	31 December 2021 USD
<b>Assets</b>			
Cash and cash equivalents	5	182,224,529	158,689,143
Commodity Murabaha and Wakala placements	6	16,476,658	202,798,038
Sukuk investments	7	1,524,500,386	1,536,402,435
Murabaha financing	8	105,009,999	120,430,904
Installment sales financing	9	447,384,798	307,573,205
Ijarah Muntahia Bittamleek	10	214,902,872	220,675,530
Istisna'a assets	11	13,559,552	15,846,231
Equity investments	13	346,559,897	359,274,458
Other assets	14	31,628,896	38,887,685
Property and equipment		319,141	298,128
<b>Total Assets</b>		<b>2,882,566,728</b>	<b>2,960,875,757</b>
<b>Liabilities</b>			
Sukuk issued	15	701,165,442	700,695,404
Commodity Murabaha financing liabilities	16	1,057,958,281	1,099,884,290
Accrued and other liabilities	17	17,776,895	40,007,391
Employee benefit liabilities	18	11,191,013	39,722,752
Amounts due to ICD Solidarity Fund	19	1,188,550	1,220,122
<b>Total Liabilities</b>		<b>1,789,280,181</b>	<b>1,881,529,959</b>
<b>Members' equity</b>			
Paid-up capital	20	1,586,736,446	1,582,923,427
Accumulated losses	21	(465,636,682)	(477,569,912)
Fair value reserve		(31,122,505)	-
Actuarial gain/ (losses)		3,309,288	(26,007,717)
<b>Total Members' Equity</b>		<b>1,093,286,547</b>	<b>1,079,345,798</b>
<b>Total Liabilities and Members' Equity</b>		<b>2,882,566,728</b>	<b>2,960,875,757</b>

# Separate Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	31 December 2022 USD	31 December 2021 USD
<b>Net Income</b>			
Income from commodity placement		5,370,311	4,552,922
Income from sukuk investments	7	36,851,586	21,764,235
Income from financing assets	12	36,506,071	32,071,628
Equity investment income, net	13.4	3,388,351	11,281,855
Other income	22	18,770,685	10,700,175
<b>Total income</b>		<b>100,887,004</b>	<b>80,370,815</b>
Financing cost		(40,827,957)	(29,874,198)
<b>Net income</b>		<b>60,059,047</b>	<b>50,496,617</b>
<b>Operating expenses</b>			
Staff costs		(36,429,112)	(39,499,296)
Other administrative expenses		(6,154,990)	(6,450,306)
Depreciation		(89,593)	(50,886)
<b>Total operating expenses</b>		<b>(42,673,695)</b>	<b>(46,000,488)</b>
<b>Net operating income before impairment charges</b>		<b>17,385,352</b>	<b>4,496,129</b>
Impairment (loss)/ reversals	25	(5,452,122)	4,114,634
<b>Net profit for the year</b>		<b>11,933,230</b>	<b>8,610,763</b>
Non- Shari'ah compliant income	19	19,262	13,306
Transferred to ICD Solidarity Fund	19	(19,262)	(13,306)
<b>Net profit for the year</b>		<b>11,933,230</b>	<b>8,610,763</b>

# Separate Statement of changes in Members' Equity

FOR THE YEAR ENDED 31 DECEMBER 2022

	Paid-up capital USD	Accumulated losses USD	Net (loss)/ profit USD	Fair value reserve USD	Actuarial losses/(gains) USD	Total USD
<b>Balance at 31 December 2020</b>	<b>1,525,448,350</b>	<b>(486,180,675)</b>	-	-	<b>(43,818,073)</b>	<b>995,449,602</b>
Increase in paid-up capital	57,475,077	-	-	-	-	57,475,077
Net profit for the year	-	-	8,610,763	-	-	8,610,763
Transfer to accumulated losses	-	8,610,763	(8,610,763)	-	-	-
Actuarial gain for the year from the pension schemes (note 18.3)	-	-	-	-	17,810,356	17,810,356
<b>Balance at 31 December 2021</b>	<b>1,582,923,427</b>	<b>(477,569,912)</b>	-	-	<b>(26,007,717)</b>	<b>1,079,345,798</b>
<b>Increase in paid-up capital</b>	<b>3,813,019</b>	-	-	-	-	<b>3,813,019</b>
Net profit for the year	-	-	11,933,230	-	-	11,933,230
Change in equity investment fair value reserve	-	-	-	218,758	-	218,758
Change in sukuk fair value reserve	-	-	-	(31,341,263)	-	(31,341,263)
Transfer to accumulated losses	-	11,933,230	(11,933,230)	-	-	-
Actuarial gain for the year from the pension schemes (note 18.3)	-	-	-	-	29,317,005	29,317,005
<b>Balance at 31 December 2022</b>	<b>1,586,736,446</b>	<b>(465,636,682)</b>	-	<b>(31,122,505)</b>	<b>3,309,288</b>	<b>1,093,286,547</b>

# Separate Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	31 December 2022 USD	31 December 2021 USD
<b>Operating Activities</b>			
Net profit for the year		11,933,230	8,610,763
Adjustments for:			
Depreciation		23,913,393	26,946,630
Impairment charge/ (reversal) for financial assets	25	5,452,122	(4,114,634)
Fair value gain on equity (net)		-	(8,394,621)
Financing Costs		40,827,957	29,874,198
Provision for employee pension liabilities	18	4,750,997	8,424,714
Sukuk fair value loss		-	19,157,271
(Gain) / loss on Islamic derivatives net of currency losses	22	(4,335,075)	272,816
		<b>82,542,624</b>	<b>80,777,137</b>
Changes in operating assets and liabilities:			
Commodity Murabaha and Wakala placements		188,753,613	321,502,206
Sukuk investments		(22,131,955)	(197,127,780)
Murabaha financing		9,875,007	(17,439,726)
Installment sales financing		(136,269,777)	47,333,039
Ijarah Muntahia Bittamleek		(7,729,229)	(11,654,049)
Istisna' a assets		3,820,006	3,752,054
Equity investments		700,696	(28,745,292)
Other assets		8,783,713	9,271,443
Accrued and other liabilities		(27,170,234)	(8,462,413)
Amounts due to ICD Solidarity Fund		(31,572)	18,542
Cash from operations		101,142,892	199,225,161
Financing cost paid		(35,418,179)	(34,484,192)
Employee benefits liabilities paid		(3,965,731)	(5,345,611)
Net cash from operating activities		61,758,982	159,395,358
<b>Investing Activity</b>			
Purchase of property and equipment		(110,606)	(175,597)
<b>Financing Activities</b>			
Repayment of Sukuk issued		-	(297,527,414)
Proceeds from Commodity Murabaha financing		584,705,307	569,154,265
Repayments of Commodity Murabaha financing		(626,631,316)	(634,691,505)
Share capital contribution		3,813,019	57,475,077
Net cash used in financing activities		(38,112,990)	(305,589,577)
<b>Net increase/ (decrease) in cash and cash equivalent</b>		<b>23,535,386</b>	<b>(146,369,816)</b>
Cash and cash equivalent at the beginning of the year		158,689,143	305,058,959
<b>Cash and cash equivalent at the end of the year</b>	5	<b>182,224,529</b>	<b>158,689,143</b>

## Separate Statement of changes in off-balance-sheet assets under Management

FOR THE YEAR ENDED 31 DECEMBER 2022

	January 1, 2021	Additions	Net disposals/ withdrawals	Mudarib's Share	December 31, 2021
Net assets managed on behalf of a financial institution	-	370,600,000	(326,700,000)	-	43,900,000
<b>Total</b>	<b>-</b>	<b>370,600,000</b>	<b>(326,700,000)</b>	<b>-</b>	<b>43,900,000</b>

	January 1, 2022	Additions	Net disposals/ withdrawals	Mudarib's Share	December 31, 2022
Net assets managed on behalf of a financial institution	43,900,000	389,800,000	(433,700,000)	-	-
<b>Total</b>	<b>43,900,000</b>	<b>389,800,000</b>	<b>(433,700,000)</b>	<b>-</b>	<b>-</b>

The Corporation has Wakala based arrangement with a financial institution in which it provides investment management services to the financial institution and acts as its agent. The Corporation is not exposed to any variable returns on the investment of these funds and accordingly does not control these funds. Therefore, the Corporation does not recognize these funds on its separate statement of financial position. No amounts were outstanding in respect of this arrangement at the end of 2022. During the year, the corporation earned USD289k (2021: USD49k) as agent's remuneration. The remuneration is agreed upon through the Framework Agreement between the corporation and the financial Institution.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 1 ORGANISATION AND OPERATIONS

Islamic Corporation for the Development of the Private Sector (the "Corporation") is an international specialized institution established pursuant to the Articles of Agreement (the Agreement) signed and ratified by its members'. The Corporation commenced its operations following the inaugural meeting of the General Assembly held on 6 Rabi Thani, 1421H, corresponding to July 8, 2000.

According to the Agreement, the objective of the Corporation is to promote, in accordance with the principles of Shari'ah, the economic development of its member countries by encouraging the establishment, expansion, and modernization of private enterprises producing goods and services in such a way as to supplement the activities of Islamic Development Bank ("IsDB").

The Corporation, as a multilateral financial institution, is not subject to any external regulatory authority. It operates in accordance with the Agreement and the approved internal rules and regulations.

The Corporation carries out its business activities through its headquarters in Jeddah, Saudi Arabia.

## 2 BASIS OF PREPARATION

These separate financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Board of the IsDB Group. For matters, which are not covered by AAOIFI standards, the Corporation seeks guidance from the relevant International Financial Reporting Standards (IFRSs) issued or adopted by the International Accounting Standards Board (IASB) and the relevant interpretation issued by the International Financial Reporting Interpretations Committee of IASB provided they do not contradict the rules and principles of Shari'ah as determined by the Shari'ah Board of IsDB Group.

During the year ended 20 Dhul Hijjah, 1434H (Corresponding to 3 November 2013), the Corporation used the available guidance for the "Investment Entities" amendments to IFRS 10 'Consolidated financial statements' and resultant changes in IFRS 12 'Disclosure of interest in other entities' and IAS 27 'Separate financial statements' (the "Amendments") which were effective from the period beginning 1 January 2015. Accordingly, the Corporation discontinued issuing consolidated financial statements and used the transition guidance of the amendments to IFRS 10 and IFRS 12, in so far it relates to the adoption of amendments related to investment entities.

During the year, the Board of Directors, based on management's reassessment of the business model of the Corporation in the light of the investment entity definition under IFRS 10, resolved to revoke the Investment Entity status effective from January 1, 2022 and, as a result, the Corporation discontinued using the amendments to IFRS 10 and IFRS 12.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

Pursuant to the above decision, the Corporation is required to comply with requirements of FAS 23 -“Consolidation”, under which the Corporation is required to prepare consolidated and separate financial statements from January 1, 2022 (the effective date of the decision). Since the Corporation ceases to be to be an investment entity, the change in status is accounted for as a 'deemed acquisition' of the Corporation's subsidiaries and associates, as follows:

- the entity applies business combination requirements to any subsidiary (and associates) that was previously measured at fair value through profit or loss;
- the date of the change of status (i.e. the date the entity ceases to be an investment entity) is the deemed acquisition date for such subsidiaries and associates;
- the fair value of a subsidiary or associate at the date of change in status is the deemed consideration for the purpose of measuring any goodwill or gain from a bargain purchase; and
- all subsidiaries of the entity are consolidated in accordance with the general requirements of FAS 23 from the date of change of status in the consolidated financial statements of the Corporation. Likewise, all associates of the entity are equity accounted in accordance with the general requirements of FAS 24 from the date of change of status in the consolidated financial statements of the Corporation.

These separate financial statements contain information about the Corporation and its investments on an individual basis and do not contain consolidated information related to the Corporation and its subsidiaries as one entity (note 13.1). The subsidiaries and the investment in associates have been reflected at fair value through equity in line with the previous policy of the Corporation before the transition to investment entity during 1434H and in accordance with the requirements of FAS 23 which allows investment in associates and subsidiaries to be recognized at fair value in the separate financial statements. The Corporation also prepares consolidated financial statements which include the results of all entities as ICD Group. The comparative figures for the year ended December 31, 2021 are based on the Corporation's status as an investment entity and may not be comparable since the following changes were made as a result of Corporation revoking the investment entity status:

- a) Whilst the investment in associate and subsidiaries continue to be measured at fair values, the changes in fair values are now being reflected in the statement of changes in members' equity for the year ended December 31, 2022 compared to those being recognized in the statement of income for the year ended December 31, 2021.
- b) The management reassessed the business model relating to investment in sukuk and made the following reclassifications during the year ended December 31, 2022:
  - A portion of the Sukuk investments is now being carried at amortized cost since these are being held in a business model to solely collect principal and profit.
  - A portion of the Sukuk investments have now been designated at fair value through statement of changes in members' equity since these are being held in a business model to both collecting expected cash flows and selling the investment.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

For the year ended December 31, 2021, the Corporation carried its sukuk investments at fair value with changes in fair value being recognized in statement of income.

The details of subsidiaries are presented in Note 13.1

The preparation of separate financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in note 4.

The separate financial statements are prepared under the historical cost convention except for the following items in the separate statement of financial position:

- investments in equity capital and other investments measured at fair value through equity; and
- Profit rate and cross-currency swaps and investments in Sukuk which are measured at fair value through equity.
- Post-employment benefit plan is measured using actuarial present value calculation based on projected unit credit method.

These separate financial statements are presented in United States Dollars ("USD") which is also the functional currency of the Corporation.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the Corporation's significant accounting policies:

### **Foreign currency transactions and balances**

Monetary and non-monetary transactions denominated or requiring settlement in a foreign currency are translated into United States Dollars ("USD") at the spot exchange rates at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling on the reporting date. Foreign currency differences resulting from retranslation of monetary assets and liabilities denominated in foreign currencies are recognized in the separate income statement as foreign exchange gains/losses.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value (including Equity investments) are retranslated into the unit of account at the spot exchange rate at the date that the fair value was determined. Foreign currency differences resulting from translation of such investments are recognized in the fair value reserve account under members' equity.



# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## Cash and cash equivalents

For the purposes of separate statement of cash flow, cash and cash equivalents consist of bank balances and Commodity Murabaha and Wakala placements having an original maturity of three months or less at the date of acquisition.

## Commodity Murabaha and Wakala placements

Commodity Murabaha placements are made through financial institutions and are utilized in the purchase and sale of commodities at a fixed profit. The buying and selling of commodities is limited by the terms of agreement between the Corporation and other financial institutions. Commodity placements are initially recorded at cost including acquisition charges associated with the placements and subsequently measured at amortized cost less impairment.

Wakala placement is an agreement whereby one party (the “Muwakkil” / “Principal”) appoints an investment agent (the “Wakeel” / “Agent”) to invest the Muwakkil’s funds (the “Wakala Capital”) on the basis of an agency contract (the “Wakala”) in return for a specified fee. The agency fee can be a lump sum or an expected fixed percentage of the Wakala Capital. The agent decides in respect to the investments to be made from the Wakala Capital, subject to the terms of the Wakala agreement. However, the Wakeel bears the loss in cases of misconduct, negligence or violation of any of the terms of the Wakala agreements.

## Murabaha

Murabaha financings are agreements whereby the Corporation sells to a customer, on a cost plus profit basis, a commodity or an asset, which the Corporation has purchased and acquired based on a promise received from the customer to buy.

## Installment sales financing

Installment sale financing is a sale agreement where repayments are made on an installment basis over a pre-agreed period. The selling price comprises the cost plus an agreed profit margin without requirement of disclosing the actual cost.

## Ijarah Muntahia Bittamleek

These consist of assets purchased by the Corporation either individually or as part of syndication with other entities and leased to beneficiaries for their use in Ijarah Muntahia Bittamleek agreements whereby the ownership of the leased assets is transferred to the beneficiaries at the end of the lease term after the completion of all payments under the agreement. The transfer of asset’s ownership may take place through transfer of control (entailing risks and rewards incidental to ownership of such assets) under a separate form of contract as follows:

- Contract of Sale: after the end of the Ijarah term; or
- Contract of gift” after the end of the contract term; or
- Contract of sale of proportionate ownership during the Ijarah term.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## **Istisna'a assets**

Istisna'a is an agreement between the Corporation and a customer whereby the Corporation sells to the customer an asset which is either manufactured or acquired by the purchaser on behalf of the Corporation according to agreed-upon specifications, for an agreed-upon price. After completion of the project, the Istisna'a asset is transferred to the Istisna'a receivable account.

## **Investments**

### **Policies applicable from January 1, 2022**

The Corporation's investments are categorised as follows:

#### **i) Subsidiaries**

An entity is classified as a subsidiary if the Corporation can exercise control over the entity. Control is power to govern the financial and operating policies of an entity with the objective of earning benefits from its operation. Control is presumed to exist if the Corporation holds, directly or indirectly through its subsidiaries, 50 per cent or more of the voting rights in the entity, unless it can be clearly demonstrated otherwise. Conversely, control may also exist through agreement with the entity's other members or the entity itself regardless of the level of shareholding that the Corporation has in the entity. Investment in associates are initially recognized at cost and subsequent measured at their fair values in the separate financial statements. The changes in fair values are recognized in statement of changes in members' equity

#### **ii) Associates**

An entity is classified as an associate of the Corporation if the Corporation can exercise significant influence on the entity. Significant influence is presumed to exist if the Corporation holds, directly or indirectly through its subsidiaries, 20 per cent or more of the voting rights in the entity, unless it can be clearly demonstrated otherwise. Conversely, significant influence may also exist through agreement with the entity's other members or the entity itself regardless of the level of shareholding that the Corporation has in the entity. Investment in associates are initially recognized at cost and subsequent measured at their fair values in the separate financial statements. The changes in fair values are recognized in statement of changes in members' equity

#### **iii) Other equity investments**

Entities where the Corporation does not have significant influence or control are categorised as other equity investments. Equity investments are intended for long-term holding and may be sold in response to liquidity needs, changes in market prices or within the overall context of the Corporation's developmental activities. Accordingly, the Corporation has opted to designate all of its equity investments at fair value through equity.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## **Listed investments measured at fair value members' equity**

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 or considered impaired, at which time the cumulative gain or loss previously recorded under the members' equity is recognized in the separate income statement to the extent of impairment.

## **Unlisted investments in equities and funds measured at fair value through equity**

Unlisted investments in equities carried at fair values determined by independent valuers. Fair value gains/losses are reported in fair value reserve in equity. 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. Impairment losses recognized in separate income statement are reversed through statement of changes in members' equity. After the initial designation, the Corporation shall not reclassify investments in equity-type securities into or out of the fair value through its statement of changes in members' equity category.

All other investments (excluding investments carried at fair value through separate income statement) are assessed for impairment in accordance with the impairment approach.

Impairment loss represents the amount by which an investment's carrying value exceeds its recoverable amount. In case of indications of possible impairment, the recoverable amount of an investment is determined as being the higher of its fair value less costs of disposal and its value-in-use. Impairment losses are recognised in the separate income statement.

## **iv) Sukuk investments**

Sukuk are certificates of equal value representing undivided share in ownership of tangible assets, usufructs, services or (in the ownership) of assets of a particular project, measured at amortised costs or fair value through equity.

## **Sukuk Investments carried at fair value through changes in members' equity**

An investment will be measured at fair value through changes in members' equity if both the following conditions are met:

- the investment is held within a business model whose objective is achieved by both collecting the expected cashflows and selling the investments; and
- the investment represents a non monetary debt type instrument or other investment instrument having reasonably determinable effective yield.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## **Sukuk Investments carried at amortised cost**

Investment instruments shall be measured at amortised cost if both the following conditions are met:

- the investment is held within a business model whose objective is to hold such investments in order to collect expected cashflows till maturity of the instrument; and
- the investment represents either a debt type instrument or other investment instrument having reasonably determinable effective yield.

These investments are measured using effective profit method at initial recognition minus capital/redemption payments and minus any reduction for impairment.

Any other investment instruments not classified as per amortised cost or fair value through equity, are classified as fair value through separate income statement (FVIS).

On initial recognition, the Corporation makes an irrevocable election to designate certain equity instruments that are not designated at fair value through separate income statement to be classified as investments at fair value through equity.

Business model: the business model reflects how the Corporation manages the assets in order to generate cash flows. That is, whether the Corporation's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVIS. Factors considered by the Corporation in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

## **vii) Impairment of investments held at fair value through changes in members' equity**

The Corporation exercises judgment to consider impairment on the financial assets including equity investments held at fair value through members' equity, at each reporting date. This includes determination of a significant or prolonged decline in the fair value of equity investments below cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Corporation evaluates among other factors, the normal volatility in share prices. In addition, the Corporation considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

The Corporation considers 30% or more, as a reasonable measure for significant decline below its cost, irrespective of the duration of the decline. Prolonged decline represents decline below cost that persists for 1 year or longer irrespective of the amount.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## Policies applicable prior to January 1, 2022

### **i) Subsidiaries**

An entity is classified as a subsidiary if the Corporation can exercise control over the entity. Control is power to govern the financial and operating policies of an entity with the objective of earning benefits from its operation. Control is presumed to exist if the Corporation holds, directly or indirectly through its subsidiaries, 50 per cent or more of the voting rights in the entity, unless it can be clearly demonstrated otherwise. Conversely, control may also exist through agreement with the entity's other members or the entity itself regardless of the level of shareholding that the Corporation has in the entity.

The adoption of the IFRS 10 amendments exempted the Corporation from the consolidation of its subsidiaries. The Corporation measured and evaluated the performance of all its subsidiaries on a fair value basis because using fair values results in more relevant information. As per the Amendments, investments in subsidiaries were measured at fair value through income statement. Any unrealized gains or losses arising from the measurement of subsidiaries at fair value were recognized directly in the income statement.

### **ii) Associates**

An entity is classified as an associate of the Corporation if the Corporation can exercise significant influence on the entity. Significant influence is presumed to exist if the Corporation holds, directly or indirectly through its subsidiaries, 20 per cent or more of the voting rights in the entity, unless it can be clearly demonstrated otherwise. Conversely, significant influence may also exist through agreement with the entity's other members or the entity itself regardless of the level of shareholding that the Corporation has in the entity.

The adoption of the Amendments required investments in associates to be measured at fair value through income statement. These investments were initially and subsequently measured at fair value. Any unrealized gains or losses arising from the measurement of associates at fair value were recognized directly in the income statement.

### **iii) Other investments**

Entities where the Corporation does not have significant influence or control were categorised as other investments.

### **iv) Sukuk investments**

Sukuk are certificates of equal value representing undivided share in ownership of tangible assets, usufructs, services or (in the ownership) of assets of a particular project. These were measured at fair value through income statement.

### **v) Initial measurement**

All investments were initially recorded in the statement of financial position at fair value. All transaction costs were recognised directly in income statement.

### **vi) Subsequent measurement**

After initial recognition, all investments were measured at fair value and any gain or loss arising from a change in fair value were included in the income statement in the period in which it arose.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## Impairment of financial assets other than equity instrument

The Corporation applies the credit loss approach to financial instruments measured at amortized cost. To assess the extent of credit risk, the financial assets are divided into three (3) categories:

- i. **Stage 1** – No significant increase in credit risk;
- ii. **Stage 2** – Significant increase in credit risk (SICR); and
- iii. **Stage 3** – Credit impaired financial assets.

Allocation to different stages is based on the degree of deterioration in the credit quality of the financial asset. At each reporting date, the Corporation assesses whether there has been a significant increase in credit risk. The Corporation monitors all financial assets, and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Corporation will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Corporation compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Corporation considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Corporation's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

Forward-looking information includes the future prospects of the countries and industries in which the Corporation's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various internal and external sources of actual and forecast economic information. The Corporation allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing, Given that macro-economic scenario data and models for certain countries are not readily available, in such cases proxy scenarios and models have been used.

The PDs used are forward-looking and the Corporation uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Corporation still considers separately some qualitative factors to assess if credit risk has increased significantly.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

All financial assets are allocated to stage 1 on initial recognition. However, if a significant increase in credit risk is identified at the reporting date compared with initial recognition, then the asset is transferred to stage 2 (Refer to Note 31 Risk management). If there is objective evidence of impairment, then the asset is credit-impaired and allocated to stage 3 as described in Note 31 Risk management.

With the exception of Purchased or originated credit-impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2).
- As for instruments classified in stage 3, loss allowance is quantified as the difference between the carrying amount of the instrument and the net present value of expected future cash flows discounted at the instrument's original effective profit rate (EPR) where applicable.

## **Credit-impaired financial assets**

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit impairment includes observable data about the following events:

- Company files for bankruptcy
- Cancellation of Operating License
- Clear evidence that the company will not be able to make the future repayments

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Corporation assesses whether debt instruments that are financial assets measured at amortized cost are credit-impaired at each reporting date.

## **Purchased or originated credit-impaired (POCI) financial assets**

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Corporation recognizes all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognized in profit or loss. A favourable change for such assets creates an impairment gain.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## **Modification and derecognition of financial assets**

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

A financing forbearance is granted in cases where although the financed party made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the financed party is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the financial asset, changes to the timing of the cash flows of the financial asset (principal and profit repayment), reduction in the amount of cash flows due (principal and profit forgiveness).

When a financial asset is modified the Corporation assesses whether this modification results in derecognition. In accordance with the Corporation's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Corporation considers the following:

A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective profit rate. If the difference in present value is greater than 10% the Corporation deems the arrangement is substantially different leading to derecognition. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Corporation considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

In the case where the financial asset is derecognized the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new financial asset is considered to be originated- credit impaired. This applies only in the case where the fair value of the new financial asset is recognized at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Corporation monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the client is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Corporation determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Corporation's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Corporation's ability to collect the modified cash flows taking into account the Corporation's previous experience of similar forbearance action, as well as various behavioural



# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

indicators, including the financed party's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forbore financing is credit impaired due to the existence of evidence of credit impairment (see above), the Corporation performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the financing is no longer credit-impaired. The loss allowance on forbore financing will generally only be measured based on 12-month ECL when there is evidence of the financed party's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Corporation calculates the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Modification losses, if any, for financial assets are included in the separate income statement in 'Losses on modification of financial assets'. Then the Corporation measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Corporation derecognizes a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognize the financial asset and also recognizes a collateralized funding for the proceeds received

## Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Corporation considers the following as constituting an event of default:

- All contracts or obligors rated 21 in the Corporation's internal scale (equivalent to C in Moody's scale and D in both S&P's and Fitch Ratings' scale); or
- Moreover, the Corporation also uses a rebuttable presumption based on DPD. This rule is applied if the contractual payments are due for more than 180 days for sovereign contracts and 90 days for non-sovereign ones, unless there is reasonable and supportable information indicating that the contract is not credit-impaired.

This definition of default is used by the Corporation for accounting purposes as well as for internal credit risk management purposes. The definition of default is appropriately tailored to reflect different characteristics of different types of assets.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

The Corporation uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore credit impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

## **Write-off**

When the exposure is deemed uncollectible, it is written-off against the related impairment provision and any excess loss is recognized in the separate income statement. Such assets are written-off only after all necessary procedures have been completed and the amount of loss has been determined. Subsequent recoveries of amounts previously written-off are credited to the Corporation's separate income statement. Corporation has not written off any financial assets during the current year.

## **Financial liabilities**

The Corporation derecognizes financial liabilities when, and only when, its contractual obligations are discharged or cancelled, or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in separate income statement.

The Corporation also derecognizes a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least ten per cent different from the discounted present value of the remaining cash flows of the original financial liability. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in the separate income statement

## **Other amortised cost assets**

An assessment is made at each reporting date to determine whether there is objective evidence that an amortised cost asset or a group of such assets may be impaired. The amount of the impairment losses for other assets is calculated as the difference between the asset's carrying amount and its estimated recoverable amount. Adjustments to the provision are recorded as a charge or credit in the Corporation's separate income statement.

## **Financial liabilities**

All Sukuk issued, Commodity Murabaha financing and other liabilities issued are initially recognized at cost, net of transaction charges, being the fair value of the consideration received. Subsequently, all yield bearing financial liabilities, are measured at amortised cost by taking into account any discount or premium. Premiums are amortised, and discounts are accreted on an effective yield basis to maturity and taken to "financing cost" in the separate income statement.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## Offsetting of financial assets and liabilities

Financial assets and liabilities are offset only when there is a legal enforceable right to set off the recognized amounts and the Corporation intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under Financial Accounting Standards ("FAS") issued by AAOIFI, or for gains and losses arising from a group of similar transactions.

## Islamic derivative financial instruments

Islamic derivatives financial instruments represent Islamic foreign currency forward contracts, Islamic profit rate swaps and Islamic cross currency profit rate swaps. They are based on International Islamic Financial Market (IIFM) and International Swaps Derivatives Association, Inc. (ISDA) templates. These are used by the Corporation for hedging strategy only to mitigate the risk of fluctuation in foreign currency and financing cost for placements with financial institutions, financing assets and Sukuk issued. Islamic derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting date. The resulting gains or losses on re-measurement are recognised in the separate income statement. Islamic derivatives with positive fair values or negative fair values are reported under the 'other assets' or 'accrued and other liabilities', respectively, in the statement of financial position.

## Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Corporation, and accordingly, are not included in the separate financial statements.

## Property and equipment

Property and equipment are stated at cost net of accumulated depreciation and any impairment in value. The cost less estimated residual value of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

- Furniture and fixtures 15%
- Computers 33%
- Motor vehicles 25%
- Other equipment 20%

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure for repairs and maintenance are charged to the separate income statement. Enhancements that increase the value or materially extend the life of the related assets are capitalized.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## **Sukuk issued**

The Sukuk assets have been recognised in the ICD separate financial statements, as ICD is the Service Agent, whilst noting that ICD has sold these assets at a price to the Sukuk holders through the SPV by a valid sale contract transferring ownership thereof to the Sukuk holders.

## **Provisions**

Provisions are recognised when the Corporation has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

## **Employee benefit liabilities**

The Corporation operates three defined post-employment benefit plans for its employees, the Staff Retirement Pension Plan ("SRPP"), the Staff Retirement Medical Plan ("SRMP") and the Retirement Medical Solidarity Plan ("RMSP"). All of these plans require contributions to be made to separately administered funds. A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and percentage of final gross salary. Independent actuaries calculate the defined benefit obligation on an annual basis by using the Projected Unit Credit Method to determine the present value of the defined benefit plan and the related service costs. The underlying actuarial assumptions are used to determine the projected benefit obligations.

A full actuarial valuation is performed every three years by engaging independent actuaries. For intermediate years, the defined benefit obligation is estimated by the independent actuaries using approximate actuarial roll-forward techniques that allow for additional benefit accrual, actual cash flows and changes in the underlying actuarial assumptions.

Actuarial valuation results presented as of December 31, 2022 is based on a roll forward of the data as of 2021 (except for the SRMP plan actives, retirees and beneficiaries, data used to calculate their results are adjusted for the transfers to RMSP). For RMSP, a full valuation was performed based on data at November 30, 2022.

The present value of the defined benefit obligation due until the retirement date is determined by discounting the estimated future cash outflows (relating to service accrued to the reporting date) using the yields available on US AA rated corporate bonds. The bonds have terms to maturity closely matching the terms of the actual defined benefit obligation.

The current service cost of the defined benefit plan recognized in the separate income statement reflects the increase in the defined benefit obligation resulting from employee service in the current year. The cost on defined benefit obligation represents increase in liability due to passage of time.

Retrospective modifications to benefits or curtailment gain or loss are accounted for as past service costs or income in the separate income statement in the period of plan amendment.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

Actuarial gains or losses, if material, are recognized immediately in the reserves under members' equity in the year they occur. The benefit liability is recognized as part of other liabilities in the separate statement of financial position. The liability represents the present value of the Corporation's defined benefit obligations, net of the fair value of plan assets.

The pension committee, with advice from the Corporation's actuaries, determines the Corporation's contributions to the defined benefit scheme and the contributions are transferred to the scheme's independent custodians.

## Revenue recognition

### i) Commodity Murabaha and Wakala placements

Income from Commodity Murabaha and Wakala placements is recognized on an effective yield basis over the period of the contract based on the principal amounts outstanding.

### ii) Investment in Sukuk

Income from investments in Sukuk is accrued on an effective yield basis and is recognized in the separate income statement. For the Sukuk designated at fair value through separate income statement, gains and losses resulting from the re-measurement of the fair values at the reporting date are also recognized in the separate income statement.

### iii) Murabaha financing income, Istisna'a income, income from installment sales financing

Murabaha financing income, Istisna'a income and income from installment sale financing are recognized using the effective yield over the period of respective transactions.

### iv) Ijarah Muntahia Bittamleek

Income from Ijarah assets is recognized using the effective yield basis (which represents the Ijarah rental net of depreciation against the Ijarah assets) starting from the date the right to use the asset is transferred to the lessee.

### v) Dividend income

Dividend income is recognized when the right to receive the dividend is established i.e. according to its declaration date.

### vi) Management fee

ICD has several funds under management where it provides portfolio management services for which it charges management fees. Management fee is recognized on an accrual basis when the services have been performed.

### vii) Administrative fee and advisory fee

ICD offers advisory services which includes Sukuk issuance, conversion to an Islamic Bank, establishment of Islamic Banking windows, restructuring, developing regulatory frameworks, capacity building etc. It also charges fees to cover costs incurred during the appraisal of financing applications. Income from administrative and advisory services is recognized based on the rendering of services as per contractual arrangements.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## Zakat and tax

The Corporation, being a multilateral financial institution, is not subject to Zakat or taxation in the member countries. The Corporation's equity is part of Baitul Mal, which is not subject to Zakat and tax.

## Segment reporting

Management has determined the chief operating decision maker to be the Board of Directors as this body is responsible for overall decisions about resource allocation to development initiatives within its member countries. Development initiatives are undertaken through a number of Islamic finance products as disclosed on the face of the Separate Statement of Financial Position, which are financed centrally through the Corporation's equity capital and financing. Management has not identified separate operating segments within the definition of FAS 22 "Segment Reporting" since the Board of Directors monitor the performance and financial position of the Corporation as a whole.

## 4 ACCOUNTING JUDGMENTS AND ESTIMATES

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including professional advices and expectation of future events that are believed to be reasonable under the circumstances. Significant areas where management has used estimates, assumptions or exercised judgments are as follows:

### i) Impairment allowance for financing assets

The measurement of credit losses under FAS 30 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The Corporation's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- i) The Corporations internal credit grading model, which assigns PDs to the individual grades;
- ii) The Corporation's criteria for assessing if there has been a significant increase in credit risk necessitating the loss allowance to be measured on a 12 month or lifetime ECL basis and the applicable qualitative assessment;
- iii) Development of ECL models, including the various formulas and the choice of inputs
- iv) Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- v) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022



The Corporation exercises judgment in the estimation of impairment allowance for financial assets. The methodology for the estimation of impairment of financing assets is set out in note 3 under “impairment of financial assets”

## **ii) Fair value determination**

The fair value of the financial assets that are not quoted in an active market is determined by using valuation techniques deemed to be appropriate in the circumstances, primarily, discounted cash flow techniques (DCF), comparable price/book (P/B) multiples, recent transactions and where relevant, net asset value (NAV). Where required, the Corporation engages third party valuation experts. For certain investments which are start-up entities or in capital disbursement stage, management believes cost is an approximation of fair value.

The models used to determine fair values are validated and periodically reviewed by management. The inputs in the DCF and comparable P/B multiples models include observable data, such as discount rates, terminal growth rate, P/B multiples of comparable entities to the relevant portfolio of the entity, and unobservable data, such as the discount for lack of marketability and control premium. The Corporation also considered the geopolitical situation of the countries where the investee entities operate and taken appropriate discount on their values.

## **(iii) Employee benefit liabilities**

The pension and medical obligation and the related charge for the period are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, etc. Due to the long-term nature of such obligations, these estimates are subject to significant uncertainty.

## **(iv) Going concern**

ICD management assessed the Corporation’s ability to continue as a going concern and is satisfied that they are not aware of any material uncertainties that may cast doubt on the Corporation’s ability to continue as a going concern. In arriving at this conclusion, management considered many factors amongst which are; the Corporation’s liquidity ratio, the forecast trend in profitability, the performance of the existing portfolio, the capital adequacy ratio and the corporation’s ability to raise funds from both shareholders and the capital market. Consequently, the separate financial statements have been prepared on a going concern basis.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 5 CASH AND CASH EQUIVALENTS

	31 December 2022 USD	31 December 2021 USD
Cash at banks	72,824,430	52,427,875
Commodity Murabaha and Wakala placements (note 6)	108,082,400	105,000,000
Accrued income on Commodity Murabaha and Wakala placement	129,631	41,681
Less: allowance for credit losses (note 25)	(391)	(655)
	181,036,070	157,468,901
Bank balance relating to ICD Solidarity Fund	1,188,459	1,220,242
	<b>182,224,529</b>	<b>158,689,143</b>

Certain bank accounts with balance of USD 2,197,720 (31 December 2021: USD 4,862,916) are in the name of Islamic Development Bank (IsDB). However, these bank accounts are beneficially owned and managed/operated by the Corporation.

Commodity Murabaha placements included within cash and cash equivalents are those placements which have original maturity of equal to or less than three months. Commodity Murabaha placements with original maturity of above three months are disclosed in note 6.

## 6 COMMODITY MURABAHA AND WAKALA PLACEMENTS

	31 December 2022 USD	31 December 2021 USD
Commodity Murabaha and Wakala placements	132,226,973	317,144,759
Accrued income on Commodity Murabaha and Wakala placements	3,978,356	4,731,519
Less: Commodity Murabaha and Wakala placements with an original maturity of three months or less (note 5)	(108,082,400)	(105,000,000)
Less: allowance for credit losses (note 25)	(11,646,271)	(14,078,240)
	<b>16,476,658</b>	<b>202,798,038</b>

a) All the above Commodity Murabaha and Wakala placements are with international financial institutions and denominated in US Dollars.

b) Commodity Murabaha and Wakala placements include an amount of USD 316,790 (2021: USD 316,790) provided to a related party of the Corporation, over which the Corporation earned profit of USD nil (31 December 2021: USD nil).



# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 7 SUKUK INVESTMENTS

The management reassessed the business model relating to investment in sukuk and made the reclassifications refer (note 2).

	31 December 2022			
	Amortised Cost	Fair value through equity	Fair value through profit or loss	Total
Listed Sukuk	1,085,327,954	446,293,220	-	1,531,621,174
Un-listed Sukuk	18,944,824	18,553,490	-	37,498,314
	<b>1,104,272,778</b>	<b>464,846,710</b>	-	<b>1,569,119,488</b>
Less:				
Unrealised fair value losses	-	(31,341,263)	-	(31,341,263)
Less: allowance for credit losses (note 25)	(13,277,839)	-	-	(13,277,839)
	<b>1,090,994,939</b>	<b>433,505,447</b>	-	<b>1,524,500,386</b>
	31 December 2021			
	Amortised Cost	Fair value through equity	Fair value through profit or loss	Total
Listed Sukuk	-	-	1,525,046,945	1,525,046,945
Un-listed Sukuk	-	-	11,355,490	11,355,490
			<b>1,536,402,435</b>	<b>1,536,402,435</b>

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

	31 December 2022 USD	31 December 2021 USD
Opening balance	1,536,402,435	1,357,096,279
Additions	398,761,597	1,433,050,000
Redemptions	(367,386,246)	(1,234,643,627)
Exchange loss	(1,860,951)	(1,278,593)
Unrealised fair value loss through equity	(31,341,263)	-
Amortised premium	(7,382,445)	-
Fair value loss through separate income statement	-	(19,157,271)
Reversal / (charge) for impairment	(2,692,741)	1,335,647
	<b>1,524,500,386</b>	<b>1,536,402,435</b>
Financial institutions	1,004,677,609	853,380,005
Governments	366,347,981	544,100,949
Others	153,474,796	138,921,481
	<b>1,524,500,386</b>	<b>1,536,402,435</b>
AAA	119,329,668	95,356,675
AA+ to AA-	76,193,259	72,953,990
A+ to A-	712,979,527	844,099,858
BBB+ or lower	615,997,932	523,991,912
	<b>1,524,500,386</b>	<b>1,536,402,435</b>

Sukuk investments included an amount of USD 119,466,546 (31 December 2021: USD 125,357,109) invested in Sukuk issued by IsDB and IILM, over which the Corporation earned profit of USD 2,027,268 (31 December 2021: USD 1,197,792)

Income from sukuk investments recognised during the year are as follows:

	31 December 2022 USD	31 December 2021 USD
Coupon income	44,969,138	39,399,200
Premium amortization	(7,382,445)	-
Realized gain	(735,107)	1,522,306
Fair value loss through income statement	-	(19,157,271)
<b>Total income</b>	<b>36,851,586</b>	<b>21,764,235</b>

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 8 MURABAHA FINANCING

	31 December 2022 USD	31 December 2021 USD
Murabaha financing	182,017,783	183,380,408
Accrued income	1,676,369	2,635,731
Less deferred income	(23,270,567)	(16,602,693)
	160,423,585	169,413,446
Less: Allowance for credit losses (note 25)	(55,413,586)	(48,982,542)
	<b>105,009,999</b>	<b>120,430,904</b>

All goods purchased for resale under Murabaha financing are made on the basis of specific purchase for subsequent resale to the customer. The promise of the customer is considered to be binding. Consequently, any loss suffered by the Corporation as a result of default by the customer prior to the sale of goods is charged to the customer.

Murabaha financing included financing of USD 57,308,149 (31 December 2021: USD 60,412,619) provided to related parties of the Corporation, over which the Corporation earned profit of USD 1,041,606 (31 December 2021: USD 992,212)

## 9 INSTALLMENT SALES FINANCING

	31 December 2022 USD	31 December 2021 USD
Installment sales financing	503,185,460	354,750,576
Accrued income	8,476,629	4,529,604
Less deferred income	(45,085,744)	(28,973,611)
	466,576,345	330,306,569
Less: allowance for credit losses (note 25)	(19,191,547)	(22,733,364)
	<b>447,384,798</b>	<b>307,573,205</b>

All goods purchased for resale under installment sales financing are made on the basis of specific purchase for subsequent resale to the customers. The promise of the customer is considered to be binding. Consequently, any loss suffered by the Corporation as a result of default by the customer prior to the sale of goods is charged to the customer.

Installment sales financing included financing of USD 36,701,875 (31 December 2021: USD 54,746,908) provided to related parties of the Corporation, over which the Corporation earned profit of USD 1,913,732 (31 December 2021: USD 1,374,213).

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 10 IJARAH MUNTAHIA BITTAMLEEK

	31 December 2022 USD	31 December 2021 USD
<b>Cost:</b>		
<i>Assets not yet in use:</i>		
At the beginning of the year	22,602,000	-
Additions	50,184,833	28,795,093
Transferred to assets in use	(72,786,833)	(6,193,093)
	-	22,602,000
<i>Assets in use:</i>		
At the beginning of the year	358,000,593	444,373,514
Transferred from assets acquired	72,786,833	6,193,093
Assets transferred to beneficiaries	(132,572,903)	(90,859,288)
Forex revaluation	264,132	(1,706,726)
	298,478,655	358,000,593
<b>Total cost</b>	<b>298,478,655</b>	<b>380,602,593</b>
<b>Accumulated depreciation:</b>		
At the beginning of the year	165,560,074	215,182,365
Charge for the year	23,823,800	26,895,744
Depreciation on assets transferred to beneficiaries	(107,978,040)	(76,518,035)
<b>Total depreciation</b>	<b>81,405,834</b>	<b>165,560,074</b>
Accrued income	22,510,102	40,634,975
<b>Ijarah Muntahia Bittamleek, gross</b>	<b>239,582,923</b>	<b>255,677,494</b>
Less: Allowance for credit losses (note 25)	(24,680,051)	(35,001,964)
<b>Ijarah Muntahia Bittamleek, net</b>	<b>214,902,872</b>	<b>220,675,530</b>

Ijarah Muntahia Bittamleek includes financing of USD 17,655,267 (31 December 2021: USD 13,400,484) provided to related parties of the Corporation over which the Corporation earned profit of USD 421,808 (31 December 2021: USD nil). Certain assets referred above represent the Corporation's share in joint Ijarah Muntahia Bittamleek agreements.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

Future rentals receivable relating to Ijarah Muntahia Bittamleek as at 31 December 2022 are estimated to be USD 323.72 million (2021: USD 346.77 million). The precise amount at the end of each period is only known prior to the commencement of the period, as some of the rentals are determined based on floating rates. Detail of the receivables is shown below:

	31 December 2022 USD	31 December 2021 USD
Expected within 12 months	47,663,464	98,435,903
Expected after 12 months but less than 5 years	144,941,662	117,872,019
Expected after 5 years	131,118,034	130,458,244
	<b>323,723,160</b>	<b>346,766,166</b>

Future commitments related to Ijarah contracts are summarized in note 33 and these are expected to be paid within 12 months.

## 11 ISTISNA'A ASSETS

	31 December 2022 USD	31 December 2021 USD
Istisna'a financing	17,401,333	22,053,098
Accrued income	133,863	532,909
Less: deferred income	(3,879,443)	(5,110,249)
	13,655,753	17,475,758
Less: Allowance for credit losses (note 25)	(96,201)	(1,629,527)
	<b>13,559,552</b>	<b>15,846,231</b>

## 12 INCOME FROM FINANCING ASSETS

	31 December 2022 USD	31 December 2021 USD
Murabaha financing	4,395,472	1,690,299
Installment sales financing	19,264,539	16,006,527
Ijarah Muntahia Bittamleek (IMB), net (note 24)	12,110,985	13,425,057
Istisnaa assets	735,075	949,745
<b>Total income from financing assets</b>	<b>36,506,071</b>	<b>32,071,628</b>

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 13 EQUITY INVESTMENTS

The Corporation directly or through intermediaries, owns equity investments. Based on the effective holding of the Corporation, the investments in equity capital as at the end of the year comprised of the following:

	31 December 2022 USD	31 December 2021 USD
Subsidiaries (note 13.1)	132,849,210	163,492,352
Associates (note 13.2)	140,537,445	124,545,107
Other investments	73,173,242	71,236,999
	<b>346,559,897</b>	<b>359,274,458</b>

	31 December 2022 USD	31 December 2021 USD
Equity-type securities – listed	20,111,571	22,872,063
Equity-type securities – unlisted	326,448,326	336,402,395
	<b>346,559,897</b>	<b>359,274,458</b>

The movement in investments for the year is as follows:

	31 December 2022 USD	31 December 2021 USD
At the beginning of the year	359,274,458	322,134,545
Additions	3,500,000	6,115,340
Transfer from Murabaha Financing	-	23,929,932
Disposals	(4,200,697)	(1,299,980)
Fair value (losses)/ gains, net	(12,013,864)	8,394,621
<b>At the end of the year</b>	<b>346,559,897</b>	<b>359,274,458</b>

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 13.1 Investments in subsidiaries

Effective ownership percentage in subsidiaries and their countries of incorporation at the end of the year and nature of business are as follows:

Name of the entity	Country of incorporation	Nature of business	Effective ownership %	
			2022	2021
Azerbaijan Leasing Company Limited	Azerbaijan	Leasing	100	100
ICD Asset Management Limited	Malaysia	Asset management	100	100
Islamic Banking Growth Fund	Malaysia	Private equity fund	100	100
Taiba Leasing	Uzbekistan	Leasing	100	100
Tamweel Africa Holding	Senegal	Banking	100	100
Ijara Management Company	Saudi Arabia	Leasing	100	100
Capitas Group (Formerly Capitas)	Saudi Arabia	Advisory	100	100
Taiba Titrisation SA	Senegal	Sukuk advisory	100	-
ASR Leasing LLC	Tajikistan	Leasing	67	67
Al Majmoua Al Mauritania	Mauritania	Real estate	53	53
Ewaan Al Fareeda Residential Co.	Saudi Arabia	Real estate	50	50
Taha Alam Sdn Bhd	Malaysia	Hajj & Umra Services	50	50

- (a) In the above table, certain subsidiaries are carried at nil value where the Corporation had invested in earlier years and were fully impaired.
- (b) There are no regulatory or contractual arrangements that restrict the subsidiaries' ability to transfer funds in the form of cash dividends or repay financing or advances made to them by the Corporation. The Corporation sometimes extends financial assistance in the form of advances to its subsidiaries.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 13.2 Investments in associates

Effective ownership percentage in associates and their countries of incorporation at the end of the year and nature of business are as follows:

Name of the entity	Country of incorporation	Nature of business	Effective ownership %	
			2022	2021
Al-Akhdar Bank	Morocco	Banking	49	49
Enmaa Ijara Company	Egypt	Leasing	47	47
Bank Islamic Du Senegal	Senegal	Banking	27	27
Theemar Investment Fund	Tunisia	Fund	40	40
Anfaal Capital	Saudi Arabia	Investment Advisory	38	38
Kyrgyzstan Ijara Company	Kyrgyzstan	Leasing	37	37
Kazakhstan Ijara Company	Kazakhstan	Leasing	36	36
Albania Leasing	Albania	Leasing	36	36
Maldives Islamic Bank	Maldives	Banking	33	36
Palestine Ijarah Company	Palestine	Leasing	33	33
Halic Finansal Kiralama A.S.	Türkiye	Leasing	33	33
Al Fareeda Residential Fund	Saudi Arabia	Real Estate	33	33
Wifack International Bank	Tunisia	Leasing	30	30
ICD Money Market Labuan	Malaysia	Asset Mgt.	29	29
Royal Atlantic Residence	Gambia	Real Estate	25	25
Saudi SME Fund (Afaq)	Saudi Arabia	Fund	25	25
Al Sharkeya Sugar	Egypt	Manufacturing	22	22
Jordan Pharmaceutical Manufacturing Co.	Jordan	Manufacturing	22	22
Saba Islamic Bank	Yemen	Banking	20	20
Arab Leasing Company	Sudan	Leasing	20	20
PMB Tijari Berhad	Malaysia	Leasing	20	20
Turkish Asset Management (K.A.M.P)	Türkiye	Fund	20	20

- (a) In the above table, certain associates are carried at nil value where the Corporation had invested in earlier years and were fully impaired.
- (b) There are no regulatory or contractual arrangements that restrict the subsidiaries' ability to transfer funds in the form of cash dividends or repay financing or advances made to them by the Corporation. The Corporation sometimes extends financial assistance in the form of advances to its associates.



# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 13.3 Fair value of investments

FAS 25 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Corporation's market assumptions. These two types of inputs have created the following fair value hierarchy:

**Level 1** – Quoted prices (unadjusted) in active markets for identical investments/assets.

**Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the investments/assets, either directly (that is, as prices) or indirectly (that is, derived from prices).

**Level 3** – Inputs for the investments/assets that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Corporation considers relevant and observable market prices in its valuations where possible.

	Equity investments measured at fair value			
	Level 1	Level 2	Level 3	Total
2022 (USD)	20,111,571	15,175,727	311,272,599	346,559,897
2021 (USD)	22,872,063	17,553,512	318,848,883	359,274,458

This includes Quoted investment in Wifack International Bank which is listed on the Tunisian Stock Exchange and ICD's hold 9,000,000 shares representing 30% shareholding. Equity investments which are not quoted in an active market, were reported at their fair values estimated using a single or a combination of valuation techniques which are applied keeping in view the industry segment and business environment of the investee entity. These techniques, predominantly, included market multiple, adjusted net asset value, discounted cash flows, recent comparable transactions, excess earnings, discounted cash flows and residual approach. The assumptions and inputs to these fair valuation techniques are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values and are based on assumptions. Changes in assumptions alone or other market factors could significantly affect the reported fair value of the investments. These models are tested for validity by calibrating to prices from any observable current market transactions for the same instrument (without modification or repackaging) when available. To assess the significance of a particular input to the entire measurement, management performs sensitivity analysis or stress testing techniques.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

The management has taken into account investee specific as well as the macro economic environment of the investee. The investee specific inputs primarily included market multiples, actual business performance against expected and revisions to the business plans. The macroeconomic inputs included country or regional specific information as well as the foreign currency rates. In addition, management has implemented certain refinements to the valuation techniques to reflect appropriately the ever-changing circumstances and economic environment. The valuation techniques used to measure the fair value of equity investments classified in level 2 & 3 for each significant sector as at 31 December 2022 and 31 December 2021 are as follows:

Sector	Valuation technique	31 December 2022 USD	31 December 2021 USD
Financial Services	Market Comparable	69,490,541	72,428,811
	Adjusted net asset value	75,043,708	83,841,180
	Other techniques	119,313,267	113,944,989
Industry and Mining	Adjusted net asset value	2,456,518	2,712,110
	Discounted cashflows	10,648,093	13,787,773
Social Services	Other techniques	-	552
Others	Market comparable	1,164,936	1,264,239
	Residual method	38,340,857	39,193,575
	Adjusted net asset value	8,840,406	8,079,166
	Other techniques	1,150,000	1,150,000
<b>Total</b>		<b>326,448,326</b>	<b>336,402,395</b>

Reconciliation of level 3 items	31 December 2022 USD	31 December 2021 USD
At the beginning of the year	318,848,883	270,060,030
Additions	3,500,000	30,045,272
Disposals	(4,200,696)	(1,384,077)
Transferred from / (to) level 1 & 2	-	14,530,755
Fair value (losses)/ gains , net	(6,875,588)	5,596,903
<b>At the end of the year</b>	<b>311,272,599</b>	<b>318,848,883</b>

## 13.4 Equity investment income through income statement:

	31 December 2022 USD	31 December 2021 USD
Fair value through income statement	-	8,394,621
Dividend	2,666,014	823,714
Others	722,337	2,063,520
	<b>3,388,351</b>	<b>11,281,855</b>

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 14 OTHER ASSETS

	31 December 2022 USD	31 December 2021 USD
Positive fair value of Islamic derivative financial instrument (note a)	9,974,232	7,721,386
Due from related parties (note 23.3)	2,420,537	9,625,081
Accrued income	12,679,706	12,041,601
Advances to employees	8,042,451	8,117,563
Other receivables	4,023,339	4,083,273
	37,140,265	41,588,904
<b>Less: Allowance for credit losses (note 25)</b>	<b>(5,511,369)</b>	<b>(2,701,219)</b>
	<b>31,628,896</b>	<b>38,887,685</b>

(a) The Islamic derivative financial instruments represent Islamic foreign currency forwards contracts, Islamic profit rate swaps and Islamic cross currency profit rate swaps. The Islamic foreign currency forward contracts and cross currency profit rate swaps are used as economic hedges to mitigate the risk of currency fluctuation for placements with financial institutions, Sukuk investments, financing assets and Sukuk issued. Profit rate swaps are held to mitigate the effects of the fluctuation in the changes in the cost of financing by matching the floating rate financing with floating rate income. The Corporation has not designated these instruments in a hedging relationship and, therefore, does not follow hedge accounting requirements of the relevant standards. Included in the table below is the positive and negative fair values of Islamic derivative financial instruments, together with their notional amounts:

Islamic derivative financial instrument	Notional amount USD	Positive fair value USD	Negative fair value USD
Islamic cross currency swaps	216,989,157	7,588,297	-
Islamic profit rate swaps	86,500,000	87,298	(478,193)
Islamic forward contracts	10,730,951	2,298,637	-
<b>31 December 2022</b>	<b>314,220,108</b>	<b>9,974,232</b>	<b>(478,193)</b>

Islamic derivative financial instrument	Notional amount USD	Positive fair value USD	Negative fair value USD
Islamic cross currency swaps	235,235,907	2,410,626	(198,444)
Islamic profit rate swaps	144,116,667	-	(4,357,705)
Islamic forward contracts	56,906,930	5,310,760	(2,600)
<b>31 December 2021</b>	<b>436,259,504</b>	<b>7,721,386</b>	<b>(4,558,749)</b>

The gain or loss on the hedged items, representing placements with financial institutions, Sukuk investments, financing assets and Sukuk issued are disclosed in respective notes to the financial statements.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

In addition to above, the Corporation entered into Islamic cross currency swaps and Islamic forward contracts on behalf of Arab Bank for Economic Development for Africa (BADEA) through a master agreement dated 13 June 2016. The notional value of such swaps is USD 27.8 million (31 December 2020: USD 37.89 million).

## 15 SUKUK ISSUED

Issue date	Maturity date	Issue currency	Amount USD	Rate	31 December 2022 USD	31 December 2021 USD
<b>Listed</b>						
15-10-2020	15-10-2025	USD	600,000,000	1.81% Fixed	600,936,099	600,549,960
<b>Not listed</b>						
05-03-2020	05-03-2025	SAR	100,000,000	SIBOR+0.60%	100,229,343	100,145,444
			<b>700,000,000</b>		<b>701,165,442</b>	<b>700,695,404</b>

The Sukuk (trust certificates) Issued confer on Certificate Holders the right to receive payments (Periodic Distributions) on specified dates (Periodic Distribution Dates) out of the profit elements of Ijarah assets, Equity Investments, Sukuk Investments and receivables in respect of Murabaha contracts, Shari'ah compliant authorised investments and any replaced assets (collectively the "Portfolio") sold at each Series (issuance) by the Corporation to ICDPS Sukuk Limited (the Trustee).

After the sale of the Portfolio, the Corporation as a third party, guarantees the performance of the Portfolio to the Trustee, to the effect that if any obligor of an asset under the Portfolio is unable to pay any amount owed, the Corporation will make the payment. Also, the Corporation undertakes to purchase the Portfolio on the Maturity Date or Early Dissolution Date for an amount equivalent to the Aggregate Nominal Amount (i.e., price of the original sale of the Portfolio to ICDPS Sukuk Limited).

## 16 COMMODITY MURABAHA FINANCING LIABILITIES

Commodity Murabaha financing is received from financial institutions under commodity murabaha agreements. The financings have original maturities ranging from 3 to 7 years (31 December 2021: 3 to 7 years).

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 17 ACCRUED AND OTHER LIABILITIES

	31 December 2022 USD	31 December 2021 USD
Negative fair value of Islamic derivative (note 14 (a))	478,193	4,558,749
Due to related parties (note 23.4)	2,518,602	11,087,600
Dividend payable (note 21)	4,108,563	4,108,563
Other payables	10,671,537	20,252,479
	<b>17,776,895</b>	<b>40,007,391</b>

## 18 EMPLOYEE BENEFIT LIABILITIES

IsDB Group staff retirement plan comprises of defined benefit and hybrid plan within staff pension plan ("SPP"), staff retirement medical plan ("SRMP") and retirees medical solidarity plan ("RMSP") (collectively referred to as staff retirement plans ("SRPs")). Every person employed by the Bank and its Affiliates on a full-time basis, as defined in the Bank and Affiliates employment policies, is eligible to participate in the SRP from the date joining the Bank.

IsDB Group has a multi-employer plan and includes the Corporation, Islamic Development Bank - Ordinary Capital Resources (IsDB-OCR), Special Account Resources Waqf Fund (WAQF), Islamic Corporation for Development (ICD), Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC) and Islamic Solidarity Fund for Development (ISFD).

### SPP

SPP is a combination of both old defined benefit plan (Pillar I) and new hybrid pension plan (Pillar II) became effective on 1st Rajab 1399H (corresponding to May 27, 1979) and 17/05/1442H (01/01/2021G) respectively. Every person employed by the Bank and its Affiliates on a full-time basis except for fixed term employees, as defined in the employment policies of the Bank and its Affiliates, is eligible to participate in the SPP, from the date joining the Bank and its affiliates. Participation in the hybrid pension plan is limited to those who have less than five years of service as of December 31, 2020 on optional basis however, those who joined the Bank from

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

January 1, 2021 are enrolled automatically.

In both Pillars, the employee contributes at a rate of 11.1% (2021-11.1%) of the basic annual salary while the Bank and its Affiliates contribute 25.9% (2021-25.9%).

The main features of the SPP are:

- (i) Normal retirement age is the 62nd anniversary of the participant's birth
- (ii) On retirement, the eligible retired employee is entitled to 2.5% under the old staff retirement plan or 1% under the hybrid plan in the Defined Benefit ("DB") component, of the Weighted Highest Average Remuneration ("WHAR") (as defined by the pension committee) for each year of pensionable service and limited to a maximum of 30 hijri years.
- (iii) 10% of Bank and its Affiliates contribution of 25.9%, and 5% of employees' contribution of 11.1%, are used to fund the Defined Cost ("DC") component of the hybrid plan. The accumulated fund and its investment returns will be paid as retirement lump sum benefits to the participants in the hybrid plan.
- (iv) Benefits payment upon early retirement, disability benefits, termination benefits, pre-retirement death or post retirement death benefits are also paid as determined by the Pension Committee.

## SRMP

Effective 1st Muharram 1421H (corresponding to April 6, 2000), the Bank established the medical benefit scheme for retired employee via the BED resolution dated 18 Shawwal 1418H (corresponding to February 15, 1998). This was extended to eligible staff members of the Bank's Affiliates i.e. for SPP. The Bank and its Affiliates at rate 1% and the staff at a rate 0.5% of the basic salaries respectively fund the SRMP. The purpose of the SRMP is to pay a monthly amount to eligible retired employee towards their medical expenses.

The entitlements payable for each retired employee under the medical plan is computed according to the following formula:

$$\text{WHAR (as defined by the pension committee)} \times \text{contributory period (limited to a maximum of 30 hijri years)} \times 0.18\%$$

Benefits payment upon early retirement, disability benefits, termination benefits, pre-retirement death or post retirement death benefits are also paid as determined by the pension committee.

## RMSP

In February 2019, the BED approved, establishment of the Retirees Medical Solidarity Plan (RMSP) which would provide new medical coverage benefits for IsDB Group staff future retirees. Under the proposal, active staff members who have at least 10 years of service period before their normal retirement age as of January 1, 2019 will automatically fall under RMSF. Those staff members who do not meet the minimum service period threshold will be offered the option to join the new Fund.

# Notes to the Separate Financial Statements

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Under RMSP, retirees will have their actual medical costs covered as per the minimum guaranteed benefit schedule. This mainly covers hospitalization and emergency care, repatriation and ambulance transport. Overseas specialist hospitalization and outpatient care is also covered but only in specified countries.

Members of RMSP started to receive benefits as from April 1, 2022 (the start date of the Plan).

RMSP contributions are funded on 4/4/4 % basis. Employees contribute 4% of their pensionable salaries and the employer matches it with 4%. Retirees also contribute 4% of their pension (before commutation withdrawals). Both Employer and Employee contributions started to accrue on January 1, 2019 and at August 1, 2021, employees started cash contributions to RMSP. These contributions cumulated before April 1, 2022 have been recognized as part of plan assets during the year.

Retirees did not contribute up until April 1, 2022 and received benefits under the RMSP up until that point.

## Administration of SRPs

The Pension Committee appointed by the President of IsDB Group, administers SRPs as separate funds on behalf of its employees. The Pension Committee is responsible for the oversight of investment and actuarial activities of the SRPs. The SRP's assets are invested in accordance with the policies set out by the Pension Committee. The Bank and its affiliates underwrite the investment and actuarial risk of the SRPs and share the administrative expenses.

## Risks

### Investment risk

The present value of the SRPs' liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on SRPs' asset is below this rate, it will create a plan deficit. Currently the SRPs' have a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the SRPs' liabilities, the administrator of SRPs' consider it appropriate that a reasonable portion of the SRPs' assets should be invested in equity securities and in real estate to leverage the return generated by the fund.

### Discount rate

A decrease in the bond return rate will increase the SRPs' liability but this will be partially offset by an increase in the return on the SRPs' debt investments.

### Longevity risk

The present value of the SRPs' liability is calculated by reference to the best estimate of the mortality of SRPs' participants both during and after their employment. An increase in the life expectancy of the SRPs' participants will increase the SRPs' liability.

### Salary risk

The present value of the SRPs' liability is calculated by reference to the future salaries of SRPs' participants. As such, an increase in the salary of the SRPs' participants will increase the SRP' liability.

# Notes to the Separate Financial Statements

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The breakdown of net employee pension liabilities was as follows:

2022	31 December 2022 (USD)			
	SPP	RMSP	SRMP	Total
Defined benefit obligations (note 18.1)	57,944,854	776,755	1,036,286	59,757,895
Less: plan assets (note 18.2)	(43,111,985)	(4,904,164)	(550,733)	(48,566,882)
<b>Net employee benefit liabilities</b>	<b>14,832,869</b>	<b>(4,127,409)</b>	<b>485,553</b>	<b>11,191,013</b>

2021	31 December 2021 (USD)			
	SPP	RMSP	SRMP	Total
Defined benefit obligations (note 18.1)	83,638,356	-	7,108,723	90,747,079
Less: plan assets (note 18.2)	(48,535,006)	-	(2,489,321)	(51,024,327)
<b>Net employee benefit liabilities</b>	<b>35,103,350</b>	<b>-</b>	<b>4,619,402</b>	<b>39,722,752</b>

**18.1** The movement in the present value of defined benefit obligation is as follows:

	SPP		RMSP		SRMP	
	31 December 2022 USD	31 December 2021 USD	31 December 2022 USD	31 December 2021 USD	31 December 2022 USD	31 December 2021 USD
Balance as at 1 January	83,638,356	93,614,706	-	-	7,108,723	8,354,399
Current service costs	5,440,853	6,476,323	569,898	-	36,635	571,391
Past service costs	-	-	(2,425,096)	-	-	-
Cost of defined benefit obligation	2,395,000	2,421,000	164,059	-	38,941	216,000
Plan participants contributions	1,478,737	1,872,371	480,325	-	9,291	95,080
Net actuarial deficit	(33,627,090)	(19,533,968)	(3,735,121)	-	(374,256)	(2,082,933)
Disbursements from plan assets	(1,381,002)	(1,212,076)	-	-	(60,358)	(45,214)
Increase/(decrease) due to plan combinations	-	-	5,722,690	-	(5,722,690)	-
	<b>57,944,854</b>	<b>83,638,356</b>	<b>776,755</b>	<b>-</b>	<b>1,036,286</b>	<b>7,108,723</b>



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## 18.2 The movement in the present value of the plan assets is as follows:

	SPP		RMSP		SRMP	
	31 December 2022 USD	31 December 2021 USD	31 December 2022 USD	31 December 2021 USD	31 December 2022 USD	31 December 2021 USD
Balance as at 1 January	48,535,006	45,341,816	-	-	2,488,305	2,173,284
Income on plan assets	1,441,000	1,203,000	-	-	28,293	57,000
Return on plan assets greater / (less) than discount rate	(10,593,988)	(3,837,933)	-	-	(461,001)	31,388
Plan participants contributions	1,478,737	1,872,371	480,325	-	9,291	95,080
Employer contribution	3,463,626	4,372,891	473,053	-	18,583	170,550
Employer Direct Settlement Payments	-	-	-	-	11,485	-
Disbursements from plan assets	(1,381,002)	(1,212,076)	-	-	(60,358)	(45,214)
Increase/(decrease) due to plan combinations	-	-	1,481,500	-	(1,481,500)	-
Others	168,606	794,937	2,469,286	-	(2,365)	7,233
	<b>43,111,985</b>	<b>48,535,006</b>	<b>4,904,164</b>	<b>-</b>	<b>550,733</b>	<b>2,489,321</b>

The above net liability mainly represents the cumulative actuarial losses resulting from the difference between the actual experience and the assumptions used in estimating the liability, which is recognized by the Corporation in the members' equity immediately in the year, it arises, if material.

## Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

**18.3** Based on the actuarial valuations, the pension and medical benefit expenses for the year comprised the following:

	SPP		RMSP		SRMP	
	31 December 2022 USD	31 December 2021 USD	31 December 2022 USD	31 December 2021 USD	31 December 2022 USD	31 December 2021 USD
Gross current service costs	5,440,853	6,476,323	569,898	-	36,635	571,391
Cost of defined benefit obligation	2,395,000	2,421,000	164,059	-	38,941	216,000
Past service costs	-	-	(2,425,096)	-	-	-
Income from plan assets	(1,441,000)	(1,203,000)	-	-	(28,293)	(57,000)
<b>Cost recognized in separate income statement</b>	<b>6,394,853</b>	<b>7,694,323</b>	<b>(1,691,139)</b>	<b>-</b>	<b>47,283</b>	<b>730,391</b>
Actuarial (gain)/loss due to change in assumption	(33,627,090)	(19,533,968)	(3,735,121)	-	(374,256)	(2,082,933)
Return on plan assets greater/(less) than discount rate	10,593,988	3,837,933	-	-	461,001	(31,388)
Other	(168,606)	-	(2,469,286)	-	2,365	-
<b>Actuarial (gain)/loss recognized in statement of changes in members' equity</b>	<b>(23,201,708)</b>	<b>(15,696,035)</b>	<b>(6,204,407)</b>	<b>-</b>	<b>89,110</b>	<b>(2,114,321)</b>

**18.4** The following table presents the plan assets by major category:

	SPP		RMSP		SRMP	
	31 December 2022 USD	31 December 2021 USD	31 December 2022 USD	31 December 2021 USD	31 December 2022 USD	31 December 2021 USD
Investments in Sukuk	12,167,231	13,830,951	995,315	-	57,128	889,740
Managed funds and Installment sales	10,310,780	6,580,700	-	-	-	-
Cash and cash equivalent and commodity placements	16,542,162	24,025,541	765,048	-	679,348	1,103,120
Land	3,877,670	3,932,613	-	-	-	-
Syndicated Murabaha	214,142	-	1,905,666	-	-	-
Others	-	165,201	1,274,135	-	(185,743)	496,461
	<b>43,111,985</b>	<b>48,535,006</b>	<b>4,904,164</b>	<b>-</b>	<b>550,733</b>	<b>2,489,321</b>

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 18.5 The assumptions used to calculate the pension plans liabilities are as follows:

	SPP		RMSP		SRMP	
	31 December 2022 USD	31 December 2021 USD	31 December 2022 USD	31 December 2021 USD	31 December 2022 USD	31 December 2021 USD
Discount rate	5.10%	2.85%	5.10%	-	5.10%	2.85%
Rate of expected salary increase	4.5-6.5%	6.5% - 4.5%	4.5-6.5%	-	4.5-6.5%	6.5% - 4.5%

The discount rate used in determining the benefit obligations is selected by reference to the long-term rates on AA rated Corporate Bonds. Rate of expected salaries increase for 2022 was based on age i.e., 20-35 years – 6.5%, 35-50 years – 5.0% and above 50 years – 4.5%.

## 18.6 The quantitative sensitivity analysis for change in discount rate on the employee benefit liabilities are as follows:

2022	SPP		RMSP		SRMP	
	+0.5%	-0.5%	+0.5%	-0.5%	+0.5%	-0.5%
Discount rate	(5,138,887)	5,875,285	(162,846)	205,328	(62,615)	69,648
Rate of expected salary increase	3,337,382	(3,089,314)	-	-	8,376	(7,911)

2021	SPP		RMSP		SRMP	
	+0.5%	-0.5%	+0.5%	-0.5%	+0.5%	-0.5%
Discount rate	(8,947,459)	10,455,663	-	-	(849,922)	1,000,4907
Rate of expected salary increase	5,111,435	(4,914,665)	-	-	441,366	(407,634)

The following table summarizes the expected funding status for the next year:

2022	SPP	RMSP	SRMP
Present value of defined benefit obligation	65,908,285	1,661,041	1,073,333
Fair value of plan assets	(49,755,158)	(6,280,376)	(548,481)
<b>Plan deficit</b>	<b>16,153,127</b>	<b>(4,619,335)</b>	<b>524,852</b>

## Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

### SPP

The expected employer contribution for year ended 31 December 2022 is USD 3.5 million and expected costs to be recognized in profit or loss is USD 6.3 million.

### SRMP

The expected employer contribution for year ended 31 December 2022 is USD 18.6 k and expected costs to be recognized in profit or loss is USD 47.3k.

### RMSP

The expected employer contribution for year ended 31 December 2022 is USD 473.1k and expected costs to be recognized in profit or loss is USD (1.7 million).

The amounts recognized in the pension and medical obligations reserve are as follows:

	SPP		RMSP		SRMP	
	31 December 2022 USD	31 December 2021 USD	31 December 2022 USD	31 December 2021 USD	31 December 2022 USD	31 December 2021 USD
January 1	24,491,505	40,187,540	-	-	1,516,212	3,630,533
Effect of changes in demographic assumptions	-	(2,292,336)	-	-	-	(38,992)
Effect of changes in financial assumptions	(34,431,486)	(3,308,802)	(1,366,942)	-	(386,078)	(331,495)
Effect of experience adjustments	804,396	(13,932,830)	(2,368,178)	-	11,820	(1,712,446)
Return on plan assets greater than discount rate	10,593,988	3,837,933	-	-	(461,007)	(31,388)
	<b>1,458,403</b>	<b>24,491,505</b>	<b>(3,735,120)</b>	<b>-</b>	<b>680,947</b>	<b>1,516,212</b>

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

The expected maturity analysis is below:

	SPP 2022	RMSP 2022	SRMP 2022
Year 1	535,690	-	43,677
Year 2	525,368	-	42,913
Year 3	1,366,230	(1,518)	51,613
Year 4	1,093,757	(3,357)	50,992
Year 5	660,438	(3,009)	50,336
Next five years	8,895,461	148,911	315,852

	SPP 2021	RMSP 2021	SRMP 2021
Year 1	571,133	-	47,316
Year 2	562,272	-	46,618
Year 3	550,929	-	45,873
Year 4	1,314,265	-	58,676
Year 5	1,059,059	-	63,136
Next five years	6,438,761	-	390,968

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 19 AMOUNTS DUE TO ICD SOLIDARITY FUND

This represents net accumulated income up to 31 December 2022 generated from liquid fund placements with certain conventional banks and financial institutions which was discontinued by ICD and other income which were not considered in compliance with the Shari'ah principles. As per the recommendation of the Shari'ah Board of IsDB Group, this income needs to be utilized for charitable purposes and, therefore, has been classified as a liability. The disposition of this liability is the responsibility of the Charity Committee formed within the Corporation. The sources and uses of ICD Solidarity Fund during the year are as follows:

Description	Sources & Uses of Shari'ah non-compliant income			
	31 December 2022		31 December 2021	
	No. of events	Amount (USD)	No. of events	Amount (USD)
At the beginning of the year		1,220,122		1,201,580
<i>Income during the year:</i>				
Income from Solidarity Fund		-	-	5,174
Forex valuation	12	134	10	62
Penalty to customers on default	2	19,262	7	13,306
		<b>19,396</b>		<b>18,542</b>
<i>Paid during the year:</i>				
Medical expenses	-	-	-	-
Water supply	-	-	-	-
Support for orphanage	-	-	-	-
Others	2	50,968	-	-
		<b>50,968</b>		<b>-</b>
<b>At the end of the year</b>		<b>1,188,550</b>		<b>1,220,122</b>

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 20 PAID-UP CAPITAL

The share capital of the Corporation at year end comprises of the following:

	31 December 2022 USD	31 December 2021 USD
Authorized share capital: 400,000 shares of USD 10,000 each	4,000,000,000	4,000,000,000
Subscribed capital share:		
Available for subscription: 200,000 shares of USD 10,000 each	2,000,000,000	2,000,000,000
Share capital not yet subscribed	(279,664,646)	(279,664,646)
	1,720,335,354	1,720,335,354
Installments due not yet paid	(133,598,908)	(137,411,927)
<b>Paid-up capital</b>	<b>1,586,736,446</b>	<b>1,582,923,427</b>

In 2022, USD 3.81 million (2021: 57.5 million) received from the shareholders. The paid-up capital of the Corporation represents amounts received from the following members:

	31 December 2022 USD	31 December 2021 USD
Islamic Development Bank (IsDB)	659,681,958	659,681,958
Saudi Public Investment Fund	124,940,000	124,940,000
Member countries	753,914,488	750,101,469
Iran Foreign Investment Company	40,000,000	40,000,000
Bank Keshavarzi	6,000,000	6,000,000
Bank Melli	2,000,000	2,000,000
Bank Nationale D'Algerie	200,000	200,000
<b>Paid-up capital</b>	<b>1,586,736,446</b>	<b>1,582,923,427</b>

## 21 RESERVE AND DIVIDEND

In accordance with Section 1 of Article No. 33 of the Articles of Agreement of the Corporation, the General Assembly shall determine the part of the Corporation's net income and surplus after making provision for reserves to be distributed as dividend. In any event, no dividend shall be distributed before reserve reach 12.5% of the subscribed capital. No dividend was paid or declared in 2022 and 2021.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 22 OTHER INCOME

	31 December 2022 USD	31 December 2021 USD
Fair value gain/ (loss) on Islamic derivatives net of exchange loss	4,335,075	(272,816)
Management and advisory fees	6,017,498	10,972,991
Other	8,418,112	-
	<b>18,770,685</b>	<b>10,700,175</b>

## 23 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent subsidiaries, associated companies, members, directors and key management personnel of the Corporation, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Corporation's management.

### 23.1 The following are the details of major related party transactions entered during the year:

Related parties	Nature of Transactions	31 December 2022 USD	31 December 2021 USD
Islamic Development Bank Group	Rent & pension (note a)	1,455,926	4,421,047
Al Majmoua Al Mauritania	Advance	-	86,284
Maldives Islamic Bank	Sale of Shares	781,634	186,527
ICD Fixed Income Limited	Management fee	349,038	665,786
Ijarah Management Company	Proceeds from sale of shares	1,113,097	-
Money Market Fund	Management Fee	259,067	-



# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

**23.2** Certain related party transactions and balances have been disclosed in notes 5 to 10.

**23.3** Due from related parties comprised the following:

	31 December 2022 USD	31 December 2021 USD
Tamweel Africa Holding	-	4,766,171
ICD Fixed Income Limited	349,038	547,449
Taiba Titrisation	-	1,000,000
Maldives Islamic Bank	347,431	697,180
Ijarah Management Company	-	871,265
Wifack International Bank	500,968	500,968
Al Majmoua Mouritania (MMI)	329,995	253,722
Taiba Leasing	254,633	254,633
International Islamic Trade Finance Corporation (ITFC)	124,361	104,376
Money Market Fund	259,066	-
Others	255,045	629,317
	<b>2,420,537</b>	<b>9,625,081</b>

**23.4** Due to related parties comprised the following:

	31 December 2022 USD	31 December 2021 USD
Islamic Development Bank (IsDB)	1,463,518	8,931,247
Royal Atlantic	145,878	145,878
IsDB Staff Retirement Pension Plan	736,169	1,978,018
Others	173,037	32,457
	<b>2,518,602</b>	<b>11,087,600</b>

## Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

**23.5** The compensation paid or payable to key management personnel is as follows:

	31 December 2022 USD	31 December 2021 USD
Salaries and other short-term benefits	2,847,269	2,170,705
Post-employment benefits	761,806	399,637
	<b>3,609,075</b>	<b>2,570,342</b>

## 24 IJARAH MUNTAHIA BITTAMLEEK

	31 December 2022 USD	31 December 2021 USD
Income from Ijarah Muntahia Bittamleek	35,934,785	40,320,801
Depreciation	(23,823,800)	(26,895,744)
	<b>12,110,985</b>	<b>13,425,057</b>

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 25 IMPAIRMENT ALLOWANCE

2022	Credit loss as at 1 January 2022 USD	Credit loss charged (reversal)/ for the year USD	Recovery from assets written off during the year USD	Credit loss as at 31 December 2022 USD
Cash and cash equivalents	655	(264)	-	391
Commodity Murabaha and Wakala placements	14,078,240	(2,431,969)	-	11,646,271
Sukuk investments	10,585,098	2,692,741	-	13,277,839
Murabaha financing	48,982,542	5,545,897	885,147	55,413,586
Installment sales financing	22,733,364	(3,541,817)	-	19,191,547
Ijarah Muntahia Bittamleek	35,001,964	(10,321,913)	-	24,680,051
Istisna'a assets	1,629,527	(1,533,326)	-	96,201
Other assets	2,701,219	2,810,150	-	5,511,369
	<b>135,712,609</b>	<b>(6,780,501)</b>	<b>885,147</b>	<b>129,817,255</b>
Equity investments	-	12,232,623	-	12,232,623
<b>Total</b>	<b>135,712,609</b>	<b>5,452,122</b>	<b>885,147</b>	<b>142,049,878</b>

2021	Credit loss as at 1 January 2021 USD	Credit loss charged (reversal)/ for the year USD	Recovery from assets written off during the year USD	Credit loss as at 31 December 2021 USD
Cash and cash equivalents	3,096	(2,441)	-	655
Commodity Murabaha and Wakala placements	9,882,802	4,195,438	-	14,078,240
Sukuk investments	11,920,745	(1,335,647)	-	10,585,098
Murabaha financing	43,205,224	5,777,318	-	48,982,542
Installment sales financing	18,352,241	4,381,123	-	22,733,364
Ijarah Muntahia Bittamleek	52,783,631	(17,781,667)	-	35,001,964
Istisna'a assets	153,808	1,475,719	-	1,629,527
Other assets	3,525,696	(824,477)	-	2,701,219
<b>Total</b>	<b>139,827,243</b>	<b>(4,114,634)</b>	<b>-</b>	<b>135,712,609</b>

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 26 FIDUCIARY ASSETS

### 26.1 Unit Investment Fund

The ICD Unit Investment Fund (Labuan) LLP (formerly Islamic Development Bank – Unit Investment Fund) (the “Fund”) was established under Article 22 of the Articles of Agreement of Islamic Development Bank (“the Bank” or “IDB”) based in Jeddah, Saudi Arabia. The Fund commenced its operations on 1 January 1990. Pursuant to Islamic Limited Liability Partnership Agreement (the “Partnership” or the “Agreement”) dated 3 November 2015, the Fund was also registered under the Labuan Companies Act, 1990 and is domiciled in the Federal territory of Labuan, Malaysia.

The purpose of UIF is to participate in the economic development of the member countries through the pooling of the saving of institutions and individual investors, and to invest these savings in producing projects in the said member countries. Pursuant to Islamic Limited Liability Partnership Agreement (the “Partnership” or the “Agreement”) dated 3 November 2015. At the end of 31 December 2022, the net assets of UIF amounting to USD 27.67 million (2021: USD 20.4 million) were under the management of the Corporation.

### 26.2 Money Market Fund

The ICD Money Market Fund (Labuan) LLP (“MMF”) is a Labuan Islamic Limited Liability Partnership (LLP) registered under the Labuan Limited Partnerships and Limited Partnerships Act 2010 on July 22, 2014. The objective of the partnership is to earn periodic income by investing in Shari'ah compliant placement, investment and financing products. At the end of 31 December 2022, the net assets of MMF amounting to USD 84.84 million (2021: USD 86 million) were under the management of the Corporation.

### 26.3 Others

Certain commodity placements, financing assets, equity investments and Sukuk investments are in the name of the Corporation which are beneficially owned by IsDB group entities and are managed and operated by the respective entities.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 27 NET ASSETS IN FOREIGN CURRENCIES

The currency wise breakdown of net assets in foreign currencies at the end of the year is as follows:

	31 December 2022 USD	31 December 2021 USD
Azerbaijani Manat	2,866,454	3,008,204
CFA Franc (XOF)	105,495,285	78,033,875
Egyptian Pound	11,573,826	13,794,496
Euro	77,947,354	95,234,871
Indonesian Rupiah	84,886	46,120
Islamic Dinar	556	556
Albania LEK	1,119,728	752,130
Malaysian Ringgit	(170,827)	(80,607)
Morocco Dirham	9,942,007	14,173,223
Mauritania Ouguiya	38,340,857	39,193,575
Pakistani Rupee	5,898,846	6,300,084
Pound Sterling	13,458	263,395
Maldives Rufiyaa	19,453,427	24,669,741
Saudi Riyal	(163,410,476)	(168,093,854)
Kyrgystani Som	1,063,631	1,160,626
Tajikistani Somoni	998,665	1,001,125
Sri Lanka Rupee	5,364,858	14,582,510
Sudanese Pound	6,943,493	10,062,810
Kazakhstani Tenge	8,296,490	8,728,204
Trukish Lira	328,830	412,927
Tunisian Dinar	23,986,557	26,949,073
UAE Dirham	22,271	-
Uzbekistan Sum	3,346,817	3,234,969
	<b>159,506,993</b>	<b>173,428,053</b>

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 28 CONCENTRATION OF ASSETS

28.1 Concentration of assets by geographical areas at the end of the year is as follows:

31 December 2022	Africa USD	Asia USD	Australia USD	Europe USD	Total USD
Cash and cash equivalents	-	103,809,406	-	78,415,123	182,224,529
Commodity Murabaha and Wakala placements	16,476,658	-	-	-	16,476,658
Sukuk investments	27,498,315	1,497,002,071	-	-	1,524,500,386
Murabaha financing	8,786,387	96,223,612	-	-	105,009,999
Installment sales financing	222,270,987	225,113,811	-	-	447,384,798
Ijarah Muntahia Bittamleek (IMB) net	76,059,999	138,842,873	-	-	214,902,872
Istisnaa assets	-	13,559,552	-	-	13,559,552
Equity investments	182,001,624	164,558,273	-	-	346,559,897
Other assets	2,567,494	29,061,402	-	-	31,628,896
Property and equipment	-	319,141	-	-	319,141
	<b>535,661,464</b>	<b>2,268,490,141</b>	<b>-</b>	<b>78,415,123</b>	<b>2,882,566,728</b>

31 December 2021	Africa USD	Asia USD	Australia USD	Europe USD	Total USD
Cash and cash equivalents	-	143,647,530	15,041,613	-	158,689,143
Commodity Murabaha and Wakala placements	9,899,609	192,898,429	-	-	202,798,038
Sukuk investments	13,959,020	1,522,443,415	-	-	1,536,402,435
Murabaha financing	950	120,429,954	-	-	120,430,904
Installment sales financing	229,687,446	77,885,759	-	-	307,573,205
Ijarah Muntahia Bittamleek	93,686,429	126,989,101	-	-	220,675,530
Istisna'a assets	-	15,846,231	-	-	15,846,231
Equity investments	188,627,358	170,647,100	-	-	359,274,458
Other assets	8,585,883	30,301,802	-	-	38,887,685
Property and equipment	-	298,128	-	-	298,128
	<b>544,446,695</b>	<b>2,401,387,449</b>	<b>15,041,613</b>	<b>-</b>	<b>2,960,875,757</b>

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 28.2 Concentration of assets by economic sector at the end of the year is analysed as under:

	Financial Services USD	Industry & Mining USD	Social Services USD	Others USD	Total USD
<b>31 December 2022</b>					
Cash and cash equivalents	182,224,529	-	-	-	182,224,529
Commodity Murabaha and Wakala placements	16,476,658	-	-	-	16,476,658
Sukuk investments	1,009,478,721	-	364,227,579	150,794,086	1,524,500,386
Murabaha financing	49,518,763	30,026,167	2,845,872	22,619,197	105,009,999
Installment sales financing	441,818,677	5,566,121	-	-	447,384,798
Ijarah Muntahia Bittamleek	-	214,902,872	-	-	214,902,872
Istisna'a assets	-	-	13,559,552	-	13,559,552
Equity investments	283,959,087	13,104,612	-	49,496,198	346,559,897
Other assets	31,115,271	513,625	-	-	31,628,896
Property and equipment	319,141	-	-	-	319,141
	<b>2,014,910,847</b>	<b>264,113,397</b>	<b>380,633,003</b>	<b>222,909,481</b>	<b>2,882,566,728</b>

	Financial Services USD	Industry & Mining USD	Social Services USD	Others USD	Total USD
<b>31 December 2021</b>					
Cash and cash equivalents	158,689,143	-	-	-	158,689,143
Commodity Murabaha and Wakala placements	202,798,038	-	-	-	202,798,038
Sukuk investments	865,797,985	47,000,000	531,682,969	91,921,481	1,536,402,435
Murabaha financing	51,067,703	62,032,666	7,330,535	-	120,430,904
Installment sales financing	304,265,105	3,308,100	-	-	307,573,205
Ijarah Muntahia Bittamleek	-	219,148,154	1,527,376	-	220,675,530
Istisna'a assets	-	-	15,846,231	-	15,846,231
Equity investments	293,087,042	16,499,884	552	49,686,980	359,274,458
Other assets	38,630,997	256,688	-	-	38,887,685
Property and equipment	298,128	-	-	-	298,128
	<b>1,914,634,141</b>	<b>348,245,492</b>	<b>556,387,663</b>	<b>141,608,461</b>	<b>2,960,875,757</b>

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 29 CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

The contractual maturities of the Corporation's assets and liabilities according to their respective periods to maturity or expected period to cash conversion at the end of the year are as follows:

31 December 2022	Less than 3 months USD	3 to 12 months USD	1 to 5 years USD	Over 5 years USD	No fixed maturity USD	Total USD
<b>Assets:</b>						
Cash and cash equivalents	182,224,529	-	-	-	-	182,224,529
Commodity Murabaha and Wakala placements	16,476,658	-	-	-	-	16,476,658
Sukuk investments	77,625,720	32,843,391	1,097,230,470	316,800,805	-	1,524,500,386
Murabaha financing	51,813,542	2,843,132	834,564	49,518,761	-	105,009,999
Installment sales financing	2,260,508	105,524,774	335,264,208	4,335,308	-	447,384,798
Ijarah Muntahia Bittamleek	19,753,288	-	6,299,383	188,850,201	-	214,902,872
Istisna'a assets	-	-	-	13,559,552	-	13,559,552
Equity investments	-	-	-	-	346,559,897	346,559,897
Other assets	-	31,628,896	-	-	-	31,628,896
Property and equipment	-	-	319,141	-	-	319,141
	<b>350,154,245</b>	<b>172,840,193</b>	<b>1,439,947,766</b>	<b>573,064,627</b>	<b>346,559,897</b>	<b>2,882,566,728</b>
Sukuk issued	-	-	701,165,442	-	-	701,165,442
Commodity Murabaha financing liabilities	135,535,110	300,528,766	521,451,497	100,442,908	-	1,057,958,281
Accrued and other liabilities	-	17,776,895	-	-	-	17,776,895
Employee benefit liabilities	-	-	-	-	11,191,013	11,191,013
Amounts due to ICD Solidarity Fund	1,188,550	-	-	-	-	1,188,550
	<b>136,723,660</b>	<b>318,305,661</b>	<b>1,222,616,939</b>	<b>100,442,908</b>	<b>11,191,013</b>	<b>1,789,280,181</b>



# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

31 December 2021	Less than 3 months USD	3 to 12 months USD	1 to 5 years USD	Over 5 years USD	No fixed maturity USD	Total USD
<b>Assets:</b>						
Cash and cash equivalents	158,689,143	-	-	-	-	158,689,143
Commodity Murabaha and Wakala placements	192,798,038	10,000,000	-	-	-	202,798,038
Sukuk investments	91,738,179	95,970,000	934,294,256	414,400,000	-	1,536,402,435
Murabaha financing	13,855,532	9,578,380	56,772,509	40,224,483	-	120,430,904
Installment sales financing	3,446,826	39,441,943	260,596,278	4,088,158	-	307,573,205
Ijarah Muntahia Bittamleek	10,642,842	23,837,198	76,020,720	110,174,770	-	220,675,530
Istina'a assets	628,823	869,192	3,160,858	11,187,358	-	15,846,231
Equity investments	-	-	-	-	359,274,458	359,274,458
Other assets	-	38,887,685	-	-	-	38,887,685
Property and equipment	-	-	298,128	-	-	298,128
	<b>471,799,383</b>	<b>218,584,398</b>	<b>1,331,142,749</b>	<b>580,074,769</b>	<b>359,274,458</b>	<b>2,960,875,757</b>
<b>Liabilities</b>						
Sukuk issued	-	-	700,695,404	-	-	700,695,404
Commodity Murabaha financing	-	130,000,000	869,884,290	100,000,000	-	1,099,884,290
Accrued and other liabilities	-	40,007,391	-	-	-	40,007,391
Employee pension liabilities	-	-	-	-	39,722,752	39,722,752
Amounts due to ICD Solidarity Fund	1,220,122	-	-	-	-	1,220,122
	<b>1,220,122</b>	<b>170,007,391</b>	<b>1,570,579,694</b>	<b>100,000,000</b>	<b>39,722,752</b>	<b>1,881,529,959</b>

## 30 SHARI'AH SUPERVISION

According to Article 29 (1) of the Articles of Agreement of the Corporation, the Corporation shall have a Shari'ah Board. As a member of the IsDB group, the Corporation utilizes the IsDB Group Shari'ah Board. The Group Shari'ah Board was established pursuant to a Resolution of the Board of Executive Directors of IsDB. The members of the Board are appointed for 3 years and may be reappointed.

The Group Shari'ah Board has the following functions:

- to consider all products introduced by the IsDB, its affiliates and trust funds for use for the first time and rule on their conformity with the principles of the Islamic Shari'ah, and lay down basic principles for drafting of related contracts and other documents;
- to give its opinion on the Shari'ah alternatives to conventional products which the IsDB, its affiliates and trust funds intend to use, and to lay down basic principles for drafting of related contracts and other documents and contribute to their development with a view to enhancing the IsDB's, its affiliates' and trust funds' experience in this regard;

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

- to respond to the Shari’ah related questions, enquiries and explications referred to it by the Board of Executive Directors or the management of the IsDB, its affiliates and trust funds;
- to contribute to the IsDB, its affiliates and trust funds programme for enhancing the awareness of its staff members of Islamic banking and deepen their understanding of the fundamentals, principles, rules and values relative to Islamic financial transactions; and
- to submit to the Board of Executive Directors of the IsDB, its affiliates and trust funds a comprehensive report showing the measure of the IsDB’s, its affiliates’ and trust funds’ commitment to principles of Shari’ah in the light of the opinions and directions given and the transactions reviewed.

## 31 RISK MANAGEMENT

The Corporation’s activities expose it to various risks (credit risk, market risk and liquidity risk) associated with the use of financial instruments. Senior management, under the supervision of the Board, oversees and manages the risks associated with the financial instruments.

### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Corporation is exposed to credit risk in both its financing operations and its treasury activities. Credit risk arises because beneficiaries and treasury counterparties could default on their contractual obligations or the Corporation’s financial assets could decline in value.

For all classes of financial assets held by the Corporation, the maximum credit risk exposure is their carrying value as disclosed in the separate statement of financial position. The assets which subject the Corporation to credit risk principally consist of bank balances, Commodity Murabaha and Wakala placements, Sukuk investments, Murabaha financing, Installment sales financing, Ijarah Muntahia Bittamleek, Istisna’a assets and other assets. This risk is mitigated as follows:

- Commodity Murabaha and Wakala placements and Sukuk investments are managed by the Corporation’s treasury department. The Corporation has made placements with financial institutions under the arrangement of Murabaha financing. Adequate due diligence is exercised prior to investments and as at the period end, management considers that there are no material credit risks posed by these investments.
- The Corporation evaluates Murabaha financing, installment sales, Ijarah Muntahia Bittamleek and Istisna’a financing (financing assets). Credit evaluation is performed internally, and external expertise is used where required. The Executive Committee of the Board of Directors of the Corporation approves all the financing. Such financing is generally secured against adequate security for financing. Under Ijarah Muntahia Bittamleek contracts, the Corporation is the owner of the related asset which is only transferred to the beneficiary upon payment of all the installments due at the end of the lease term. The net book value of Ijarah Muntahia Bittamleek assets after taking allowance for impairment as disclosed in the separate statement of financial position was considered fully recoverable by the management of the Corporation.

The Corporation applies a three-stage approach to measuring expected credit losses (ECLs).

# Notes to the Separate Financial Statements

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## **i. Determining the stage for impairment**

The Corporation's staging model relies on a relative assessment of credit risk, because it reflects the significance increase in credit risk (SICR) since initial recognition of an asset. The staging assessment is made at the contract level rather than counterparty level, since the quantum of change in credit risk may be different for different contracts belonging to the same obligor. Also, different contracts of the same counterparty may have different credit risk at initial recognition.

Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. The Corporation considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition and has not suffered a significant downgrade.

Stage 2 includes financial assets that experience an SICR. When determining whether the risk of default has increased significantly since initial recognition, the Corporation considers both quantitative and qualitative information and analysis based on the Corporation's historical experience and expert credit risk assessment, including forward looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Corporation presumes that the credit risk on its sovereign and non-sovereign exposures has increased significantly since initial recognition when contractual payments are more than 90 days past due for sovereign financings and more than 30 days past due for non-sovereign financings on a material repayment amount. When a stage 2 instrument shows a significant enhancement in credit quality at the assessment date, it can move back to stage 1.

Where there is objective evidence that an identified financial asset is impaired, specific provisions for impairment are recognized in the separate income statement, and under FAS 30, the asset is classified in Stage 3. The Corporation presumes that assets are credit-impaired when contractual payments are more than 180 days past due for sovereign financings and more than 90 days past due for non-sovereign financings on a material repayment amount. Besides, the corporation may consider an asset as impaired if it assesses that the obligor is unlikely to pay its credit obligations in full, without recourse by the Corporation to actions such as realizing security.

A financial asset is no longer considered impaired when all past due amounts have been recovered, and it is determined that the outstanding amounts with future expected income are fully collectable in accordance with the original contractual terms or revised terms of the financial instrument with all criteria for the impaired classification having been remedied. The financial asset will be transferred back to stage 2 after a cure period.

The Corporation regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

## **ii. Measurement of Expected Credit Losses (ECLs)**

ECL represents the average credit losses weighted by the probabilities of default (PD), whereby credit losses are defined as the present value of all cash shortfalls. The ECL is calculated for both Stage 1 and Stage 2 instruments by multiplying three main components, being the probability of default (PD), loss given default (LGD) and the exposure at default (EAD), and discounting the resulting provision using the instrument's effective profit rate (EPR).

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

These ECL parameters are generally derived from internally developed models and other historical data. They are adjusted to reflect forward-looking information as described below.

PD represents the likelihood of a counterpart defaulting on its financial obligation over different time horizon (e.g., 1 year or lifetime). The estimates the PDs using internal rating tools tailored to the various categories of counterparties and exposures. These internal rating models are based on internally and externally compiled data comprising both quantitative and qualitative factors. They produce a relative credit risk grading, which is in turn associated with a likelihood of default (PD) over a one-year horizon, that is calibrated to reflect the Corporation's long run average default rate estimates (through-the-cycle (TTC) PD). The Corporation uses a specific model based on country and industry parametrization to convert its TTC PDs into point-in time (PIT) PDs and derives a PIT PD term structure.

LGD is the magnitude of the potential loss in the event of a default. This is generally estimated as value lost plus costs net of recovery (if any) as percentage of outstanding amount. The Corporation uses internal LGD estimation models that consider the structure, collateral, and seniority of the claim and the counterparty rating and jurisdiction. LGD estimates are calibrated to reflect the recovery experience of the Corporation as well as the Multilateral Development Banks' consortium data.

EAD represents the expected exposure in the event of a default. The Corporation derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial instrument is its gross carrying amount. For contract under disbursement and financial commitments such as guarantees, letter of credit, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract.

FAS 30 requires ECLs to be forward-looking. The Corporation uses a statistical model that links its counterparties' future performance to the current and future state of the macroeconomic environment. The model links macroeconomic scenarios to counterparty's default risk. Macroeconomic factors taken into consideration include, but are not limited to, gross domestic product, equity market prices, unemployment rates, and commodity prices and these require an evaluation of both the current and forecast direction of the macro-economic cycle. The Corporation estimates its ECLs by calculating the weighted average ECL of its exposures across three (3) set of forward-looking macroeconomic scenarios.

### **iii. Exposure Amounts and ECL coverage**

The Corporation recognizes 12-month ECL for stage 1 instruments and lifetime ECL for stage 2 instruments. For stage 3 instruments, it calculates a loss allowance amount based on the difference between the carrying amount of the instrument and the net present value of expected future cash flows discounted at the instrument's original effective profit rate (EPR) where applicable.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

Tables below present the breakdown of gross exposure amount and ECL by mode of finance, for financial instruments measured at amortized cost as at 31 December 2022 and 2021.

An analysis of changes in the financial assets before ECL allowance and the corresponding ECL allowance is as follows:

Description	31 December 2022			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
<b>Gross carrying amount before ECL:</b>				
Cash and cash equivalents	182,224,920	-	-	182,224,920
Commodity Murabaha and Wakala placements	-	-	28,122,929	28,122,929
Sukuk investments	1,085,680,311	8,007,369	10,585,098	1,104,272,778
Murabaha financing	99,269,491	7,291,777	53,862,317	160,423,585
Installment sales financing	389,507,632	68,808,434	8,260,281	466,576,347
Ijarah Muntahia Bittamleek	99,399,979	120,201,959	19,980,985	239,582,923
Istisna'a assets	13,655,752	-	-	13,655,752
Other assets	314,847	42,914	5,873,483	6,231,244
	<b>1,870,052,932</b>	<b>204,352,453</b>	<b>126,685,093</b>	<b>2,201,090,478</b>

Description	31 December 2022			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
<b>ECL:</b>				
Cash and cash equivalents	391	-	-	391
Commodity Murabaha and Wakala placements	-	-	11,646,271	11,646,271
Sukuk investments	2,660,382	32,359	10,585,098	13,277,839
Murabaha financing	1,358,500	184,943	53,870,143	55,413,586
Installment sales financing	9,765,876	4,112,342	5,313,329	19,191,547
Ijarah Muntahia Bittamleek	592,994	4,355,728	19,731,329	24,680,051
Istisna'a assets	96,201	-	-	96,201
Other assets	-	-	5,511,369	5,511,369
	<b>14,474,344</b>	<b>8,685,372</b>	<b>106,657,539</b>	<b>129,817,255</b>
Equity investment				12,232,623
				<b>142,049,878</b>

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

Description	31 December 2021			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
<b>Gross carrying amount before ECL:</b>				
Cash and cash equivalents	158,647,462	-	-	158,647,462
Commodity Murabaha and Wakala placements	188,710,810	-	28,207,149	216,917,959
Sukuk investments	-	-	10,585,098	10,585,098
Murabaha financing	99,103,386	9,223,490	61,086,570	169,413,446
Installment sales financing	207,445,113	93,085,179	29,776,277	330,306,569
Ijarah Muntahia Bittamleek	175,806,789	26,058,218	53,812,487	255,677,494
Istisna'a assets	-	17,475,758	-	17,475,758
Other assets	9,625,081	-	4,083,273	13,708,354
	<b>839,338,641</b>	<b>145,842,645</b>	<b>187,550,854</b>	<b>1,172,732,140</b>

Description	31 December 2021			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
<b>ECL:</b>				
Cash and cash equivalents	655	-	-	655
Commodity Murabaha and Wakala placements	11,601	-	14,066,639	14,078,240
Sukuk investments	-	-	10,585,098	10,585,098
Murabaha financing	2,971,561	292,960	45,718,021	48,982,542
Installment sales financing	4,918,328	6,726,775	11,088,261	22,733,364
Ijarah Muntahia Bittamleek	246,491	588,982	34,166,491	35,001,964
Istisna'a assets	-	1,629,527	-	1,629,527
Other assets	-	-	2,701,219	2,701,219
	<b>8,148,636</b>	<b>9,238,244</b>	<b>118,325,729</b>	<b>135,712,609</b>

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

An analysis of changes in ECL allowances in relation to Corporation's financial assets were as follows:

Description	31 December 2022			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Provisions as at 1 January 2022	8,148,636	9,238,244	118,325,729	135,712,609
New assets originated or purchased	5,843,068	1,969,998	-	7,813,066
Assets repaid	(45,797)	(321,789)	(11,088,829)	(11,456,415)
Transfer from stage 1 to Stage 2	(5,675)	57,681	-	52,006
Transfer from stage 3 to Stage 2	-	936,860	(12,327,519)	(11,390,659)
Transfer from stage 3 to Stage 1	252,598	-	(557,956)	(305,358)
Increase/decrease provision	281,514	(3,195,622)	12,306,114	9,392,006
	<b>14,474,344</b>	<b>8,685,372</b>	<b>106,657,539</b>	<b>129,817,255</b>
Equity investments				12,232,623
<b>Provisions as at 31 December 2022</b>				<b>142,049,878</b>

Description	31 December 2021			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Provisions as at 1 Jan 2021	7,455,634	9,210,635	123,160,974	139,827,243
New assets originated or purchased	3,760,876	292,959	-	4,053,835
Assets repaid	(1,614,078)	(1,631,484)	(59,704)	(3,305,266)
Write offs	-	-	-	0
Transfer from stage 1 to Stage 2	(1,389,022)	6,054,845	-	4,665,823
Transfer from stage 2 to Stage 3	-	-	-	0
Transfer from stage 2 to Stage 1	198,391	(1,173,811)	-	(975,420)
Transfer from stage 3 to Stage 1	28,069	-	(497,060)	(468,991)
New and increased provision (net of releases)	(291,234)	(3,514,900)	(4,278,481)	(8,084,615)
<b>Provisions as at 31 December 2021</b>	<b>8,148,636</b>	<b>9,238,244</b>	<b>118,325,729</b>	<b>135,712,609</b>

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

The Corporation obtains adequate guarantees and employs other methods of credit enhancements that will protect the value of its investments. Guarantees and securities obtained by the Corporation include bank guarantees, corporate guarantees, pledge of assets, possession of title to the property being financed, etc. In general, the value of guarantees or other credit enhancements held by the Corporation against these assets as of the reporting date were considered adequate to cover the outstanding exposures. Where the Corporation's management and its provisioning committee assessed that value of the receivable may not be fully recovered, an appropriate impairment is recorded. The policy of the Corporation in respect of securities and guarantees for term finance operations is that the sum of the securities package will be equal to or greater than 125% of the value of the assets financed.

## Market Risk

The Corporation is exposed to market risk through its use of financial instruments and specifically to currency risks, mark-up rate risk and equity price risks.

## Currency risk

Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial assets and liabilities denominated in foreign currencies, in case the entity does not hedge its currency exposure by means of hedging instruments.

The Corporation is exposed to currency risk as a portion of its liquid fund portfolio and some of the equity investments are in currencies other than US Dollars; the reporting currency of the Corporation. The Corporation has minimized its exposure to currency risk on liquid funds by ensuring that all liquid funds transactions are in US Dollars or currencies pegged to US Dollar. For monetary assets and liabilities foreign currency risk is managed through the alignment of the Islamic foreign currency denominated assets and liabilities.

The Corporation is exposed to market risks arising from adverse changes in foreign exchange for Sukuk transaction denominated in a foreign currency. The Corporation manages these risks through a variety of strategies, including foreign currency forward contracts.

## Mark-up rate risk

Mark-up rate risk arises from the possibility that changes in mark-up rates will affect the value of the financial instruments (fair value mark-up rate risk) or the future cash flows (cash flow mark-up rate risk) and the resultant reported incomes or losses. The Corporation is exposed to changes in mark-up rates mainly on its placements, Sukuk investments, Murabaha, Installment Sales, Ijarah Muntahia Bittamleek, Istisna'a financing, Sukuk issued and Commodity Murabaha financing due to changes in the mark-up rates prevailing in the markets.

In order to manage cash flow mark-up rate risk, the Board approved an "Asset and Liability Management policy" which requires that the Corporation follow the matched-funding principle in managing its assets and liabilities as well as profit rate swaps. Thus, the Corporation ensures that the mark-up rate and currencies of all debt-funded assets match those of the underlying liabilities. Such approach ensures that the Corporation's investment income spread remains largely constant regardless of mark-up rate and exchange rate movements.



# Notes to the Separate Financial Statements

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Majority of the Corporation's financial assets and liabilities are of short-term nature. However, certain financing products, Sukuk investments and Sukuk issued are with fixed rate and of long-term nature and expose the Corporation to fair value mark-up rate risk. Management, periodically, assess the applicable market rates and assess the carrying value of these financing products.

As of the separate statement of financial position date, management believe that an estimated shift of 25 basis points in the market mark-up rates would not materially expose the Corporation to cash flow or fair value mark-up rate risk.

## **Equity price risk**

The Corporation is exposed to equity price risk on its investments held at fair value. The Corporation has only one investment which is listed and, accordingly, the Corporation is not materially exposed to significant price risk.

## **Liquidity risk**

Liquidity risk is the non-availability of sufficient funds to meet disbursements and other financial commitments as they fall due.

To guard against this risk, the Corporation follows a conservative approach by maintaining high liquidity levels invested in cash and cash equivalents, Commodity Murabaha and Wakala placements and Murabaha financing with short-term maturity of three to twelve months. Please see note 28 for the maturity schedule of the assets.

## **Shari'ah non-compliance Risk**

The Corporation defines Shari'ah non-compliance risk as the risk of losses resulting from non-adherence to Shari'ah rules and principles as determined by the IsDB Group Shari'ah Board. The Corporation attaches value in safeguarding its operations from Shari'ah non-compliance risk (SNCR). Shari'ah compliance forms an integral part of ICD's purpose in line with its Articles of Agreement. Consequently, the Corporation effectively manage SNCR through leveraging on the IsDB Group wide robust framework of procedures and policies. The business or risk-taking unit, as the 1st line of defence, embeds a culture of Shari'ah compliance, while the Shari'ah Compliance function of IsDB Group serves as the 2nd line of defence to strategically manage and monitor SNCR pre-execution of transactions / operations. IsDB Group's internal Shari'ah Audit function provides independent reasonable assurance as the 3rd line of defence post-execution of transactions/operations adopting a risk-based internal Shari'ah audit methodology.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 32 FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates.

Fair valuation with respect to investments, is disclosed in note 13.3.

All of the Corporations' Islamic derivatives are unquoted. Their fair values are estimated using a valuation technique and, accordingly, are level 3.

The carrying value of the Corporation's all other financial assets and liabilities approximate their fair values.

## 33 COMMITMENTS

In the normal course of business, the Corporation is a party to financial instruments with off-statement of financial position risk. These instruments comprise commitments to make project related disbursements, equity contribution commitments and other items and are not reflected in the separate statement of financial position.

The Corporation uses the same credit control and management policies in undertaking off-statement of financial position commitments as it does for on-statement of financial position operations.

	31 December 2022 USD	31 December 2021 USD
Ijarah Muntahia Bittamleek	-	2,398,000
Murabaha financing	-	10,000,000
Installment sales financing	83,803,592	46,181,500
Equity investments	-	84,032,585
	<b>83,803,592</b>	<b>142,612,085</b>

# Notes to the Separate Financial Statements

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## 34 EFFECTS OF NEW AND REVISED FINANCIAL ACCOUNTING STANDARDS

The following new FASs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these separate financial statements.

### **Financial Accounting Standard – 37 “Financial Reporting by Waqf Institutions”**

The objective of the standard is to establish principles of financial reporting by Waqf institutions, which are established and operated in line with Shari’ah principles and rules. This standard is effective for the financial periods beginning on or after 1 January 2022. The standard is not applicable as the Corporation is not a Waqf institution.

### **Financial Accounting Standard – 38 “Wa’ad, Khiyar and Tahawwut”**

This standard sets out the principles for measurement, recognition and disclosure of Wa’ad (promise), Khiyar (option) and Tahawwut (hedging) transactions that are carried out by Islamic financial institutions. Wa’ad and Khiyar arrangements may be categorized into; (a) ancillary wa’ad or Khiyar where the wa’ad or Khiyar is associated with Shariah compliant agreement, and is related to the structure of the transaction or product, example a (wa’ad) promise by the purchase orderer (potential buyer) attached to a Murabaha transaction, or a promise to purchase after the end of the Ijarah term in an Ijarah Muntahia Bittamleek transaction, or the (khiyar) option of seeing (i.e. inspecting) in a sale transaction and (b) Wa’ad or Khiyar where the wa’ad or Khiyar is used as a standalone shariah compliant arrangement in itself, example foreign exchange forward promise or an option of cancellation of a sale with Arboun. An institution may designate a hedging relationship between a Wa’ad or Khiyar (referred to as a hedging instrument) and a hedged item where a hedging relationship exists.

An ancillary wa’ad or Khiyar by itself does not give rise to any asset or liability. On the other hand, a product wa’ad or Khiyar give rise to a recognized constructive obligation in the books of the institution. This standard is applicable on the financial statements of the Corporation for the periods beginning on or after 1 January 2022. The Corporation did not have any significant impact of tahawwut on its separate financial statements as the Corporation fair values it hedge instrument through separate income statement. The Corporation believes that wa’ad will not have any significant impact and khiyar is not applicable as the Corporation does not use Khiyar in its contractual arrangements.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 35 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new FASs have been issued. The Corporation intends to adopt these financial reporting standards when they become effective and is currently assessing the impact of these new FASs on its financial statements and systems.

### **Financial Accounting Standard – 39 “Financial Reporting for Zakah”**

This standard aims at setting out accounting treatment of Zakah in the books of an Islamic financial institution, including the presentation and disclosure in its financial statements. The objective of this standard is to establish the principles of financial reporting related to Zakah attributable to different stakeholders of an Islamic financial institution. This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted. This standard is not applicable to the Corporation as it is not a zakah payer.

### **Financial Accounting Standard – 40 “Financial Reporting for Islamic Finance Windows”**

The objective of this standard is to establish financial reporting requirements for Islamic financial services offered by conventional financial institutions (in the form of Islamic finance windows). This standard shall be effective on the financial statements of the Islamic finance window of conventional financial institutions for the periods beginning on or after 1 January 2024 with early adoption permitted. This standard is not applicable to the Corporation as it is not a conventional financial institution.

### **Financial Accounting Standard – 1 (Revised 2021) “General Presentation and Disclosures in the Financial Statements”**

The revised FAS 1 describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable on all the Islamic financial institutions and other institutions following AAOIFI FASs. This standard sets out the overall requirements for presentation of financial statements, the minimum requirements for the contents of the financial statements and a recommended structure of financial statements that facilitate faithful presentation in line with Shari’ah principles and rules and comparability with the institution’s financial statements of previous periods, and the financial statements of other institutions. This standard shall be effective on the financial statements of the institutions beginning on or after 1 January 2023 with early adoption permitted. The Corporation is currently evaluating the impact of this standard.

### **AAOIFI Financial Accounting Standard 42 – “Presentation and Disclosures in the Financial Statements of Takaful Institutions”**

This standard sets out the principles for the presentation and disclosure for the financial statements of Takaful institutions. It aims to ensure that the Takaful institutions faithfully present the information related to these arrangements to the relevant stakeholders as per the contractual relationship between the parties and the business model of the Takaful business in line with the Shari’ah principles and rules. This standard shall be effective on the financial statements of the institutions beginning on or after 1 January 2025 with early adoption permitted. FAS 42 shall not impact the financial statements as the Corporation is not a takaful entity.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## **AAOIFI Financial Accounting Standard 43 – “Accounting for Takaful: Recognition and Measurement”**

This standard sets out the principles for the recognition, measurement and reporting of Takaful arrangements and ancillary transactions for the Takaful institutions. It aims to ensure that the Takaful institutions faithfully present the information related to these arrangements to the relevant stakeholders as per the contractual relationship between the parties and the business model of the Takaful business in line with the Shari’ah principles and rules. The requirements of this standard are duly aligned with the international best practices of financial reporting for the insurance business. This standard shall be effective on the financial statements of the institutions beginning on or after 1 January 2025 with early adoption permitted. FAS 43 shall not impact the financial statements as the Corporation is not a takaful entity.

## **36 LIBOR TRANSITION**

The Islamic Corporation for the Development of the Private Sector (ICD) has certain contracts outstanding at the end of 2022 which will mature after June 30, 2023. All the projects on the asset side have robust reference rate non-availability clauses (in favour of ICD). The timely transition to Term-SOFR as the reference rate for all USD floating rate facilities is very much underway. ICD management believes there is no financial impact and changing to a new benchmark has no Sharia implications that have to be cleared by the Sharia Committee.

The Corporation already advanced in the process towards a steady transition to Term-SOFR as the new reference rate. The facilities both financing and funding linked to LIBOR which will mature after June 30, 2023 have been identified. In addition, ICD management has established a working group made up of representatives from the different units of the Corporation, which was tasked with the responsibility of:

- Establishing a LIBOR transition plan with clear timeline and milestones
- Reviewing the identified existing assets and liabilities that are LIBOR based and maturing after June 30, 2023
- Ensuring that fallback clauses are included in those that do not have by engaging a law firm to help in this process
- Communicating the need for change and negotiating with clients on adjusted rates
- Advising management about the impact of the proposed change
- Revising the investment and treasury guidelines where appropriate
- Operationalizing the fallback clause and issuing alternate benchmark rates
- Monitor the implementation of the changeover to ensure that everything is according to plan.

The management expects that all the relevant existing financing agreements will be successfully amended to incorporate Term-SOFR as the new reference rate within the first half of 2023. On the other hand, since the beginning of 2022, ICD has been using Term SOFR as the reference rate for all newly approved USD floating rate facilities.

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 37 PRIOR YEAR RECLASSIFICATIONS

During the year, the Corporation had performed the following reclassifications in the separate statement of financial position, separate statement of income statement and separate statement of cash flows. The classifications were done due to the following:

- To record accrued commodity income as part of the relevant asset instead of showing it under other assets
- To record deferred funding cost as part of the relevant liability instead of showing it under other liabilities
- The format of the separate income statement was amended by introducing new lines and grouping certain items together

There is no change to the reported net income and the relevant classifications are shown below:

Statement of Separate Financial Position as of 31 December 2021	Balances as reported previously USD	Reclassification USD	Balances as of 31 December 2021 USD
Cash and Cash equivalents	158,647,462	41,681	158,689,143
Commodity Placements through financial institutions	198,066,519	4,731,519	202,798,038
Other assets	47,662,056	(8,774,371)	38,887,685
<b>Total Assets</b>	<b>2,964,876,928</b>	<b>(4,001,171)</b>	<b>2,960,875,757</b>
Sukuk issued	700,000,000	695,404	700,695,404
Commodity Murabaha financing	1,100,334,902	(450,612)	1,099,884,290
Accrued and other Liabilities	44,253,354	(4,245,963)	40,007,391
<b>Total Liabilities</b>	<b>1,885,531,130</b>	<b>(4,001,171)</b>	<b>1,881,529,959</b>
<b>Total Equity and Liabilities</b>	<b>2,964,876,928</b>	<b>(4,001,171)</b>	<b>2,960,875,757</b>

# Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

Statement of separate income statement for the year ended 31 December 2021	Balances as reported previously USD	Reclassification USD	Balances for the year ended 31 December 2021 USD
Income from Financing assets	-	32,071,628	32,071,628
Murabaha Financing	1,690,299	(1,690,299)	-
Installment Sales Financing	16,006,527	(16,006,527)	-
Ijarah Muntahia Bittamleek	13,425,057	(13,425,057)	-
Istisna'a assets	949,745	(949,745)	-
Other income	-	10,700,175	10,700,175
Administrative fees	3,321,266	(3,321,266)	-
Management Fees	1,279,224	(1,279,224)	-
Advisory Fees	6,372,501	(6,372,501)	-
Fair value gain on islamic derivatives net of exchange loss	(272,816)	272,816	-
<b>Net Profit</b>	<b>8,610,763</b>	<b>-</b>	<b>8,610,763</b>

Separate statement of cash flows as of as of 31 December 2021	Balances as reported previously USD	Reclassification USD	Balances as of 31 December 2021 USD
<b>Changes in operating assets &amp; liabilities</b>			
Commodity Murabaha and Wakala placements	326,233,725	(4,731,519)	321,502,206
Other assets	497,073	8,774,370	9,271,443
Accrued and other liabilities	(4,216,450)	(4,245,963)	(8,462,413)
<b>Net Cash from used in operating activities</b>	<b>159,598,470</b>	<b>(203,112)</b>	<b>159,395,358</b>
Repayment of Sukuk Issued	(300,000,000)	2,472,586	(297,527,414)
Repayment of Commodity Murabaha Financing	(632,463,712)	(2,227,793)	(634,691,505)
<b>Net cash (used in)/from financing activities</b>	<b>(305,834,370)</b>	<b>244,793</b>	<b>(305,589,577)</b>
<b>Cash and cash Equivalent at end of the year</b>	<b>158,647,462</b>	<b>41,681</b>	<b>158,689,143</b>

## 38 AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue in accordance with the resolution of the Board of Directors dated 03 April 2023 (corresponding to 12 Ramadan 1444 AH).

## Annex 5: The Islamic Development Bank Group Shari'ah Board Report

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

### Shari'ah Audit Report for 1443H/1444H

**All praise is due to Allah,  
the Lord of the Universe;  
and may blessings and peace  
be upon Prophet Muhammad  
and upon his household  
and companions.**

**H.E. Chairman of the Board of Governors,  
Honorable Members of the Board of Governors,**

Assalamu alaikum warahmatullahi wabarakatuhu

Pursuant to the regulations of the Islamic Development Bank Group (IsDB Group) Shari'ah Board, and based on the mandate of the Board; specifically to submit to you an annual Shari'ah Audit Report on the activities undertaken by the IsDB Group during the year 1443/1444, we would like to inform you that we, as represented by the sub-committee in accordance with the practice followed by the Board, have carried out an overall audit of the applied principles as well as the contracts pertaining to the transactions and applications that have been presented to us for the IsDB Group include Ordinary Capital Resources, the Special Account Resources Waqf Fund (Waqf Fund), the Islamic Corporation for the Insurance of Investment and Export Credit, the Islamic Corporation for the Development of the Private Sector, the International Islamic Trade Finance Corporation, the Islamic Solidarity Fund for Development, the Awqaf Properties Investment Fund, the World Waqf Foundation, and all funds managed by IsDB during the year ending on: 7 Jumada Al-Akhirah 1444H, 31 December 2022G.

We have also conducted, based on our Shari'ah-compliance oath, the audit required to give an opinion on whether the IsDB Group has complied with the rules and principles of the Shari'ah as well as the Fatwas, decisions, rulings and specific guidelines issued by the Board.

The responsibility of ensuring the IsDB Group's compliance with the Shari'ah rules and principles lies with the management of the IsDB Group; and in contrast, our responsibility is limited to expressing an independent Shari'ah opinion based on our audit of the IsDB Group's operations. We planned and carried our audit so as to obtain every fact and explanation that we deemed necessary to provide us with enough proof to reasonably confirm that the IsDB Group has not contravened the rules and principles of the Shari'ah.

<sup>1</sup> Members of the Islamic Development Bank Group Sharia Board are: His Eminence Sheikh Muhammad Taqi Usmani (Chairman), His Eminence Sheikh Abdullah S. Al Meneea (Deputy Chairman), His Eminence Dr Usaid Al-Kilani, His Eminence Dr. Basheer Ali Omar, His Eminence Dr. Koutoub Moustapha Sano, His Eminence Dr. Mohamed Raougui, and His Eminence Dr. Muhammad Syafii Antonio.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## In our opinion

1. The IsDB Group has followed the procedures required to comply with the contracts that the Committee prepared and audited.
2. The dividends paid and the losses incurred on the investment accounts are in conformity with the basis that we adopted in line with the rules and principles of the Shari'ah.
3. All gains made from transactions or methods forbidden under the rules and principles of the Shari'ah have been avoided by spending them on charity.
4. The IsDB Group does not pay Zakat because the sources of its assets are either from public or Waqf funds or from institutions that have not delegated the IsDB Group any authority to pay Zakat on their behalf. The payment of Zakat is the sole responsibility of the owners.

We pray that Allah the Almighty enable the IsDB Group to follow the right path in the interest of the *Ummah*.

Wassalamu alaikum warahmatullahi wabarakatuhu



**His Eminence Sheikh Muhammad Taqi Usmani**

Chairman of the Shari'ah Board



**Aboubacar Salihou KANTE**

Manager, Shari'ah Affairs Section

Jeddah, 7 Ramadan 1444H (29 March 2023G)



# ICD Annual Report

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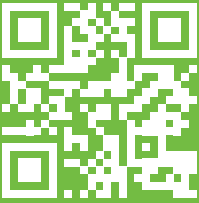
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**IsDB**   
البنك الإسلامي للتنمية  
**Islamic Development Bank**

Member of the Islamic  
Development Bank Group