

**ANNUAL
REPORT**

2016

**Our strategy
to growth**



Islamic Corporation for the
Development of the Private Sector



Enabling
enterprise

Building
prosperity

سَمِيعًا
الْعَلِيمَ
الْقَدِيمَ

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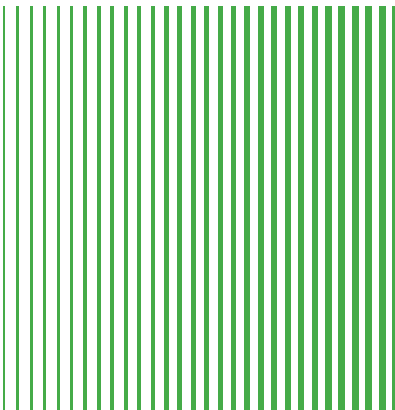
Our impact on private sector development stretched over a wide range of sectors reflecting our responsiveness to the needs of the market, as well as the corporation's strategic priorities and goals.



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ANNUAL REPORT

2016





Letter of the Board of Directors to 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

Dear Mr. Chairman,

Assalam-O-Alaikum Warahmatullah Wabarakatuh

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 Seventeenth Annual Report of ICD for the 15 months covering the period 14/10/2015 - 31/12/2016.

This Report contains an overview of ICD's operation during those 15 months, including its various business interventions, development impact and financial analysis. ICD will, Insha Allah, pursue all efforts to meet the aspirations of its shareholders.

Please accept, Mr. Chairman, the assurances of my highest consideration.

A handwritten signature in black ink, consisting of a large, stylized 'B' followed by a horizontal line and a small flourish.

Dr. Bandar M. H. Hajjar

Chairman, Board of Directors



Message from the CEO

In the name of Allah, the Beneficent, the Merciful

I am very pleased to introduce the 2016 Annual Report that reveals yet another successful and a momentous year for the ICD.

The world in 2016 witnessed volatile and fragile market conditions, weakening global trade, and some geopolitical instabilities. Unfortunately, most ICD member countries were affected by these challenges and as a result their economic growth slowed down considerably. In addition, the extended period of the low prices of oil and other major commodities hit most of the countries through declined fiscal revenues and weakened export prospects. Tightening of global financial markets and capital outflows from developing economies was another serious economic headwind facing our member countries in the past year.

These as well as other issues triggered the global community to revisit their development model and to uncover a potential role for the private sector in restoring economic prosperity. Our member countries also acknowledged to a greater extent the impact of the private sector as a key stakeholder and partner in driving

economic growth, creating new jobs and enhancing people's lives through the production of goods and provision of services.

Today, the ICD is witnessing much stronger financial and political support from all member countries as evidence of recognition for its imperative role in the private sector development. The testimony is the shareholders' support in subscribing to 80% of the ICD's available capital in the second general capital increase, compared to only 65% subscription rate in the first general capital increase in 2010.

Despite the uncertain global environment, which was characterized by multiple pockets of vulnerabilities, the ICD stood firm in delivering its development mandate with greater vigilance and with more rigorous efforts. In such circumstances, the ICD's value proposition, its strategic approach along with a well-established setting has enabled the management to achieve the envisioned outcomes. We can now proudly say that since inception the ICD has delivered a record amount of nearly \$5bn in cumulative approvals and almost \$2.4bn in disbursements for private sector development.

The ICD is witnessing much stronger financial and political support from all member countries as evidence of recognition for its imperative role in the private sector development.

A major milestone in our operation in the year 2016 was the conversion of traditional lunar Hijri as our financial year to solar Hijri year. The Board of Directors of the ICD recommended and approved to adopt the same financial year as the IDB. As a result, this year became an exceptional year and we experienced a longer financial year covering 15 months from October 14, 2015 (1st Muharram 1437) to December 31, 2016. Therefore, the present report is prepared based on our operational and financial achievements in 15 months ending December 31, 2016.

During the said period, the ICD achieved remarkable results by passing several affirmative milestones. We delivered a record amount of financing for private sector development totaling more than \$824m. The ICD's investments generated new development opportunities across 23 member countries.

Our impact on private sector development stretched over a wide range of sectors reflecting our responsiveness to the needs of the market, as well as the corporation's strategic priorities and goals. In order to conform to our channels

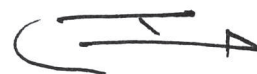
strategy, we have approved about \$462m of investment, or nearly 56% of our total approvals in 2016 in the financial sector. Additionally, the majority of the ICD's new project approvals in the corporate sector were concentrated in high-impact sectors such as industry and mining, energy, and infrastructure. The ICD's asset management activities also maintained a growth trajectory, with \$115m of approvals last year, increasing total assets under management to \$866m across the globe. Moreover, in 2016, the ICD has signed 14 advisory mandates and six memoranda of understanding (MoU) across various member countries to materialize its continuous support to the development of member countries, through advisory, building capacity, technical assistance and partnership activities.

The year 2016 was also a special year as the IDB Group farewelled H.E. Dr. Ahmad Mohamed Ali, after 40 years of outstanding leadership in the IDB Group and as the Chairman of our Board of Directors. I would like to take this opportunity to extend my gratitude and thanks for his leadership and contribution to the ICD's success and would like to welcome his successor

H. E. Dr. Bandar M. H. Hajjar as the new President and the Chairman of our Board and wish him the utmost success in his endeavors.

These endeavors would have not been possible without close supervision and guidance from the Chairman of the Board, the Board itself, and ICD staff efforts. I thank all members of the Board and management, colleagues at the ICD, and our partners and clients for their valuable support and collaboration. However, we believe that a lot more should be done to boost the private sector in our member countries.

I pray to Allah the Almighty to guide us in our efforts to overcome the challenges ahead and to help us achieve the welfare and prosperity of the Muslim community, Amin.



Khaled Mohammed Al-Aboodi
CEO & General Manager

2016

In numbers

2016 IN NUMBERS



23
countries reached



38
projects approved



3,886
SMEs supported



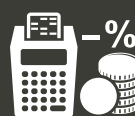
68,000
direct jobs supported



12,400
women empowered
through new jobs



USD 135m
in foreign currency
injected into financial systems



USD 275m
in tax revenue generated by
local governments



USD 824.4m
approved

53 MEMBER COUNTRIES

- | | |
|------------------|-----------------|
| 1 Albania | 27 Libya |
| 2 Algeria | 28 Malaysia |
| 3 Azerbaijan | 29 Maldives |
| 4 Bahrain | 30 Mali |
| 5 Bangladesh | 31 Mauritania |
| 6 Benin | 32 Morocco |
| 7 Brunei | 33 Mozambique |
| 8 Darussalam | 34 Niger |
| 9 Burkina Faso | 35 Nigeria |
| 10 Cameroon | 36 Pakistan |
| 11 Chad | 37 Palestine |
| 12 Comoros | 38 Qatar |
| 13 Cote D'Ivoire | 39 Saudi Arabia |
| 14 Djibouti | 40 Senegal |
| 15 Egypt | 41 Sierra Leone |
| 16 Gabon | 42 Sudan |
| 17 Gambia | 43 Suriname |
| 18 Guinea | 44 Syria |
| 19 Guinea-Bissau | 45 Tajikistan |
| 20 Indonesia | 46 Togo |
| 21 Iran | 47 Tunisia |
| 22 Iraq | 48 Turkey |
| 23 Jordan | 49 Turkmenistan |
| 24 Kazakhstan | 50 U.A.E |
| 25 Kuwait | 51 Uganda |
| 26 Kyrgyzstan | 52 Uzbekistan |
| | 53 Yemen |



FINANCING THE PRIVATE SECTOR

We delivered financing totaling more than

USD 824m

across 23 member countries,
impacting a range of sectors.

FOCUSING ON THE FINANCIAL SECTOR

USD 462m

– 56% of our approvals – were for
investment in the financial sector.

MAKING AN IMPACT

Most new project approvals were
in high-impact sectors such as
industry and mining, energy, and
infrastructure.

GROWING OUR ASSET MANAGEMENT ACTIVITIES

USD 115m

approvals and increased our total
assets under management to
USD866m.

SUPPORTING MEMBER COUNTRIES

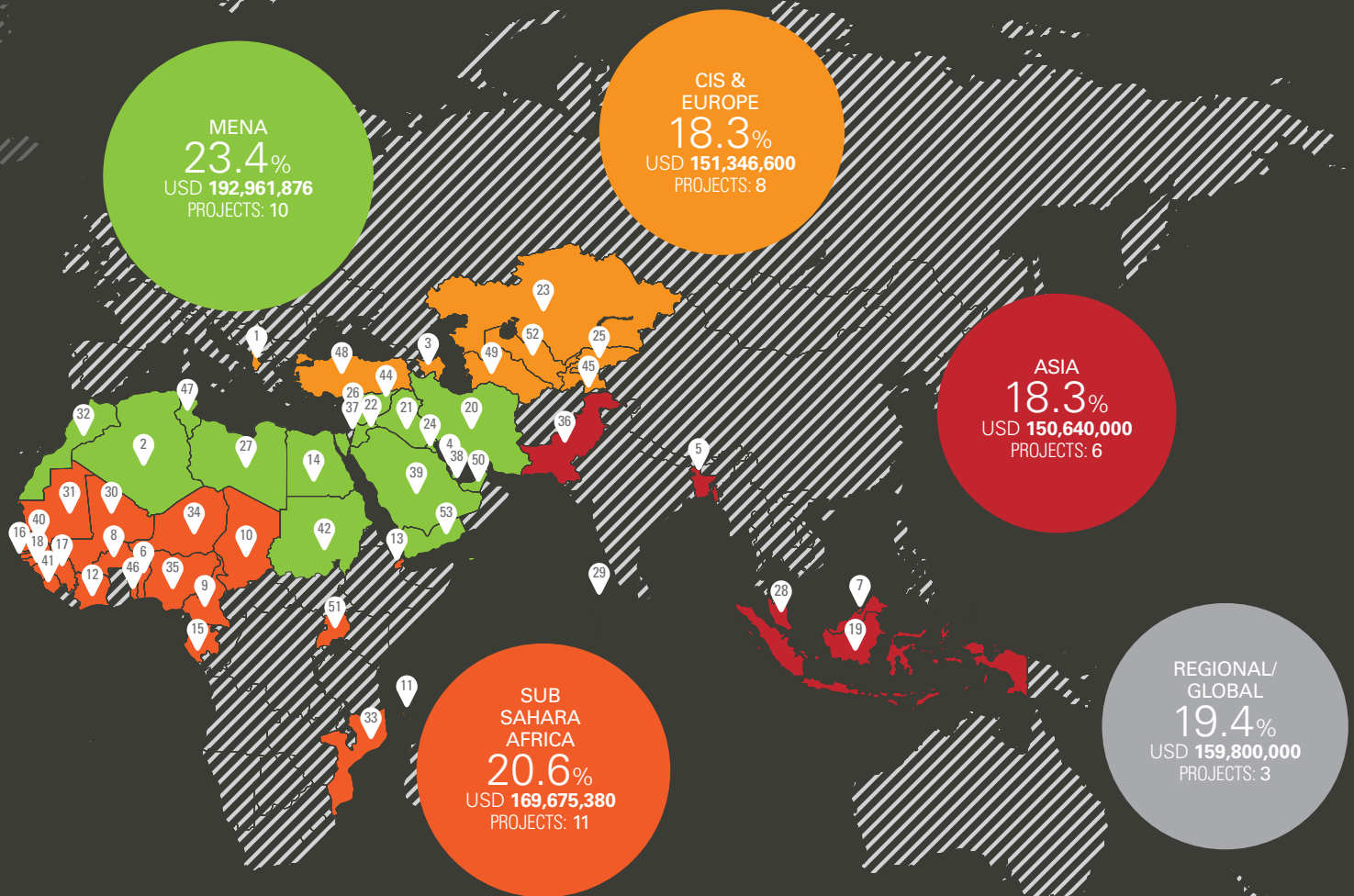
We signed

14

ADVISORY MANDATES

and six memoranda of understanding
(MoU) with member countries,
promoting advisory, building capacity,
technical assistance and partnership
activities.

2016 APPROVALS BY REGION



2016 APPROVALS BY SECTOR

FUNDS

USD 115,000,000
PROJECTS: 3



ENERGY

USD 92,320,000
PROJECTS: 4



INDUSTRY & MINING

USD 80,188,570
PROJECTS: 7



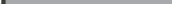
REAL ESTATE

USD 42,010,000
PROJECTS: 3



HEALTH & OTHER SOCIAL SERVICES

USD 32,750,000
PROJECTS: 2



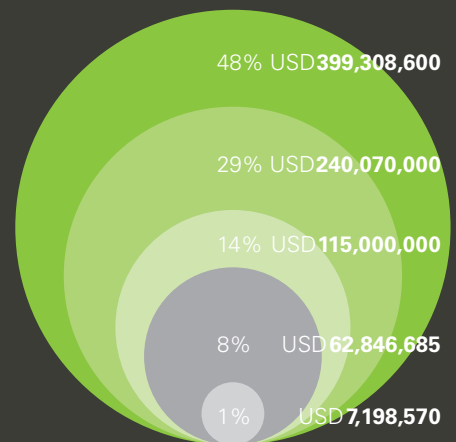
FINANCE

USD 462,155,286
PROJECTS: 19



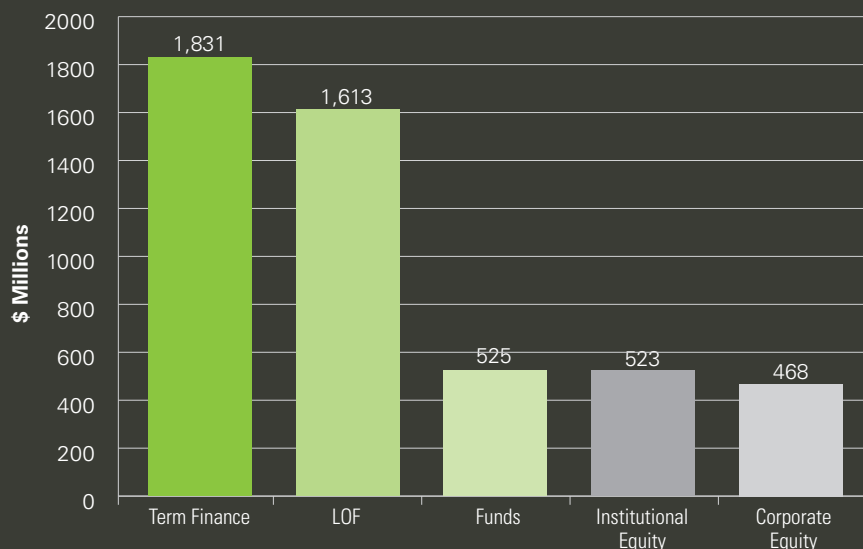
2016 APPROVALS BY MODE OF FINANCE

Total USD 824,423,856



	PROJECTS
Line of Finance	14
Term Finance	14
Funds	3
Institutional Equities	5
Corporate Equities	2
Total	38

Highlights since inception



APPROVALS – BY MODE OF FINANCE

Since inception accumulated gross ICD approvals have amounted to USD4.96bn, allocated to around 350 projects.

Cumulative gross ICD approvals by modes of finance include 190 projects in term finance, 67 projects in line of finance (LOF), 47 projects in institutional equity, 32 projects in corporate equity, 14 projects in asset management services.

The graph above shows the breakdown of total approvals by product since inception.

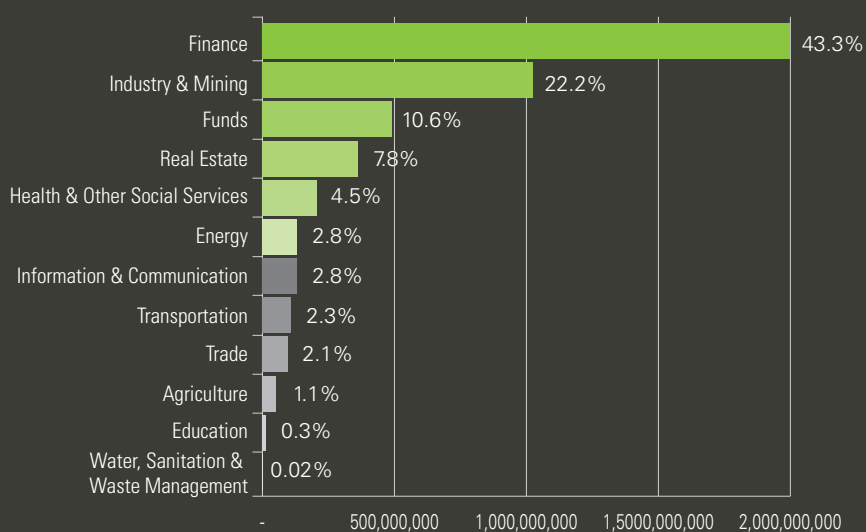
By the end of 2016 69% of approvals were allocated to credit financing (term finance plus line of finance), followed by 20% in equity participation (institutional equity and corporate equity), and the remaining 11% being in funds.

THE SECTOR VIEW

The graph (right) shows a breakdown of total approvals by sector since inception.

Cumulative ICD approvals are spread over a range of industries.

The financial industry accounts for the majority of gross approvals, with a gross approved amount of USD 2,145.5m. This is followed by industry and mining, and funds. Real estate, health and other social services, information and communication, energy, trade and transportation, account for 22.4% of total approvals. The remaining USD74.38m, representing 1.5% of cumulative approvals, is allocated to agriculture, education, and water, sanitation and waste management.





THE GEOGRAPHIC VIEW

Our approvals reflect our emphasis on diversity.

By the end of 2016, ICD investment operations expanded to 49 member countries plus regional projects covering several economies.

The Middle East and North Africa (MENA) region accounts for the bulk of cumulative ICD approvals, with all other regions – as well as regional and global projects covering several countries – gaining roughly equal shares.

The chart above shows a breakdown of total approvals by region since inception.

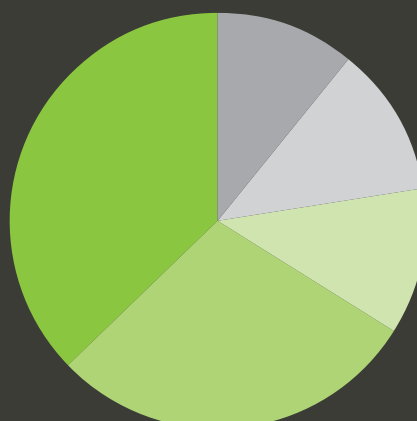
DISBURSEMENTS

ICD totals

USD **2.36bn**
worth of investments.

THE PRODUCT VIEW

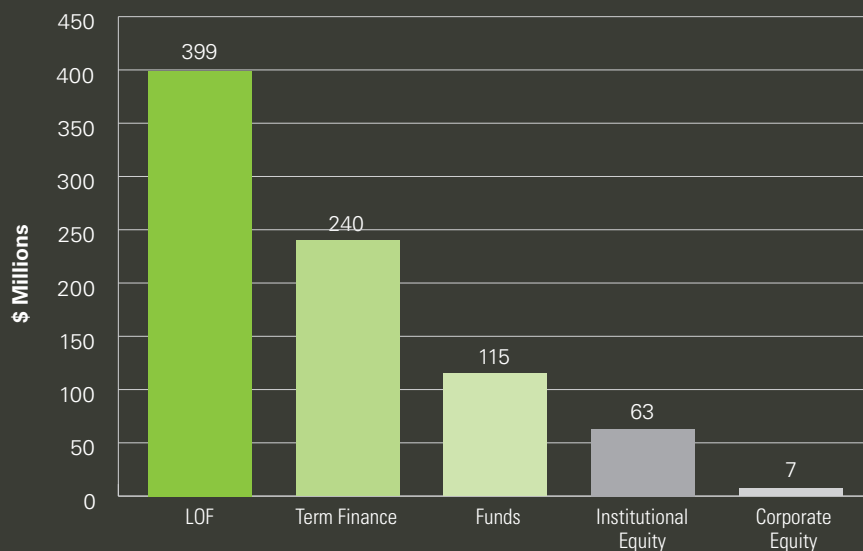
The chart (right) shows a breakdown of total disbursement by product since inception.



Corporate Equity	11.0%
Funds	11.7%
Institutional Equity	11.3%
Line of Finance	28.9%
Term Finance	37.1%

Since inception, the ICD has delivered nearly USD5bn in cumulative approvals and almost USD2.4bn in disbursements for private sector development.

Highlights in 2016



APPROVALS – BY MODE OF FINANCE

Despite sluggish growth in the world economy, declining commodity prices, and persistence of uncertainties in 2016, ICD approved 38 investment and financing projects totaling USD824.42m.

These projects added value to the economic and social development of member countries by creating new jobs, facilitating technology transfer and cross-border investments.

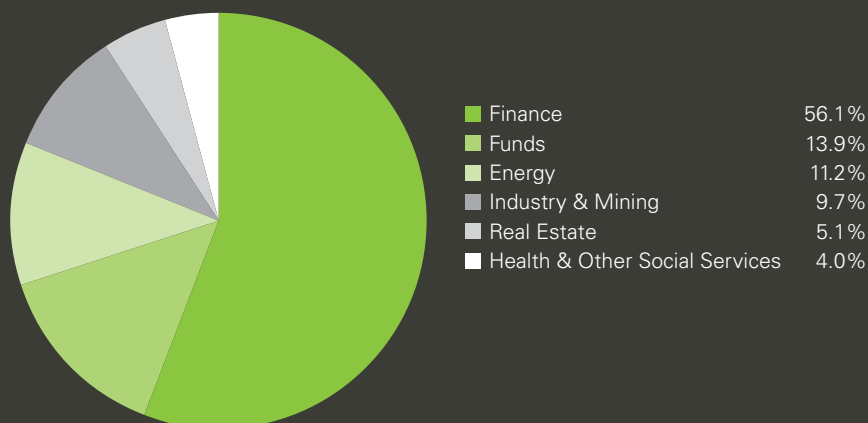
LOF made up the bulk of ICD approvals, representing 48% of the

total. Term finance was the second largest mode of finance, accounting for 29% of approvals, followed by funds, which accounted for 14%, institutional equity, which accounted for 8%, and corporate equity, which accounted for 1%. Apart from investment and financing projects, ICD also received 14 advisory mandates from various stakeholders in member countries.

The graph above shows a breakdown of total approvals by product in 2016.

THE SECTOR VIEW

The financial sector accounted for the largest share of approvals, amounting to USD462.15m. The funds and energy sectors accounted for the second and third largest allocations, for a total of USD115m and USD92.3m of the year's approvals, respectively. This was followed by the industry and mining sector with USD80.2m, and the others with a total of 9%.





THE GEOGRAPHIC VIEW

In 2016, we continued the rebalancing of the geographical allocation of our investment commitments, allocating resources according to member countries' developmental needs, creditworthiness plus the ICD's strategic priorities.

The highest amount of 2016 approvals was allocated to the MENA region, accounting for just under a quarter of total approvals. The SSA region accounted for one fifth of total approvals, with global and regional projects, the Europe and Central Asia region and the Asia region gaining roughly equal allocations.

The chart above shows the breakdown of total approvals by region in 2016.

DISBURSEMENTS

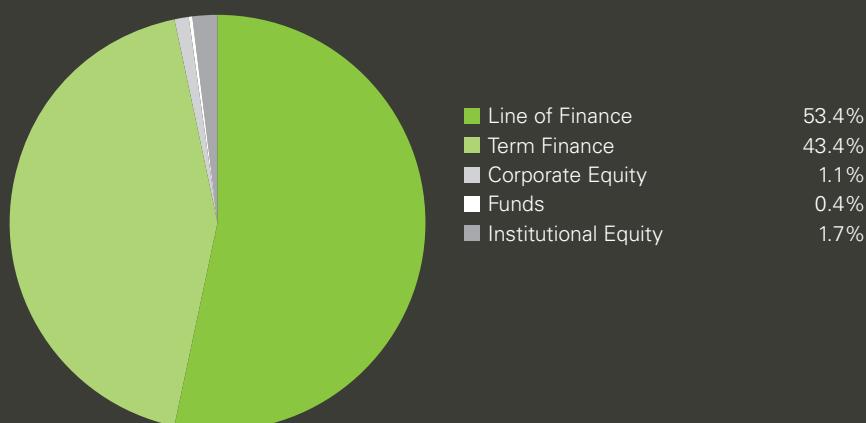
ICD succeeded in disbursing

USD **462.35m.**

THE PRODUCT VIEW

The largest disbursement allocation over the past year went to line of finance (LOF), amounting to USD246.8m. Term finance accounted for 43.4% of total disbursements, followed by institutional equity, corporate equity and funds accounting for around 3% when combined.

The chart (right) shows a breakdown of total disbursements by product in 2016.



The ICD was founded in 1999 to promote the economic development of its member countries. We do so by providing financial assistance to private sector projects to promote competition and entrepreneurship. All our work is done in accordance with the principles of sharia law.

About the ICD

SHARIA-COMPLIANT SUPPORT FOR THE PRIVATE SECTOR

At the ICD we promote the economic development of our member countries by providing financial assistance to private sector projects in accordance with the principles of sharia law.

We fund projects that are aimed at 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.

We always make interventions in member countries that are appropriate to their stage of development. In less developed member countries, we focus on building the basics of competitiveness and improving the regulatory environment. However, in better developed countries, we focus on enhancing private sector markets by increasing business sophistication.

Our work complements the activities of the Islamic Development Bank Group (IDBG) in member countries as well as those of national financial institutions. We are part of the IDBG.

Our mission

To complement the role played by the IDB through the development and promotion of the private sector as a vehicle for boosting economic growth and prosperity.

Our vision

To become a premier Islamic multilateral financial institution for the development of the private sector.

The way ahead

ACHIEVING OUR TEN-YEAR STRATEGY

In 2010 we embarked upon a new strategic roadmap. Since then every aspect of the ICD's operation has been transformed. In 2015 we began rolling out a robust ten-year strategy which is enabling us to consolidate our success. This strategy is all about promoting efficiency and competitiveness to enable countries to progress. We see innovation as a key economic driver and the ultimate stage of development.

As well as continuing to be active across all our member countries, the ICD is pursuing the strategic objective of 'moving east and south', allocating more resources for member countries in Africa and Asia so that we can achieve a regionally-balanced portfolio structure while addressing member countries' development needs.

How will we achieve our strategy?

We see ourselves as a development catalyst in a rapidly changing external environment and we will achieve our strategy by focusing on four strategic aims.

1. Growing our channels
2. Targeting our priorities
3. Expanding our scope
4. Leveraging our partnerships

We see innovation as a key economic driver and the ultimate stage of development.

OUR STRATEGIC AIMS

GROWING OUR CHANNELS

We are tapping into our competitive advantage in Islamic finance, shifting our focus to a wholesale approach by developing new and existing Islamic financial channels such as Islamic banks, ijara companies, takaful and investment companies. We are also extending lines of finance to existing financial institution partners.

LEVERAGING OUR PARTNERSHIPS

We plan to build upon our existing partnership with the IDB and other external institutions to open up new sources of funding and expertise and mobilize investment and action in member countries. We'll expand upon our existing fundraising activities to cover a broad range of areas, including sourcing and executing deals.

TARGETING OUR PRIORITIES

In member countries with less developed Islamic finance sectors, but bigger corporate sectors, ICD is directly financing investment in high impact, high priority sectors such as agriculture, manufacturing, infrastructure, health and education.

EXPANDING OUR SCOPE

ICD is working with governments, investment promotion agencies, regulators and other stakeholders to enhance the environment for private sector investment in member countries. We are extending a number of schemes, including our *Industry and Business Environment Support* (IBES) Program, SMEs Funds, Sukuk and Capital Markets Program, and Islamic Financial Institutions (IFI) Development Programs to new member countries. We also provide asset management solutions with the aim of connecting sovereign wealth funds, financial institutions, pension funds, insurance companies, endowments and even high-net individuals with investment opportunities across the emerging and developing markets.

This report showcases how we have worked towards achieving these aims in 2016, and how we plan to do throughout 2017 and beyond.

Making our strategy a reality

To achieve our vision, we will need to:

X2 Double our investment footprint over the next decade.

400,000 Work with member countries and SMEs to create nearly half a million jobs in the next 10 years.

► Establish and support Islamic financial channels in each member country.

60% We will allocate nearly two thirds of our business volume to building the financial sector.

1+ Provide finance to at least one direct investment project nationally.

10+ Expand our scope to create an enabling environment in at least 10 countries, delivering advisory services and developing at least 10 sukuk transactions.

20+ Create at least 20 funds to mobilize resources in high-impact sectors.

X3 For each US dollar of financing provided from our own resources we will leverage at least three in financing.



In 2016 our approvals
and disbursements were
dominated by line of
financing at around 50%.

1.

Growing our channels

We are using innovative ways to enable end beneficiaries – mainly small and medium sized enterprises (SMEs) – to access Islamic finance channels. We're doing this through equity investments in Islamic banks and non-bank financial institutions (NBFIs) and by extending sharia-compliant and affordable funding to financial institutions to support local private enterprise.

Growing our channels

We're proud that we are fully delivering on our mandate by contributing to the development and promotion of Islamic finance, improving its availability and affordability in member countries.

How are we doing this?

LINE OF FINANCING

In 2016 total ICD approvals and disbursements were dominated by line of financing (LOF) at around 50%.

LOF has proven to be a very effective tool for development with higher multiplier effect. It has direct and indirect benefits with a diverse set of stakeholders such as SMEs, micro-entrepreneurs, key sector corporates etc. This tool is particularly important for those economies with low levels of Islamic finance and poor access to affordable financing.

Last year we increased our approval figures for LOF by committing 14 new projects with a gross value of nearly USD400m. Our LOF approvals included one regional project for Sub-Saharan Africa and 13 country-level facilities.

ICD

ICD has helped to open Islamic Finance Windows in West Africa.

[READ MORE 38 ►](#)

Our LOF approvals included one regional project for Sub-Saharan Africa and 13 country-level facilities.

CASE STUDY: **UZBEKISTAN**

Supporting vital businesses in a vibrant economy

In 2016, ICD approved its second largest LOF facility in Uzbekistan amounting USD 70m.

This ICD member country has a large population and a vibrant and growing economy. SMEs are the key drivers of the country's economy. In 2011 there were 246,411 SMEs in the country and 161,000 entrepreneurs. They play an important role in agriculture (contributing 98% of total output), trade (87%), construction (67%), and services (56%). Between 2000 and 2015, the share of exports created by SMEs increased from 10% to 28%.

The LOF facility is designed to extend funds to selected financial institutions to support a wide range of SMEs. We have already extended USD148m in financing to 12 financial institutions in Uzbekistan. These are financing more than 200 SME projects, and have created over 2,500 permanent jobs.



Between 2000 and 2015, the share of exports created by SMEs in Uzbekistan increased from 10% to 28%.

**ICD**

Discover how the ICD is helping financial institutions in West Africa to open Islamic banking windows.

[READ MORE 26](#) ►

PAKISTAN

Received the biggest global line of financing (GLOF) of USD80m.

GABON

Various LOF facilities have been allocated to banks and financial institutions to close the financing gap for SMEs and promote business growth and expansion.

UZBEKISTAN

In 2016 ICD extended line of financing for USD5m to Taiba Leasing, continuing our support in the company's growth and in enhanced access to USD funding for SMEs in Uzbekistan.

INVESTING IN ISLAMIC FINANCIAL INSTITUTIONS

In 2016 we continued to invest in the equity of Islamic financial institutions, such as Islamic banks and ijara (leasing) companies.

Islamic banks, ijara, takaful and investment companies play a pivotal role, creating a multiplier effect in the socio-economic development of member countries. Establishing alternative modes and channels of Islamic finance in member countries helps to meet the growing demand for affordable finance among retail companies and other SMEs.

We actively explored equity investment options in various member countries with larger populations, relatively strong economies, and resilient and well-regulated financial sectors, combined with a strong demand for sharia-compliant products.

To that end, we expanded the ICD's institutional equity investment exposure in Bangladesh, Morocco, Saudi Arabia, Turkey and West Africa. These investments were aimed at equity participation in the capital of sharia-compliant financial institutions. The total value of these projects amounts to USD62.84m.



As we diversify
our portfolio we
plan to expand
our LOF
operations in
other regions, like
South East Asia
and EECA.

BURKINA FASO

The ICD has extended various LOF facilities to selected banks and financial institutions, funding the development of SMEs through domestic financial institutions.

IRAN

We've approved
GLOF amounting to

USD **50m**

to provide development
finance assistance.

CASE STUDY: EGYPT

Creating jobs and reducing poverty in Egypt

SMEs are vital to the Egyptian economy, driving economic growth, job creation and reducing poverty, so giving the country's entrepreneurs improved access to finance is vital.

In 2016, the ICD approved a USD25m LOF facility with a five-year tenure for Banque Misr (BM) in Egypt. The LOF will be mainly used to finance private enterprises, including SMEs but will also boost the long-term financial resources of the country's financial institutions to help them achieve their developmental objectives.

BM is the second largest commercial bank in Egypt (by assets), accounting for 15% of Egypt's total banking sector assets. It has the largest network and more than 13,000 employees. The bank's business lines include corporate banking, retail banking, SME banking, capital markets and Islamic banking. The Islamic banking division has 34 Islamic branches and the size of its Islamic financing portfolio rose to EGP3.1bn as of June 2015, up from EGP1.9bn in June 2014.

CASE STUDY: **WEST AFRICA**

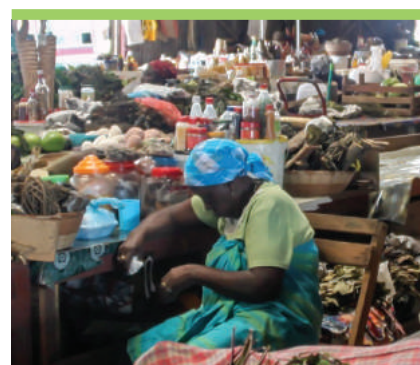
Supporting expansion into new markets

USD24.83m was approved to increase the ICD's stake in Tamweel Africa Holdings, which is based in Dakar, Senegal. This operation will accelerate the transformation process of Tamweel Africa holding from a financial holding company into a regional banking group. This banking group model will enable Tamweel to extract value from its existing capabilities and work with other partners to expand into new markets in the West Africa region.

**BANGLADESH**

USD **20.64m**

was approved for equity participation in the capital of the third largest sharia-compliant bank to acquire up to 10% shares in the capital of the Bank.

**SUKUKS**

We're guiding governments and corporates in issuing sukuk, or Islamic bonds. Discover more about this work in Cote d'Ivoire, Senegal, Togo and Suriname.

READ MORE 38 ➤

CASE STUDY: **MALDIVES**

Successful exit from Investee Financial Institutions

As part of its strategy to promote Islamic finance in its member countries, ICD aims to exit from its equity investments within 5-7 years of investment period, by inviting internationally recognized or local strategic investors.

Last year we successfully negotiated the sale of 5% from ICD's stake in Maldives Islamic Bank (MIB) to Amana Takaful Maldives (ATM). The sale of 5% stake in MIB to ATM enabled ICD to deliver on its strategic objectives and enabled MIB to have a strategic shareholder with a knowledge and expertise in takaful business and with an access to a regional network of financial institutions.



CASE STUDY: MOROCCO

A growing sector, a fresh approach

We were among the first foreign investor to express an interest and commitment to partner with a local reputable bank to establish an Islamic bank in Morocco. The Islamic banking industry here is in its infancy yet the country has strong economic fundamentals, solid growth potential and a stable political environment, making it an excellent opportunity. We are partnering with Groupe Credit Agricole du Maroc (GCAM), one of the largest and locally reputable banks, to establish a Participative (Islamic) bank in the

Kingdom of Morocco. The Bank Al Maghrib (BAM), the central bank regulator, has issued a letter of intent stating a favorable opinion for granting an Islamic banking license.

The new Participative bank will have an authorized capital of MAD400m (USD41.2m) and is expected to start operations with paid up capital of MAD200m (USD20.6m). The ICD and Islamic Banking Growth Fund (IBGF) will own 49% of the share capital while GCAM will have the remaining 51% stake.

What benefits will the new bank provide?

- Support key sectors of the economy, including agriculture.
- Promote Islamic finance in the member country.
- Transfer technical know-how and develop Islamic banking professionals.
- Create jobs, especially in retail and agriculture sectors.
- Encourage international best practice in corporate governance and management.



The Islamic banking industry in Morocco is in its infancy yet it has strong economic fundamentals, solid growth potential and a stable political environment.

CASE STUDY: **TURKEY**

An unmissable ijara opportunity

Halic Leasing was established in 2004. However, following a new regulatory requirement for leasing companies to have a minimum paid-up capital of 20m Turkish Lira, the previous shareholders of the company decided to sell their stake. Here was an opportunity to own an operating leasing company in one of the top 20 economies in the world.

In July 2016, ICD partnered with Aktif Bank (the largest privately owned investment bank in Turkey) and Ijara Management Company (a specialist Bahrain-based company offering solutions for Islamic leasing companies) to recapitalize Halic Leasing to the minimum level required.

Halic Leasing is the only leasing company providing sharia-compliant solutions to private sector participants, especially SMEs, in Turkey. ICD's investment is part of our strategy to establish or invest in at least one financial intermediary in each member country, enhancing access to finance for micro, small and medium enterprises while continuing to promote the development of Islamic finance in those countries.

With this investment, ICD has now invested in 11 ijara companies and is on track to meet its target of having 20 operating ijara companies by the end of 1440H (2019).



ICD's investment in Halic Leasing is part of our strategy to establish or invest in at least one financial intermediary in each member country.

CASE STUDY: KINGDOM OF SAUDI ARABIA

Support for the housing sector

Non-banking financial institutions (NBFIs) are key to meeting the diverse financial needs of different sectors and contribute to its economic development. They help to meet the credit gap, enabling more private sector companies to access finance.

The ICD invests in these channels as they provide another mode of intervention to reach many of our end clients in member countries, helping to create a positive multiplier effect.

Catalyst Group International (CGI) is a Jeddah-based management firm. Its mandate is to deliver solutions for the housing and SME sectors across ICD member countries, helping to develop a viable mortgage industry. The housing sector across all member countries requires significant investment over the next decade as young populations, combined with urbanization and modernization, drive demand for homes.

In 2016, we invested an additional USD4.5m in CGI, following our buy out of the other investors. We are now a majority shareholder, with around USD8m invested. This will enable us to leverage the expertise of the CGI team for the benefit of the ICD's member countries. The team provides advice on policy and legal and regulatory infrastructure, helping to develop both the primary and secondary mortgage finance market for Islamic mortgage finance and the overall housing sector.

Non-banking financial institutions help to meet the credit gap, enabling more private sector companies to access finance.



GROWTH

Find out more about how we are involved in a venture capital initiative to fuel start-up growth in the Kingdom of Saudi Arabia

Page 34 ►

CASE STUDY: PAKISTAN

Restructuring for greater impact

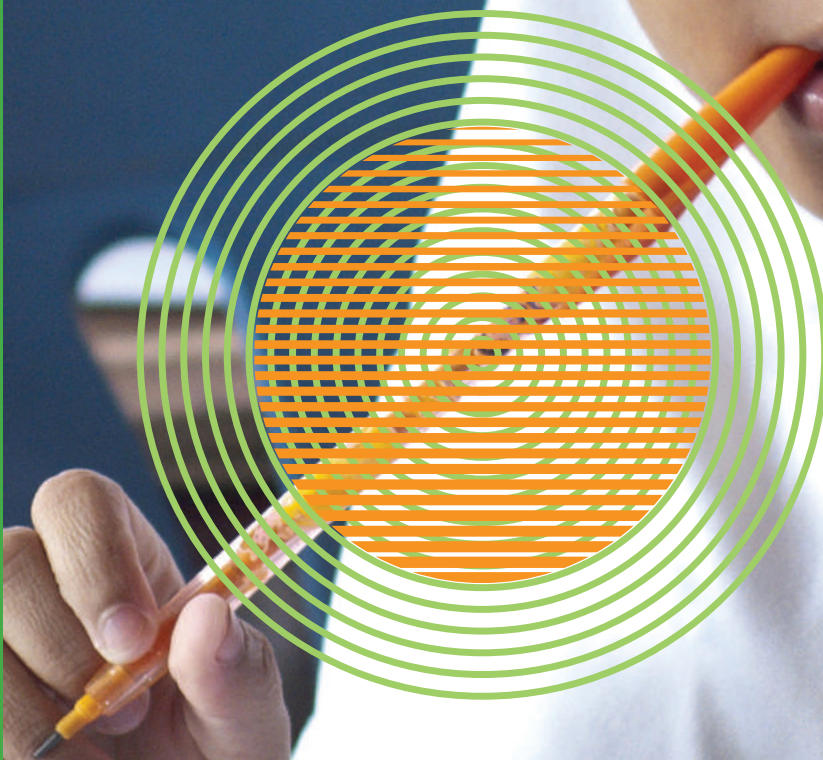
Besides investing in the capital of new banks and NBFIs, the ICD is also focused on the restructuring of investments to maximize the impact of its operations with the financial institutions. Last year we successfully negotiated a merger transaction of Burj Bank Limited, Pakistan with Al-Baraka Bank, Pakistan Ltd. This merger created an institution with assets totaling more than USD1bn and a network of 224 branches in over 100 cities across Pakistan. The merger was approved by the regulator and unanimously supported by shareholders. This substantial increase in combined capital and branch network will enable the merged entity, Al-Baraka Bank (Pakistan) Ltd, to further develop the banking industry and cater to the financial needs of retail, SMEs and corporate customers.

This merger created an institution with assets totaling more than USD1bn and a network of 224 branches in over 100 cities across Pakistan.

2.

Targeting our priorities

In member countries with less developed Islamic finance sectors, but bigger corporate sectors, the ICD is directly financing investment in high impact, high priority sectors such as agriculture, manufacturing, infrastructure, health and education.



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CSD

Targeting our priorities

If we are to realize our vision and strategy, and maximize development impact, the ICD must engage in a targeted and direct way in a range of key sectors in member countries.

How are we doing this?

TERM FINANCE AND CORPORATE EQUITY INVESTMENTS

Our term finance and corporate equity products are key to enabling us to gain entry to important sectors in member countries and enhance them for private sector operations. We act as a stand-alone operation, or in partnership with other financial institutions.

More targeted and direct investments help maximize the development impact by creating new jobs and transferring technology and knowledge across borders. Term finance and corporate equity products are key instruments granting the ICD entry to member countries with relatively low levels of Islamic financial sector development.

We approved a total of USD247.3m in 17 new transactions spreading across 12 countries. Of that, term finance transactions formed the largest share of approvals - USD240.1m or 97%. Corporate equity investments formed the remaining USD7.2m, or 3%, of approvals.

In 2016 our direct investments spread across four sectors. (Special attention was given to infrastructure projects to improve the asset-class of our portfolio.)

1. The **power and energy** (infrastructure) sector accounted for the highest allocation, totaling USD92.3m, 37.3% of corporate sector approvals.
2. The **industry and mining** sector saw the second largest investment, with USD80.2m, or 32.4%.
3. **Real estate** was third, with USD42m, or 17%.
4. **Health and social services** (infrastructure) sector gained USD32.8m of approvals, representing 13.2%.

We approved a total of USD 247.3m in 17 new transactions spreading across 12 countries.

CASE STUDY: POWER AND ENERGY

Mali: Tailoring approaches for energy projects

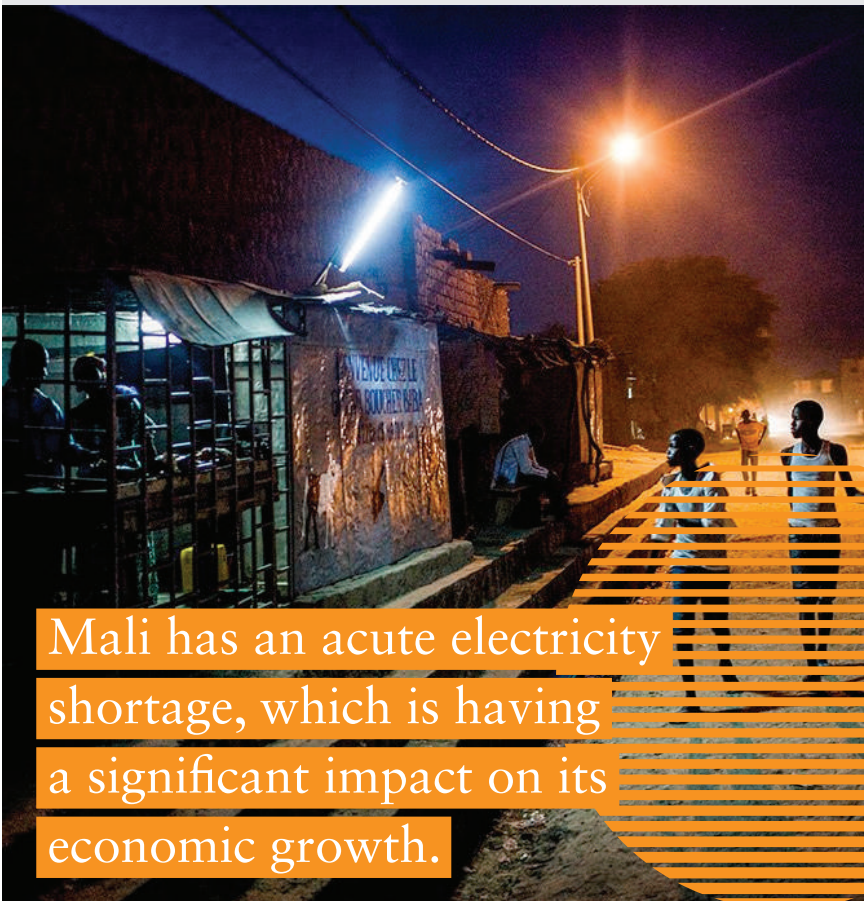
Mali has an acute electricity shortage, which is having a significant impact on its economic growth. The ICD approved a USD22.3m term finance facility to support the creation and operation of a heavy fuel oil (HFO)-fired power plant in north west Mali to help increase capacity to meet the country's growing demand.

Our intervention is via a tailor-made term financing tool whereby the ICD will take up a quarter of a senior financing facility for Albatros Energy (Kayes) IPP. The remaining financing portion is expected to come from international financiers.

The plant will be developed under a 'build own operate transfer' (BOOT) framework by Albatros Energy Mali, SA, the project company. The project is being developed by a consortium of local and international investors composed of IFU, the Danish government-owned fund, Infrastructure PPP Africa Fund and Argan Infrastructure Fund.

The project aims to:

- reduce the electricity supply gap by close to 30%
- expand and diversify the industrial capacity of the Kayes region
- enable the growth of ancillary and support infrastructure
- contribute to the stability and affordability of electricity in Mali.



Mali has an acute electricity shortage, which is having a significant impact on its economic growth.

NIGERIA

We are supporting a consortium to establish the first Islamic bank to be licensed by the Central Bank of Nigeria.

[Read more 37](#) ►



ICD approved and fully disbursed a USD20m term finance facility towards a brand new power plant in Barisal.

INDIA

We have signed a memorandum of understanding with Exim Bank in India to explore new export opportunities to member countries.

[Find out more 44 ►](#)

CASE STUDY: POWER AND ENERGY

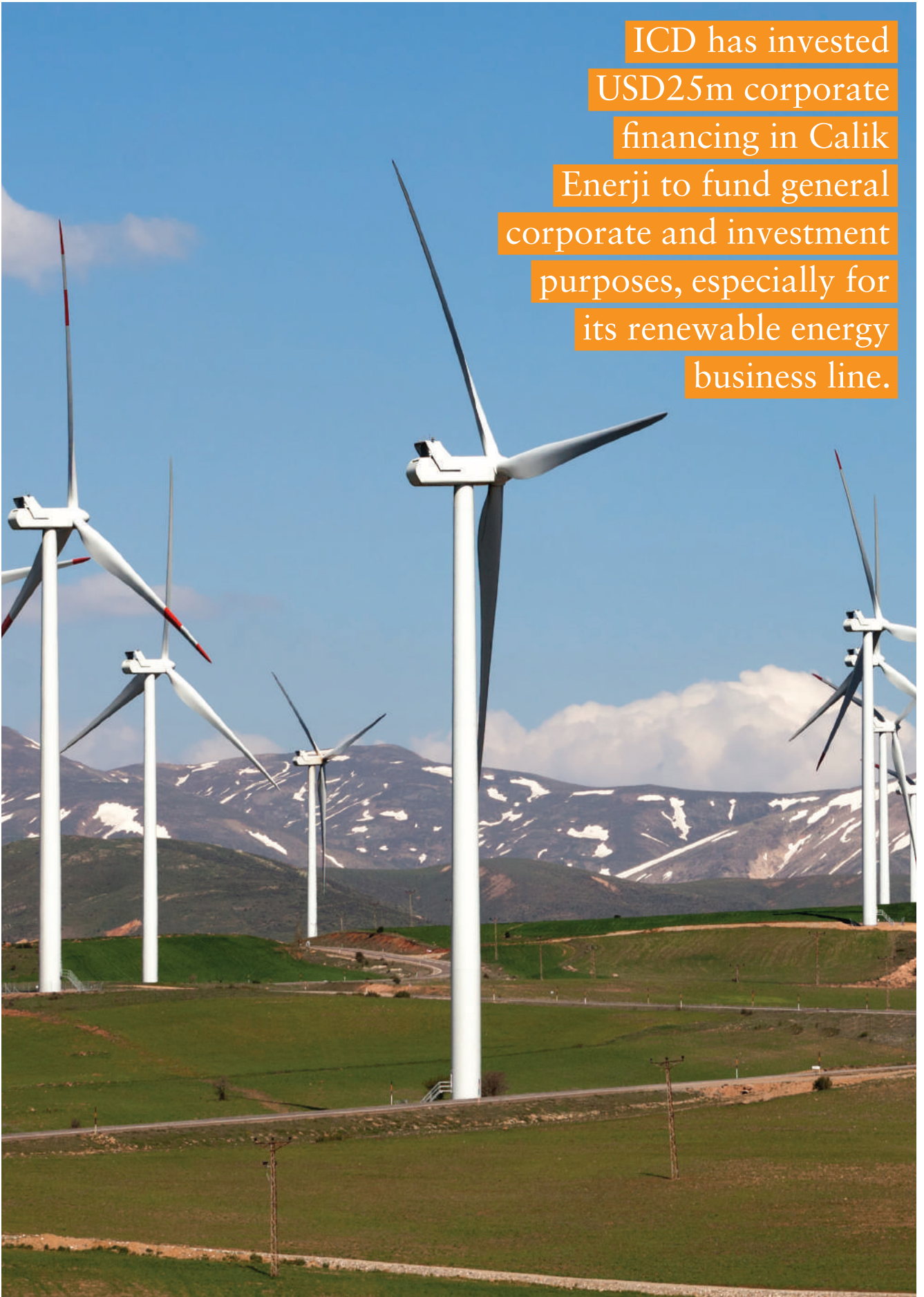
Bangladesh: Enhancing power supplies

April 2016 saw a brand new 110MW heavy fuel oil-fired power plant begin operating in Barisal, Bangladesh. Summit Barisal Power Limited (SBPL) was established to develop, finance, build, own and operate the plant, which was sponsored by the Summit Group, one of the most prominent business groups in Bangladesh's power generation sector.

In arrangement with City Bank of Bangladesh, the ICD approved and fully disbursed a USD20m term finance facility towards the project. This formed just under half of the USD50m syndicated financing facility required. Infrastructure Development Company Limited financed the remaining part.



ICD has invested
USD25m corporate
financing in Calik
Enerji to fund general
corporate and investment
purposes, especially for
its renewable energy
business line.



CASE STUDY: POWER AND ENERGY

Turkey: Funding clean energy – and jobs

In 2016 we also invested USD25m corporate financing in Calik Enerji to fund general corporate and investment purposes, especially for its renewable energy business line.

Calik Enerji is the power and energy arm of Calik Holding, a leading investment conglomerate in Turkey. Its operations span power and energy, construction and real estate, mining, textile manufacturing, telecom and financial services. The ICD facility will support the company's investment in renewable energy, as well as the building of its IPP portfolio. By enhancing its future prospects, the investment should result in substantial job creation and economic stimulus.



CASE STUDY: HEALTH AND SOCIAL SERVICES

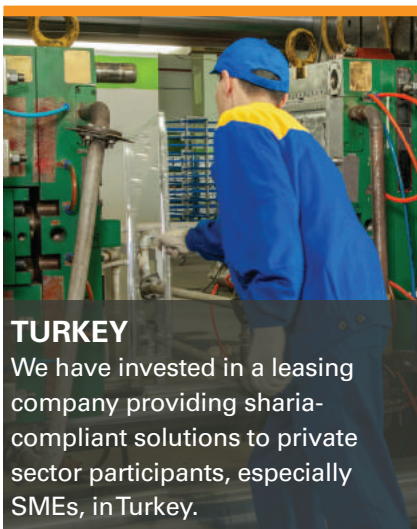
Turkey: Supporting health infrastructure

We approved a term financing facility worth USD24.5m to help construct a world-class 558-bed health campus, including a hospital, in Manisa, Turkey.

The project is being implemented under a Public Private Partnerships (PPP) scheme developed by the Turkish Government to stimulate private sector participation in the development of healthcare facilities. The Government aims to complete 35 health campuses and city hospitals in this way, adding 40,000-50,000 new hospital beds.

YDA Group, the project sponsor, is a well-established player in PPP infrastructure projects and a market leader in building airports and health campuses. We are financing the project jointly with other Islamic financial institutions, including the IDB, Ziraat Participation Bank and Siemens Bank.

We have approved a term financing facility worth USD24.5m to help construct a world-class health campus and hospital in Manisa.



TURKEY

We have invested in a leasing company providing sharia-compliant solutions to private sector participants, especially SMEs, in Turkey.

◀ Read more 28 & 29

3.

Expanding our scope

The ICD is working with governments, investment promotion agencies, regulators and other stakeholders to create a more enabling environment for private sector investment in member countries.



Expanding our scope

In 2016 we began extending what we offer to new member countries. This includes some of our schemes as well as our sukuk advisory services plus our finance deal and privatization project structuring. Building partnerships with the private sector to mobilize resources fosters an enabling environment for development, as well as the growth of Islamic finance.

How are we doing this?

ASSET MANAGEMENT

Our activities are aimed at connecting sovereign wealth funds, financial institutions, pension funds, insurance companies, endowments, foundations, family offices and high-net worth individuals with investment opportunities across emerging markets.

In an effort to mobilize resources for member country private sector development, the ICD structures, launches and manages funds with solutions spanning the full spectrum of asset classes in diversified industries. These funds enable the ICD to create a multiplier effect for our own resources. Our sizable product offerings are tailored to unique return and risk objectives in more than 50 countries.

By the end of 2016, we had USD866m of assets under management (AUM) across the following platforms and had generated a developmental multiplier on ICD committed capital of more than double.

1. income and capital markets
2. small and medium enterprises (SMEs)
3. private equity

Our asset management business had achieved approvals of USD1.3bn with disbursements of USD357.5m, allocated across a range of regions and sectors.

By the end of 2016, we had USD866m of assets under management and had generated a developmental multiplier on ICD committed capital of more than double.

ASSET MANAGEMENT APPROVALS AND DISBURSEMENTS – BY SECTOR

	Approval (USD)	Disbursement (USD)
Financial	1,045,826,218	243,826,218
Other	115,000,000	26,500,000
Industrial	46,973,333	9,920,000
Agriculture	16,520,000	11,520,000
Energy	13,000,000	3,411,356
Healthcare	12,780,000	11,012,723
Retail	10,000,000	10,000,000
Diversified	10,000,000	10,000,000
Tourism	6,750,000	6,670,000
Automobile	5,520,000	5,520,000
Food & Beverage	5,330,000	5,330,000
Real Estate	5,000,000	5,000,000
Entertainment	3,730,000	3,730,000
Logistics	3,650,000	3,650,000
Leasing	1,370,000	1,370,000
Total	1,301,449,551	357,460,297

ASSET MANAGEMENT APPROVALS AND DISBURSEMENTS – BY REGION

	Approval (USD)	Disbursement (USD)
MENA	881,790,000	204,431,356
EECA	16,333,333	10,000,000
SSA	90,326,218	64,128,941
Southeast Asia	61,500,000	-
South Asia	23,000,000	21,200,000
Diversified	10,000,000	10,000,000
Europe	195,500,000	34,450,000
Latin America	23,000,000	13,250,000
Total	1,301,449,551	357,460,297

Asset management platforms:

1. INCOME AND CAPITAL MARKETS (ICM) FUNDS

This was the first funds program launched by the ICD. It leverages our excellence in managing liquidity and sharia-compliant finance across a wide range of geographies and sectors.

ICM aims to generate superior and consistent excess returns by delivering a periodic dividend stream through risk analysis and intelligent investments. It has established various liquidity management and income funds to investors across the full risk-reward spectrum. To date it has generated USD1.24bn in approvals and USD309.2m in disbursements specifically from its two largest funds, ICD Money Market Fund and ICD Unit Investment Fund.

Close up on: Money Market Fund (MMF)

- Launched as a USD50m seed investment in 2013.
- The MMF has outperformed treasury funds in its category: in 2014 it generated an average of 3.8% (well above target return of Libor + 200BPS) in 2014.
- Today the assets under management stand at USD230m.
- By the end of 2016, the fund had achieved total approvals of USD1.15bn and disbursements of USD265m across a diversified base thanks to a well-crafted asset allocation strategy, risk framework, experienced portfolio management team and dedicated investor relations team capable of reaching targeted institutions.
- In 2016, the MMF was awarded 'Best Shariah Compliant Open-Ended High-Yield Income Fund (Since Inception)' and 'Most



Innovative Asset Management Firm 2016, APAC– MEA Region’ by Wealth & Finance International.

Close up on: Unit Investment Fund (UIF)

- A portfolio of fixed income products such as corporate finance, trade finance and sukuk.
- To date, the fund has undergone significant restructuring initiatives, including an optimized portfolio allocation, a revised strategic plan, a changed regulatory status and a marketing investors’ plan.
- In 2016 the UIF delivered a 4% dividend distribution, achieving its target return for the year.
- Fund size is currently USD242m.
- In 2016, the fund approved USD88.6m and disbursed USD44.2m of transactions across sectors and geographies.

CASE STUDY: UNITED ARAB EMIRATES

Filling the accommodation gap for Dubai’s workers

Dubai is busy preparing for Expo 2020 and is witnessing heightened construction activity. However, there’s a huge 500,000-bed shortfall in accommodation for construction workers. To help address this, the ICD UIF has financed the development of a three-building, 58,750 sq ft residential complex in Jebel Ali, UAE for a real estate conglomerate of approximately USD9m. The fund obtained a lucrative 6.5% mark-up with a margin over its target return.

The project design elements adhere to the latest Dubai Municipality Labor Accommodation regulations and demand premium rental revenues. The energy efficient design means running costs are low, it has economical HVAC systems and a gray water recycling system – cost savings from this system alone are thought to be AED105,000 per month. Further savings should result from the automatic shutdown of the air conditioning system during the winter months.

At present, the accommodation is fully occupied with 792 workers. The rental contract has been renewed on a long-term basis, with current property value and rent rising by 10%.

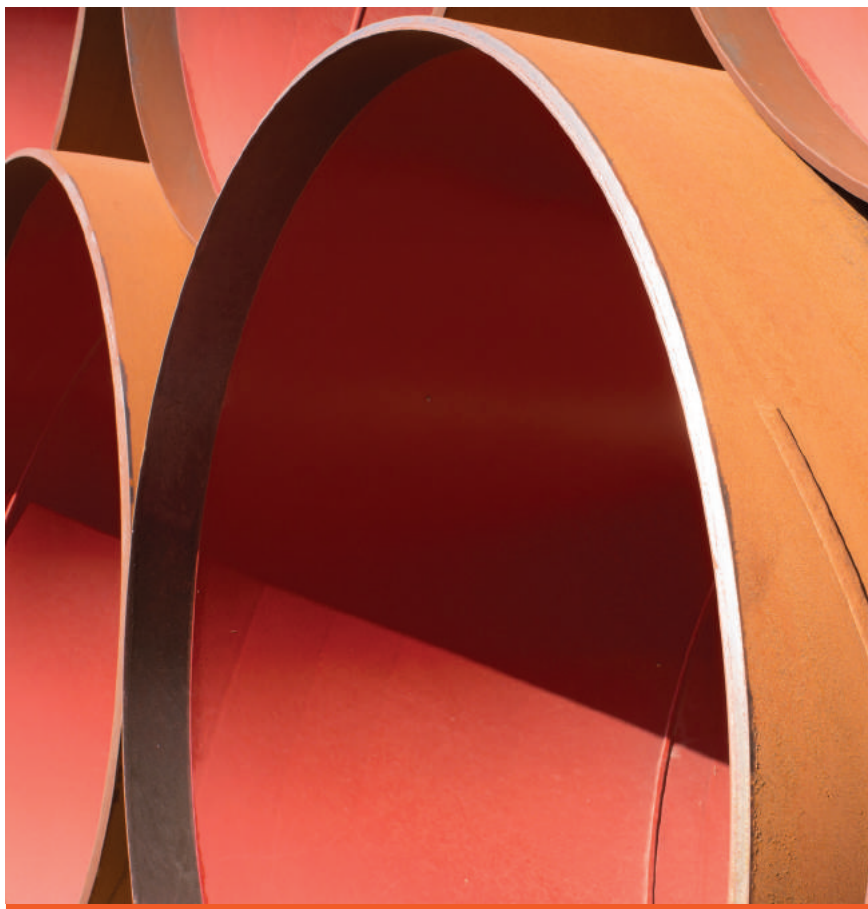
2. SMALL AND MEDIUM ENTERPRISES (SMEs) FUNDS

ICD offers 'access to finance' solutions for the underserved SME sector by deploying mezzanine capital in well planned, properly capitalized and skillfully managed businesses.

Despite our targeted annual double-digit returns attained from investing in the SME sector, managing funds can be challenging as enterprises require close follow-up.

In recent years, our focus has been on selecting the best strategic fund managers and establishing appropriate fund structures to maximize rewards to investors and boost development in member countries. We will continue to invest in SME funds, primarily through external fund management companies. However, where there is demand, we may establish or acquire fund management companies.

**Beacon VC
provides venture
capital funding
for hi-tech
start-ups in KSA
and the region.**



CASE STUDY: KINGDOM OF SAUDI ARABIA

Serving start-up growth in Saudi Arabia

The Kingdom of Saudi Arabia has developed a keen focus on boosting different sectors and encouraging private sector development. Venture capital (VC), a primary catalyst for economic growth, is largely underdeveloped in the country: many start-ups in the Kingdom are still in urgent need of financing.

Beacon VC Fund is a joint initiative between the ICD, King Abdullah University of Science and Technology (KAUST), and Anfaal Capital and provides venture capital funding for hi-tech start-ups in the country and the region as a whole. As well as leading early-stage equity financing rounds to attract local investors and international venture capitalists, the fund invests in strategically important sectors, nurturing entrepreneurship and technological innovation, while stimulating job creation.

The initiative leverages the ICD SME Fund's experience in the development and management of investment vehicles, KAUST's expertise in new technologies, and Anfaal's expertise in the Saudi market as a licensed fund manager.

The Beacon VC Fund is an all equity fund and is domiciled in the Kingdom of Saudi Arabia. It has a final target size of USD30m with an initial close of USD20m. At present, ICD has already committed USD4.5m into the fund.

CASE STUDY: **TURKEY**

Boosting SME growth and liquidity in Turkey

In 2016, the ICD launched a sharia-compliant asset management company (AMC) after obtaining a full portfolio management license and authorization to operate from the Capital Markets Board of Turkey.

The initiative, called Mukafat Portfoy Yonetimi, was led, designed, developed and executed by the ICD in collaboration with Aktif Bank, a prominent financial institution. It aims to tap into local institutional, retail and pension fund segments and contribute to the development of the Islamic capital markets and ecosystem in Turkey.

The ICD will provide the AMC with strategic and operational support across its lifetime and oversee corporate governance to ensure

sound decision-making and internal processes are adopted.

The initiative will launch a range of sharia-compliant funds, all of which will be domiciled in Turkey. These will be a range of:

- **Close-end funds:** Alternative strategies including a SME focused equity and quasi-equity fund targeting local and international investors.

On its first Turkey-domiciled closed-end SME fund, AMC has already achieved a total commitment of USD20m, with a fund target of USD50m to reach. The fund will begin operating in 2017 and will target under-served SMEs with high growth potential in various regions of Turkey. Further close-end alternative funds will be launched at a later stage.

- **Open-end funds:** Long-only actively managed liquid listed instruments strategies (tapping into external distribution in Turkey).

AMC aims to develop Turkish domiciled mutual funds through long-only actively managed liquid sharia-compliant instruments (equities, sukuks and balanced vehicles using alpha and beta trading strategies) and portfolios in Turkish capital markets. Mutual funds managed by the portfolio management company will mainly be distributed through retail distribution channels consisting of branches of commercial/participation banks (external distribution channels), the Capital Market Board fund platform and a dedicated AMC online platform.



This initiative aims to contribute to the development of the Islamic capital markets and ecosystem in Turkey.

3.PRIVATE EQUITY FUNDS

The ICD's Private Equity Funds (PE) program was formed to set up tailored funds to help address specific problems created through resource shortages and urbanization. Operational improvements are the core foundation of private equity success. Private equity firms or funds therefore need to have sector expertise so that they focus on particular themes.

Similar to the SME program, the PE program aims to partner with renowned international firms that possess expertise in a particular sector. The program directly manages alternative funds in its core area of competency, such as the newly formed Islamic Banks Growth Fund (IBGF), which is designed to streamline, expand and improve the effectiveness of the ICD's intervention program in the financial sector.

The program also plans on launching private equity funds in infrastructure, agriculture and healthcare in the intermediate term.

Islamic Banks Growth Fund

Launched in 2015 with a first close of USD100m, the IBGF is a unique co-investment vehicle that gives investors the opportunity to gain exposure to the Islamic banking industry while leveraging ICD's vast experience and track record in this field.

The IBGF identifies and invests in commercially attractive opportunities in Islamic banking globally. It is structured as a closed-end private equity fund with a target size of USD300m, a ten-year life, and a target return of 15%+ per annum.

Third party investors can enjoy the prioritized access to member countries and rights, privileges and protections that are afforded to ICD as a multilateral institution. These range from preferred creditor status and asset protection to capital repatriation and immunity from taxation.

In late 2016, the fund gained approval to invest outside ICD member countries, to develop the sector and

serve significant Muslim populations living in non-member countries. This has created new avenues for the fund to seek high-development impact in commercially attractive investments, while boosting the ubiquity of Islamic finance. Efforts are currently underway to raise funds from third party investors.

The fund is still in its investing period, with no disbursements and approvals.



Advisory services

The investments we make in member countries old and new are only one component of our focus on private sector development. Advisory services, technical assistance and capacity building activities play an equally important role in helping us to achieve our development goals.

Advisory services play a key role for the ICD in fostering an enabling environment, creating a level playing field for the private sector and mobilizing resources. The corporation aims to provide world-class advice for member countries and private sector entities to help them improve their development mandate and raise capital. In this regard, the ICD's mission is to position itself as the advisor of choice in its selected focus areas and deliver services through various tailor-made programs.

The ICD signed 14 advisory mandates spanning our four advisory programs.

1. Islamic Financial Institutions (IFI)
2. Sukuk and Capital Markets
3. Industry and Business
Environmental Support (IBES)
4. Infrastructure and Privatization
Advisory

1. ISLAMIC FINANCIAL INSTITUTIONS PROGRAM (IFI)

This program advises on establishing new Islamic financial institutions, the conversion of conventional financial institutions (FIs) to Islamic financial institutions, and establishing Islamic windows in conventional FIs. The program also provides capacity building and advises governments on developing regulatory frameworks.

In 2016, the IFI program signed six new mandates covering four different member countries and two regions (cutting across various countries).

These include:

Nigeria: The ICD is providing comprehensive technical advisory services to a consortium of Nigerian promoters (MFB Consortium) to establish the first Islamic bank to be licensed (with national licence status at inception) by the Central Bank of Nigeria.

Morocco: The ICD is advising on the creation of a new Islamic Bank, in collaboration with Crédit Agricole du Maroc.

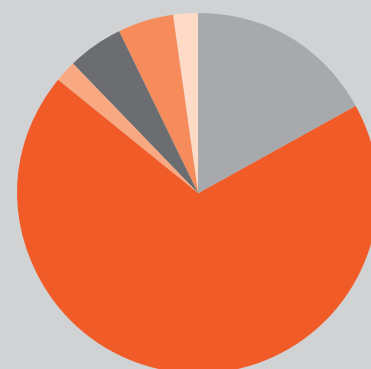
Opening windows

The ICD helps financial institutions to open Islamic windows for the gradual introduction of sharia-compliant banking – or to convert to a full Islamic bank. These are some of the projects we have advised on in 2016.

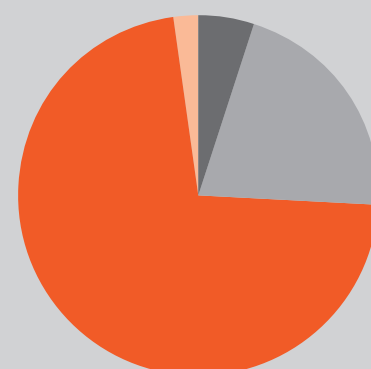
Brunei: We are supporting Tabung Amanah Islam Brunei (TAIB), a corporate body conducting both financial and non-financial activities in Brunei Darussalam, to separate its financial activities into a fully-fledged Islamic bank.

Cote D'Ivoire: After advising on the creation of Afriland First Bank's (AFB) Islamic banking window in Cameroon in 2015, we assisted AFB in the creation of another Islamic banking window in Cote D'Ivoire in 2016.

STRUCTURE OF THE ICD'S ADVISORY PROJECTS PORTFOLIO



Regional Dist.
 ■ Asia ■ Africa ■ Europe
 ■ South America
 ■ Regional ■ Global



Sector Dist.
 ■ Infrastructure ■ Agriculture
 ■ Financial ■ Industry & Mining

Advisory services play a key role for the ICD in fostering an enabling environment, creating a level playing field for the private sector and mobilizing resources.

CASE STUDY: WEST AFRICA

Opening Islamic Finance Windows

We are advising the West African Development Bank (BOAD) on establishing an Islamic window, making it the first conventional development financial institution on the African continent to establish an Islamic banking window. Our services involve:

- providing the bank with sharia-compliant products targeted to their needs
- helping to set up the sharia board
- guiding on the selection and implementation of suitable IT solutions to cater for the Islamic banking activities
- human resource training on Islamic banking
- develop a bespoke marketing and communication strategy for the new Islamic banking window.

What are the benefits to the BOAD?

1. Promote financial inclusion by providing interest-free financing to previously excluded beneficiaries across BOAD's eight member countries.
2. Unlock a new market segment and additional revenue streams for the bank that it can use for development activities.
3. Build the capacity of BOAD's staff and help to spread knowledge and understanding of the beneficial principles of Islamic banking in BOAD and its member countries.

2. SUKUK AND CAPITAL MARKETS PROGRAM

A sukuk is an Islamic bond that is structured to generate returns to investors while complying with Islamic law. This program provides advisory services to governments and corporates to guide them through the process of issuing a sukuk, providing the capacity necessary to enable them to develop local capital markets.

In 2016, the ICD signed four new sukuk mandates in four different member countries, either as a debut or second tranche and closed the Jordan Sovereign Sukuk (mandated in 2015).

Cote d'Ivoire: We helped this member country to successfully issue the second tranche of its sovereign sukuk. It was a USD266m ijara sukuk priced at 5.75%, with a seven-year tenure and a two-year grace period. This second issuance was less than a year after Cote d'Ivoire's first successful sukuk issuance, which the ICD also assisted with.

Senegal: A similar advisory mandate was implemented when we enabled the country to successfully issue the second tranche of its sovereign sukuk. It was a USD332m ijara sukuk priced at 6%, with a ten-year tenure and a two-year grace period. This second issuance came two years after Senegal's first successful issuance which had been the first sovereign sukuk in Africa to be part of the



International Capital Market (also assisted by the ICD).

Togo: As a debut, we supported this member country to issue its first sovereign sukuk. In Togo this was a USD259m ijara sukuk priced at 6.5%, with a ten-year tenure and a two-year grace period.

Suriname: ICD was mandated by Suriname in 2016, to assist in the issuance of its first Sovereign Sukuk. Suriname aims to mobilise resources from regional and international markets in order to finance development/infrastructure projects in the country.



CASE STUDY: JORDAN

Debut issue of Sovereign local currency sukuk

We helped the Government of Jordan to successfully issue its first sovereign local currency sukuk. The aim of the sukuk was to solve the persistent challenge faced by Islamic banks in Jordan of liquidity management while providing a source of funding for the Government to finance its developmental activities.

Project highlights

- The sukuk issue was priced within the country's conventional bond price at 3.01%, therefore providing a cheaper source of funding. It was oversubscribed by three-times.
- This transaction saw the ICD partner with the Japan International Cooperation Agency (JICA). We acted as guide through the issuance process, while the JICA acted as the technical assistance provider, funding the expenses relating to the transaction.
- 3. Creating technical knowledge and practical experience in issuing sukuks, paving the way for the private sector to issue corporate sukuks.
- 4. Winning the most prestigious global Islamic finance award, the IFN Award, for 'Sovereign Deal of the Year 2016'. IFN hailed the developmental impact of the deal and its expected ripple effects on the industry, because it "bears a number of unique features that may influence the evolution of the Islamic Capital Markets".

Project benefits include:

1. Opening up a new source of finance to a previously excluded class of investors.
2. Enabling Jordan to use sukuks in complete autonomy to finance its future infrastructure projects.

3. INDUSTRY AND BUSINESS ENVIRONMENTAL SUPPORT PROGRAM (IBES)

Through the IBES we aim to identify the critical challenges inhibiting the growth of businesses and work with public and private partners to identify and implement solutions by mobilizing strategic partnerships, expertise and resources.

The IBES program is focused on four themes.

1. Special economic zones – involvement at spatial level
2. Business environment – involvement at national level
3. Value chains – involvement at sector level
4. Firm productivity and innovation – involvement at company level.

In 2016, the ICD signed three new mandates through our IBES program.

Djibouti: Our mandate was to help the country to find the ways and means to increase its manufacturing capacity from 3% to 16% of GDP by 2035 while maintaining a harmonious regional balance using industrial zones (IZ) within the framework of the country's Vision 2035.

Vision 2035 is the object of the technical assistance program between the Djiboutian Government and the ICD, which started in 2013. The first phase (2013-2015) delivered a diagnosis of the regulatory and institutional framework and a proposal for a USD51m investment in the gradual development of 219 hectares of industrial space. The second phase, signed in 2016, aimed to implement key activities leading to the development of the zones. The program is being successfully deployed as a south-south cooperation arrangement and

is a model of our group synergy. Technical partners include the Tunisian Agency for Technical Cooperation, Tunisian Land Development Agency and Tunisian Foreign Investment Promotion Agency.

Mauritania: Our involvement was part of a comprehensive engagement that began in 2011 in support of the Government's plan to transform Nouadhibou (the country's second largest city) into a free zone to leverage success from its abundant fishery resources.

The USD1.5m program combines various interventions to encourage private sector investment, and has been jointly financed by the ICD, ITFC, the Government, the Turkish Cooperation and Development Agency, the Initiative Aid for Trade in Arab States, and the IDB.



CASE STUDY: YEMEN

Boosting business resilience of SMEs

The Business Resilience Assistance for Value-adding Enterprises (BRAVE) Project provides critical intervention in this conflict-ridden country. Fighting has paralyzed economic activity and put female-run businesses and SMEs at risk. This project invests in business resilience and business continuity initiatives to help enterprises to manage risk, and develop crisis mitigation strategies.

The BRAVE Project targets the most affected groups, namely youth, women and SMEs. Its key focus is on pro-poor sectors including agribusiness, fisheries, healthcare and textile. The project consists of three components.

1. Providing business resilience capacity building: training 500 qualified firms in how to deal with conflict conditions and prepare resilience plans.



4. INFRASTRUCTURE AND PRIVATIZATION PROGRAM (IPP)

This ICD program is positioned to advise on the development and financing (finding the right capital) of small and medium scale infrastructure projects. These can be private sector or PPP projects, and include independent power projects, utilities, telecommunications and industry (e.g. cement, fertilizer, steel). The ICD also advises governments on privatization strategy and specific privatization transactions to attract private sector investment.

African Infrastructure Islamic Finance Fund (AIFF)

In 2016, ICD approved the creation of the first African Infrastructure Islamic Finance Fund aimed at providing sharia-compliant financing for infrastructure projects in selected African member countries.

Africa's annual infrastructure needs are estimated at USD93bn. The AIFF will target the tier 2 infrastructure projects (USD50-250m) that are often underserved by bigger players, especially within the private sector. Many smaller infrastructure transactions require advisory services before they are considered 'bankable', so the AIFF aims to address this underserved market. AIFF will also leverage the multilateral status of the IDB Group and grow the funds through strategic alliances within the global developmental space.

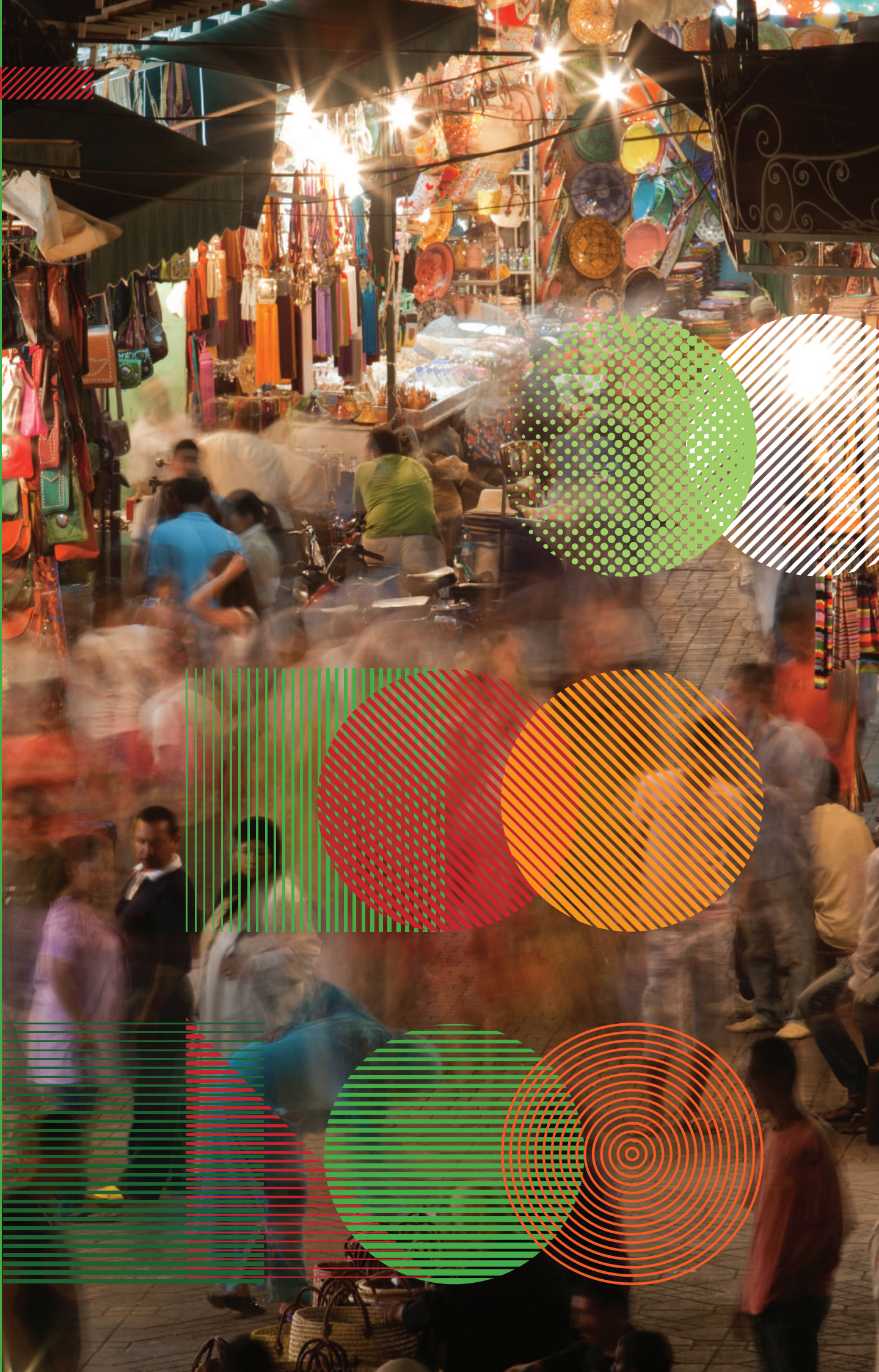
The ICD is co-managing the fund with Infrastructure Leasing & Financial Services (IL&FS), an established infrastructure developer, financier and equity investor in emerging markets. It is owned by strong and respected shareholders such as the Central Bank of India and Abu Dhabi Investment Authority, among others.

2. Providing business recovery support to 400 SMEs with matching grants of USD15,000 per beneficiary, to be invested primarily in capital goods needed by the business.

be through a tailored matching grant scheme with average allocation of USD50,000 per lead firm.

3. Strengthening the chain resilience for the target sectors and helping 20 value-chain lead firms adjust, upgrade or enhance their business models for the new market structure. This will

Currently, USD6m has been raised for the BRAVE Project from the MENA Transition Fund, which was established in 2012 at the request of the Deauville Partnership with Arab Countries in Transition.



4.

Leveraging our partnerships

We are building on our existing partnerships with the IDB and other institutions to open up new sources of funding and expertise to mobilize investment and action in member countries.

It is crucial for any multilateral development institution like the ICD to create solid partnerships that harness all the potential resources available for its investment and advisory activities. Through our partnership development work, we are dedicated to achieving our goal of increasing shared and sustainable prosperity among our member countries.

How are we doing this?

MEMORANDA OF UNDERSTANDING

We are committed to providing long-term assistance to member countries by establishing strong foundations for new partnerships. Several memoranda of understanding (MoU) were signed in 2016 to enhance support to our member countries to enable them to develop.

Creating solid partnerships with other multi-lateral development banks, private sector agents and governments brings together all potential resources, both financial and non-financial, and enables us to make our wide range of investment and advisory activities available to more beneficiaries, creating higher development impact. Through our partnership development work, we are fully dedicated to our goal of increasing shared prosperity among our member countries in a sustainable manner.

Key partnership agreements have been put in place to fulfil different facets of the ICD's mandate, such as:

- boosting the Islamic finance industry
- diffusing knowledge and building capacity
- collaborating beyond our member countries.

Through our partnership development work, we are fully dedicated to our goal of increasing shared prosperity among our member countries in a sustainable manner.

Boosting the Islamic finance industry

MoU with Saturna Sdn Bhd partner

Saturna Sdn. Bhd. (Saturna) is a wholly-owned subsidiary of US-based Saturna Capital Corporation. The ICD signed an MoU with Saturna to cooperate in offering sustainable Islamic finance vehicles to investors. This partnership highlights ICD's dedication to promoting responsible investment principles through the adoption of environmental, social and governance (ESG) criteria in Islamic finance.

Diffusing knowledge and building capacity

Cooperation framework agreement with the Islamic Trade Finance Corporation (ITFC)

ITFC and the ICD signed a cooperation framework to enable the Nouadhibou Free Zone Authority (NFZA) in Mauritania to adopt international practices in organization design, human resource management, financial planning and management through a twinning program with the leading model of Aqaba Special Economic Zone Authority (ASEZA) in Jordan.

PACT on Islamic finance program with Centre for Advanced Studies in Management (CESAG)

The ICD and CESAG signed an agreement for the implementation of an academic program of Islamic finance in West Africa. This agreement involves University of Paris-Dauphine as the third partner in carrying out initial training, research and consulting activities in the field of Islamic finance. This is to ultimately establish an academy of excellence in Islamic finance in West and Central Africa.

Collaborating beyond our member countries

MoU with Exim Bank of India

An MoU was signed between the ICD and the Export-Import Bank of

India (Exim Bank). This will explore the feasibility of extending a commercial line of credit of USD100m to the ICD with the aim of facilitating the export of goods and services from India to our member countries.

MoU with China National Building Material Company Limited (CNBM) International Engineering Co (IE)

The ICD and CNBM-IE have signed an MoU to conceptualize, develop and structure a global scheme for the development of social infrastructure projects in our member countries. The scheme aims to use a public private partnership mode of development called 'design finance build lease transfer' to meet the funding gap.

SYNDICATION AND FUNDING ACTIVITIES

The ICD finances, and arranges financing deals, to enable member countries to mobilize financing from the private sector. Our syndication and resource mobilization teams have been active throughout 2016 arranging a number of syndicated deals and funding activities.

Syndicated transactions include:

The ICD as mandated lead arranger for Defacto, USD50m secured transaction. Defacto was established and opened its first store in 2004. Within 11 years, it was one of the leading brands of the ready-to-wear apparel and fashion industry in Turkey. Today, it is the second largest apparel company active in Turkey with 283 domestic stores. It also has presence outside of Turkey with 45 foreign stores.

The ICD as co-financier for Summit Barisal Power Limited, USD22m project finance.

Summit Barisal Power Limited or SBPL is a proposed 110 MW (net) heavy fuel oil-based power plant to be created at Barisal by the Summit Group. The project company has undertaken to design, build

and operate the plant to generate and supply electricity to the Bangladesh Power Development Board for a period of 15 years on an off-take basis. SBPL won the project through a competitive tender-based bidding process.

Funding activities include:

- Under the first ICD annual funding program approved in 2015, we have mobilized a total of USD1.1bn from public issuance and private placements. In April 2015, a public issuance transaction of USD300m marked the ICD's first issuance in the public sector, allowing us to establish our curve alongside global SSA comparables.
- The creation of the Medium Term Note Program was one of our key areas of focus in 2016. This will be the platform for the ICD to issue sukuks either via public issuances or private placements listed on the London Stock Exchange as well as NASDAQ Dubai.
- 2016 witnessed the second ICD annual funding program when the Board of Directors approved our annual Resource Mobilization Program of up to USD1.25bn. The program aims to identify our resource requirements for the financial year so that we can achieve our operational and financial targets while maintaining the required liquidity level as per our Liquidity Policy.



THE UNIVERSITY OF PARIS-DAUPHINE

The third partner to the the ICD and CESAG, carrying out initial training, research and consulting activities in the field of Islamic finance.



Organization and governance

All the actions of the ICD are approved and scrutinized by highly experienced, senior figures who are dedicated to the development of our member countries.

SCRUTINY AND A COMMITMENT TO EXCELLENCE

Every action and decision made by the ICD is governed by a wealth of experience. Everyone involved, from our President to our General Assembly, Board of Directors and other Boards and Committees, prides themselves on fairly and faithfully representing our member countries and institutions.

IDB PRESIDENT APPOINTMENT

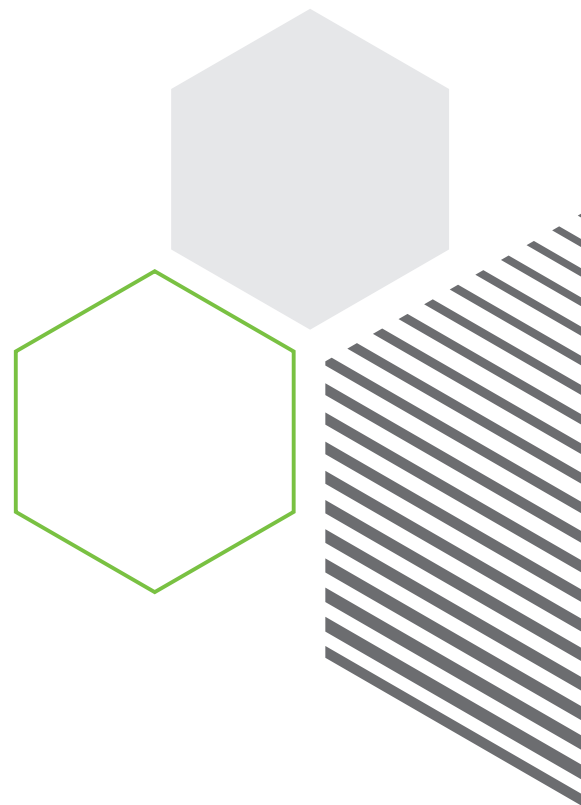
Following the retirement of Dr. Ahmad Mohamed Ali as the President of IDB, The General Assembly elected Dr. Bandar bin Mohammed bin Hamza Asaad Hajjar as President of IDB for a term of 5 (five) years from 1/10/2016.

GENERAL ASSEMBLY

The General Assembly is the highest authority of the ICD, which represents its members (countries and institutions). Its main functions are to lay down the policies governing the work and general supervision of the ICD.

At the start of the inaugural meeting, the General Assembly shall elect a Representative of a member country to act as Chairman and one representative of a member country to act as Vice-Chairman until the end of the first annual meeting of the General Assembly. At the end of each annual meeting, the General Assembly shall elect a representative of a member country to serve as a Chairman and one other representative of a member country to serve as Vice-Chairman until the end of the next annual meeting.

Each member of the General Assembly shall have one vote for every share subscribed and paid for, and all matters shall be decided by a majority of the voting power represented at each meeting.





Board of Directors (BOD)

The BOD is mainly responsible for the adoption of policies, operations strategy, budget, and the general conduct of ICD operations within the powers delegated to it by the General Assembly.

The Board consists of 10 members and is chaired by the President of the IDB Group. Other members include, the Chief Executive Officer of the ICD along with the representatives of IDB, member country groups from Africa, Asia, Arab Asia, public financial institutions and a permanent member from Saudi Arabia (representing the largest shareholder after the IDB).

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.

Members of the BOD appointed by the Bank shall have the votes of the Bank divided equally among them and each member of the BOD shall be entitled to cast the number of votes which the members of the corporation whose votes counted towards his election are entitled to cast.

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.



1.



2.



3.



4.



5.



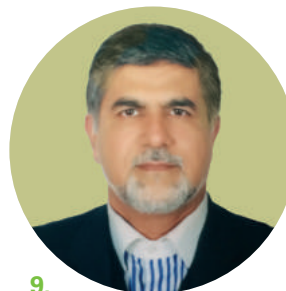
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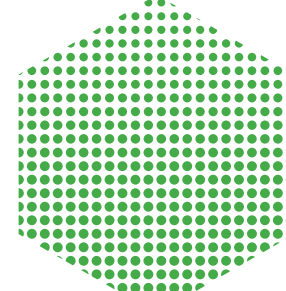
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10.



BOARD OF DIRECTORS*

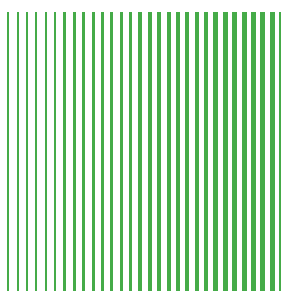
1. Dr. Bandar Mohammed Hajjar (Chairman of the Board)
2. Mr. Khaled Mohamed Al-Aboodi (CEO & General Manager)
3. Dr. Abdullah Bin Sulaiman Alsakran (Representing Kingdom of Saudi Arabia)
4. Mr. Abdullah Mohammed Abdullah Al Zaabi (Representing Arab Group)
5. Mr. Omar Ahmed Al-Somali (Representing Financial Institution Group)
6. Mr. Abdourahmane Cissé (Representing Africa Group)
7. Mr. Mohammad Nizam bin Haji Ismi (Representing Asia Group)
8. Mr. Bader Abdullah Abuaziza (Representing IDB)
9. Dr. Hosein Ghazavi Khouasgaqni (Representing IDB)
10. Mr. Abdirahman Sharif (Representing IDB)

* As of 31 December 2016

The BOD appoints an Executive Committee (EC) from its members that serves as a fast-track decision-making body. It has the power to approve all financing and investment operations and all other powers delegated to it by the Board. The EC is composed of up to six members, of which three seats are allocated permanently to the Chairman of the Board, the CEO & General Manager and the representative from 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*

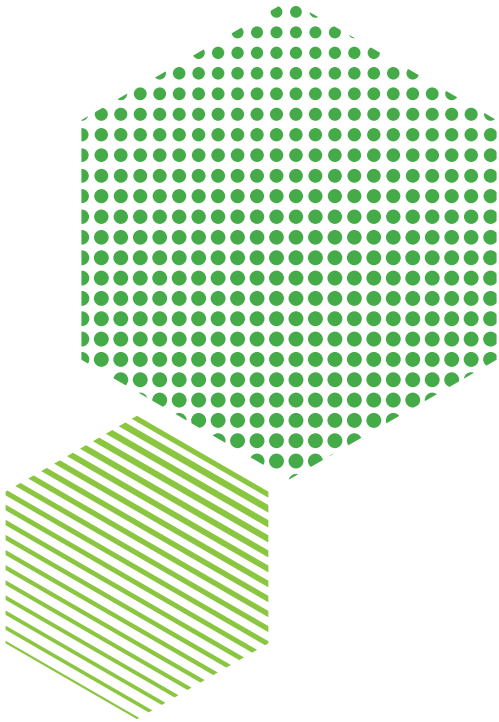
1. Dr. Bandar Mohammed Hajjar (Chairman of the Board)
2. Mr. Khaled Mohamed Al-Aboodi (CEO & General Manager)
3. Mr. Abdullah Mohammed Abdullah Al Zaabi
4. Dr. Abdullah Bin Sulaiman Alsakran
5. Mr. Omar Ahmed Al-Somali
6. Dr. Hosein Ghazavi Khourasgaqni



ICD DIRECTORS*

1. Mr. Khaled Mohamed Al-Aboodi (CEO & General Manager)
2. Dr. Majid Sabbagh Kermani (Director of Strategy and Policy Department)
3. Mr. Juanito Limandibhratha (Director of Risk Management Department)
4. Mr. Najmul Hassan (Director of Financial Institutions Development Department)
5. Ms. Nida Fatima Raza (Director Advisory Services Department and Acting Director of Asset Management Department)
6. Mr. Mohammed Alammari (Director of Internal Audit Office)
7. Mr. Sulaiman Al-Sultan (Director of Corporate Support Department)
8. Mr. Farid Mohamed Masmoudi (Director of Direct Investment and Financing Department)
9. Mr. Basel Haj-Issa (Director of Remedial Asset Management Unit)
10. Mr. Seedy Keita (Director of Finance Department)

* As of 31 December 2016



CEO AND GENERAL MANAGER

The CEO, who also serves as the general manager, under the general supervision of the Chairman of the Board of Directors, conducts the day-to-day business of the 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 financing and investment of the ICD. The BOD reappointed Mr. Khaled Mohammed Al-Aboodi as the CEO and General Manager of ICD in 10/09/1437H (2016) for another three-year term.

SHARIA COMMITTEE

In 1433H (2012), the ICD Sharia Committee was subsumed with that of IDB's, forming the IDB Group Sharia Committee. It is responsible for advising the IDB Group on the sharia compliance of its products and transactions. The Committee consists of the following eminent scholars.

IDB Group Sharia Committee*

1. Dr. Hussein Hamed Sayed Hassan (Chairman)
2. Dr. Abdulsattar Abughuddah (Vice Chairman)
3. Shaikh Abdulla Bin Sulaiman Al Manea
4. Shaikh Muhammad Taqi Usmani
5. Shaikh Mohammad Ali Taskhiri
6. Dr. Mohamed Raougui
7. Dr. Muhammad Syafii Antonio

AUDIT COMMITTEE

The BOD appoints from among its members an Audit Committee, which is responsible for overseeing the financial and internal control aspects of the ICD, as well as its compliance with its mandate, and reporting its findings to the BOD.

Audit Committee*

1. Dr. Abdullah Bin Sulaiman Alsakran (Chairman)
2. Mr. Mohammad Nizam bin Haji Ismi
3. Mr. Abdirahman Sharif

ADVISORY BOARD

The ICD has an Advisory Board consisting of five internationally renowned experts, who are familiar with our activities. The Board provides views and opinions on any matter submitted to it by the General Assembly, the Board of Directors, Executive Committee, and the Chairman of the Board of Directors or by the CEO.

Advisory Board*

1. Mr. Hamad Saud Al Sayari
2. Mr. Alhaji Aliko Dangote, GCON
3. Mr. Tan Sri Abdul Rashid Hussain
4. Mr. Assaad J. Jabre
5. Dr. Abdul Hafeez Shaikh





Our people

The ICD spans geographies, economies and languages, yet our people are remarkably few in number. We select the brightest and best to join our team, and we give them world-class training and development opportunity.

The ICD is:

- 202 people
- 92% (172 people) are based in our HQ in Saudi Arabia. The rest are in our regional and country gateway offices.
- In 2016 we recruited 36 new staff from 20 different nationalities.

Learning and development

We give our people a rich array of opportunities to enhance their skills and knowledge that exceeds that of other Islamic financial institutions.

Islamic Finance Talent Program (IFTDP)

In 2016 we enrolled the fifth cohort of colleagues in our IFTDP. This is a two-year program designed to provide Islamic finance experience through on-the-job rotational assignments, classroom training and coaching and mentoring sessions. Participants receive a Masters degree in Islamic Finance from the IE Business School when they successfully complete the program.

ICD Corporate MBA

Our HR team also ran the first cohort of the ICD Corporate MBA in 2016. We are partnering with the IE Business School, one of the best and highest ranked business schools in the world, to deliver this 15-month-long degree awarding program. Students are taught general management knowledge and skills with a concentration on finance.

In 2016, 13 ICD students graduated, alongside 18 from IDB. The program is designed as an entirely face-to-face program with 10 modules of five days each; two modules in Spain, two modules in the US, and six modules in the Kingdom of Saudi Arabia. Students who successfully complete the course are awarded an MBA from the IE Business School.

Leadership coaching and other training

In 2016 we also partnered with some of the UK's top training institutions to provide more than 2,700 training hours to ICD staff, including leadership coaching with the Marshall Goldsmith Group.

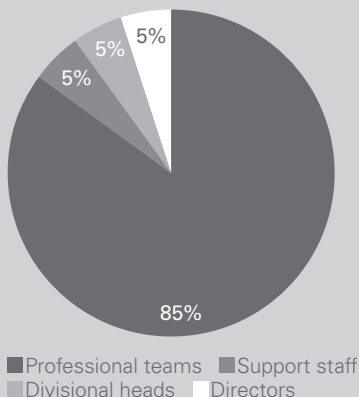
Enhancing our structure

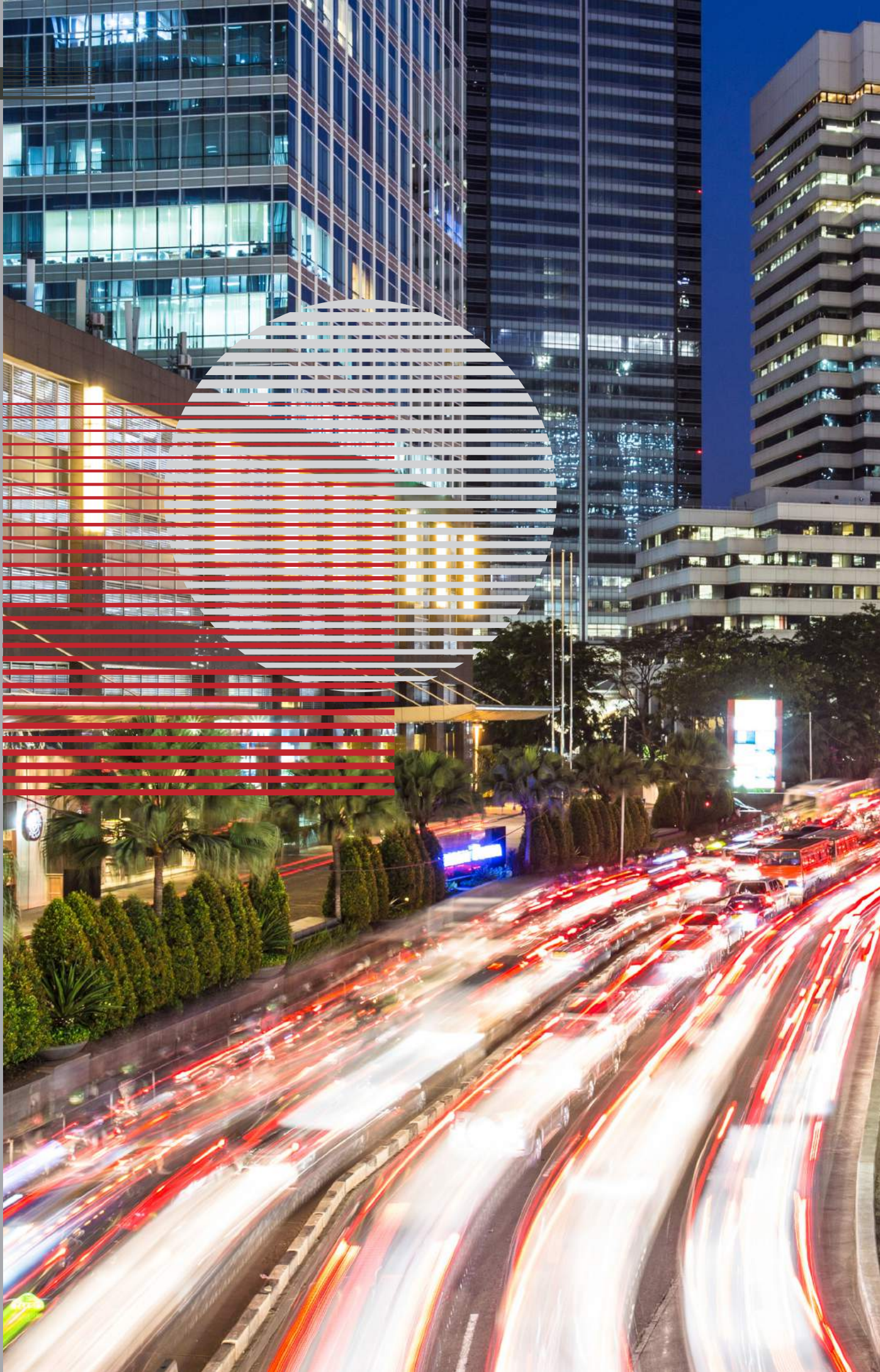
Since our last organizational restructuring in 2000, we have significantly expanded our operations, started offering new products and services and have been faced with many new challenges.

In addition to this, the second increase of ICD general capital will add to our current scope of operation. This made some decentralization of our operations inevitable. In 2016 our management team revisited the ICD organizational structure to align it with the medium and long-term business plan, and, with the approval of the ICD Board of Directors, in late 2016 we refined our structure and added new functions. These included a regional office department, a position of Legal Counsel, a standalone legal department and a treasury department. We also renamed and merged some functions.

We're now positioned to serve our clients, partners and stakeholders even better as we embrace the challenges of 2017 and beyond.

ICD TEAM BREAK DOWN





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since inception

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Independent Auditor's report

ANNEX 1: FINANCIAL HIGHLIGHTS

In USD 000's	2016	1436H	1435H
Statement of Income:			
Income	70,359	57,510	61,073
Total Operating Expenses	50,269	36,999	34,813
Net Income	20,090	20,511	26,260
Balance Sheet:			
Liquid Assets	1,265,656	450,045	353,297
Net Operating Assets	1,122,791	1,108,215	1,018,977
Other Assets	187,611	152,032	148,688
Total Assets	2,576,058	1,710,292	1,520,962
Sukuk Liabilities & Long Term Financing	1,491,335	683,553	509,666
Equity	1,023,558	1,015,857	968,914
Ratios:			
Return on Average Assets	0.94%	1.27%	1.92%
Return on Average Equity	1.97%	2.07%	2.82%
Financing to Equity	145.70%	67.29%	52.60%
Equity to Assets	39.73%	59.40%	63.70%
Liquidity to Total Assets	49.13%	26.31%	23.23%

ANNEX 2: APPROVALS AND DISBURSEMENTS SINCE INCEPTION

Country	Approved (USD M)	Disbursements (USD M)
Albania	4.35	1.86
Algeria	33.00	
Azerbaijan	143.82	102.86
Bahrain	83.81	18.24
Bangladesh	233.43	153.17
Benin	13.15	
Brunei	3.66	
Burkina Faso	22.64	18.79
Cameroon	45.04	17.05
Chad	28.15	5.50
Cote d'Ivoire	27.40	
Djibouti	4.00	4.00
Egypt	136.61	81.49
Gabon	46.71	
Gambia	22.35	1.15
Guinea	2.84	2.84
Indonesia	170.80	60.77
Iran	164.86	36.31
Iraq	25.00	
Jordan	79.10	29.36
Kazakhstan	138.80	31.28
Kuwait	14.13	14.13
Kyrgyzstan	29.90	10.20
Lebanon	7.00	
Libya	76.00	10.00
Malaysia	59.66	40.55
Maldives	33.40	31.44
Mali	60.49	10.05
Mauritania	78.99	50.49
Morocco	8.24	
Mozambique	40.00	0.09
Niger	11.54	2.48
Nigeria	227.60	97.22
Pakistan	199.93	66.84
Palestine	4.00	4.00
Qatar	46.15	
Saudi Arabia	567.83	306.40
Senegal	98.28	45.85
Sierra Leone	6.00	
Sudan	79.49	51.58
Syria	152.50	56.30
Tajikistan	43.50	37.81
Tunisia	47.75	44.47
Turkey	296.35	196.95
Turkmenistan	2.50	
UAE	83.90	40.90
Uganda	50.00	
Uzbekistan	282.33	196.60
Yemen	177.31	99.73
Global/Regional	744.63	386.05
Total	4,959	2,365



ANNEX 3: **ABBREVIATIONS**

BOD	Board of Directors
EC	Executive Committee
EECA	Eastern Europe and Central Asia
FI	Financial Institution
GLOF	Global Line of Financing
IBES	Industry and Business Environment Support
ICD	Islamic Corporation for the Development of the Private Sector
IDB	Islamic Development Bank
IFIs	Islamic Financial Institutions
ITFC	International Islamic Trade Finance Corporation
LOF	Line of Financing
MCs	Member Country
MDBs	Multilateral Development Banks
MENA	Middle East and North Africa
MMF	Money Market Fund
MoUs	Memorandum of Understandings
NBFIs	Non-Bank Financial Institutions
SEZ	Special Economic Zones
SIZ	Special Industrial Zones
SME	Small and Medium Enterprise
SSA	Sub-Saharan Africa
UIF	Unit Investment Fund

ANNEX 4: SHAR'IA COMMITTEE REPORT

Report of the ICD Shari'ah Committee 31 December 2016

In the name of Allah, the Beneficent, the Merciful

To: Board of Directors
Islamic Corporation for the Development of the Private Sector
P.O. Box 54069 Jeddah 21514
Kingdom of Saudi Arabia

Assalamu Alaikum Wa Rahmatullahi Wa Barakatuh

The ICD Shari'ah Committee was established as per the provisions of Article No. 29 of the ICD Articles of Agreement. In compliance with the Articles of Agreement and our mandate, the Committee assumes the responsibility to submit the following report:

It is also the responsibility of the Committee to form an independent opinion on the operations of the ICD covering the period of our tenure on an annual basis, and submit a report containing that opinion to the ICD Board of Directors.

In this regard, the Committee has reviewed a selection of ICD contracts concluded during the year ended 31 December 2016, in order to form an opinion on their compliance with the Islamic rules and principles. The Committee received all the necessary explanations from the ICD management and discussed them with officials.

Based on the Committee's review and explanations received from the ICD management, the discussions with ICD, and our recommendations, we concluded that there are no violations of the Islamic rules and principles regarding the management of liquid funds, and ICD operations during the year starting on 14th October 2015 and ending on 31st December 2016.

The Committee seizes this opportunity to thank the ICD Management and staff for their efforts to comply with the Shari'ah requirements through their recourse to the Committee whenever necessary.

We beg Allah the Almighty to grant us all the success and straight-forwardness.

Wassalam Alaikum Wa Rahmat Allah Wa Barakatuh.

Shari'ah Committee



Dr. Hussien Hamid Hassan
Chairman of the Committee



Aboubacar Salihou KANTE
IDB Group Internal Shari'ah Auditor

ANNEX 5: INDEPENDENT AUDITOR'S REPORT

Independent Auditor's report

**Ernst & Young & Co.**

(Public Accountants)
13th floor – King's Road Tower
PO Box 1994
King Abdulaziz Road (Malek Road)
Jeddah 21441
Saudi Arabia
Registration Number: 45

www.ey.com
Tel: +966 12 221 8400
Fax: +966 12 221 8575

Your Excellencies the Chairman and Members of the Board of Directors
Islamic Corporation for the Development of the Private Sector
Jeddah
Kingdom of Saudi Arabia

Report on the financial statements

We have audited the accompanying statement of financial position of Islamic Corporation for the Development of the Private Sector (the "Corporation") as of 31 December 2016 and the related statements of income, changes in members' equity and cash flows for the period from 14 October 2015 to 31 December 2016. These financial statements and the Corporation's undertaking to operate in accordance with Shari'ah are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Corporation as of 31 December 2016, and of the results of its operations and its cash flows for the period from 14 October 2015 to 31 December 2016 in accordance with the Shari'ah Rules and Principles as determined by the Shari'ah Committee of the Corporation and the accounting standards of AAOIFI.

Other matter

The financial statements of the Corporation for the period ended 13 October 2015 (corresponding to 30 Dhul Hijjah 1436H), were audited by another auditor who expressed an unmodified opinion on those statements on 20 April 2016 (corresponding to 13 Rajab, 1437H).

for Ernst & Young

Ahmed I. Reda

Certified Public Accountant
License No. 356
9 Rajab 1438H
6 April 2017
Jeddah
16/OS/O



STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	31 December 2016 USD	13 October 2015 USD
Assets			
Cash and bank balances	4	433,010,216	216,263,052
Commodity placements through financial institutions	5	450,401,046	220,231,984
Sukuk investments	6	382,244,396	13,550,195
Murabaha financing	7	72,913,966	60,763,402
Installment sales financing	8	176,584,438	147,960,283
Ijarah Muntahia Bittamleek (IMB), net	9	117,808,275	68,214,860
Equity investments	10	755,483,873	831,276,107
Other assets	11	187,145,221	151,042,521
Property and equipment	12	466,155	989,898
Total Assets		2,576,057,586	1,710,292,302
Liabilities and Members' Equity			
Liabilities			
Sukuk liabilities	13	1,096,335,079	-
Wakala financing	14	395,000,000	683,552,515
Accrued and other liabilities	15	46,252,434	9,955,407
Employee pension liabilities	16	14,042,479	-
Amounts due to ICD Solidarity Fund	17	870,026	927,513
Total Liabilities		1,552,500,018	694,435,435
Members' Equity			
Share capital	18	882,368,110	865,430,770
Reserve	19	153,207,968	150,426,097
Pension actuarial deficit	16	(12,018,510)	-
Total Members' Equity		1,023,557,568	1,015,856,867
Total Liabilities and Members' Equity		2,576,057,586	1,710,292,302

The attached notes 1 to 33 form part of these financial statements.

STATEMENT OF INCOME

For the period from 14 October 2015 to 31 December 2016

	Note	For the period from 14 October 2015 to 31 December 2016 USD	For the period from 25 Oct 2014 to 13 October 2015 USD
Income			
Liquid funds			
Commodity placements through financial institutions		16,321,408	7,348,634
Sukuk investments		9,044,298	799,637
		25,365,706	8,148,271
Equity investments, net	10.4	46,621,852	34,739,427
Financing assets			
Installment sales financing		11,215,343	13,160,322
Ijarah Muntahia Bittamleek (IMB), net	21	6,757,013	7,454,521
Murabaha financing		4,893,909	3,379,226
		22,866,265	23,994,069
Income from Main Operations		94,853,823	66,881,767
Impairment allowance for financing assets	22	(19,578,321)	(5,224,276)
Financing cost		(22,236,416)	(7,740,882)
Other income			
Administrative fees		5,418,929	2,164,401
Mudarib fees		4,032,026	309,034
Advisory fees		2,148,673	566,667
Total Operating Income		64,638,714	56,956,711
Fair value gain on Islamic derivatives net of currency losses	23	5,720,489	553,113
Income from non-Shari'ah compliant placements	17	22,847	203,419
Transferred to ICD Solidarity Fund	17	(22,847)	(203,419)
Total Shari'ah Compliant Income		70,359,203	57,509,824
Staff cost		(39,613,438)	(26,508,002)
Other administrative expenses		(9,973,273)	(9,849,415)
Depreciation		(682,009)	(641,742)
Total Operating Expenses		(50,268,720)	(36,999,159)
Net Income		20,090,483	20,510,665

The attached notes 1 to 33 form part of these financial statements.

STATEMENT OF CHANGES IN MEMBER'S EQUITY

For the period from 14 October 2015 to 31 December 2016

	Note	Share capital USD	Reserve USD	Net income USD	Pension actuarial deficit USD	Total USD
Balance at 24 October 2014		798,998,280	169,915,432	-	-	968,913,712
Contributions during the period		30,115,555	-	-	-	30,115,555
Net income for the period		-	-	20,510,665	-	20,510,665
Transfer to reserve		-	20,510,665	(20,510,665)	-	-
Dividend in the form of:						
• shares	19	36,316,935	(36,316,935)	-	-	-
• cash	19	-	(3,683,065)	-	-	(3,683,065)
Balance at 13 October 2015		865,430,770	150,426,097	-	-	1,015,856,867
Contributions during the period		1,192,105	-	-	-	1,192,105
Net income for the period		-	-	20,090,483	-	20,090,483
Transfer to reserve		-	20,090,483	(20,090,483)	-	-
Allocation of actuarial deficit on pension liabilities	16	-	-	-	(11,119,670)	(11,119,670)
Actuarial deficit for the period	16.3	-	-	-	(898,840)	(898,840)
Dividend in the form of:						
• shares	19	15,745,235	(15,745,235)	-	-	-
• cash	19	-	(1,563,377)	-	-	(1,563,377)
Balance at 31 December 2016		882,368,110	153,207,968	-	(12,018,510)	1,023,557,568

The attached notes 1 to 33 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the period from 14 October 2015 to 31 December 2016

	Note	For the period from 14 October 2015 to 31 December 2016 USD	For the period from 25 Oct 2014 to 13 October 2015 USD
Operating activities			
Net income for the period		20,090,483	20,510,665
Adjustments for:			
Unrealized fair value losses on Sukuk investments	6	838,405	-
Fair value gains on equity investments, net	10	(42,896,726)	(23,318,665)
Depreciation	12 & 21	22,611,875	13,041,078
Employee pension liabilities	16.3	5,140,628	-
Impairment allowance for financing assets, net	22	19,578,321	5,224,276
Fair value gains on Islamic derivatives net of currency losses	23	(5,720,489)	(553,113)
Gain on disposal of property and equipment		(7,253)	-
		19,635,244	14,904,241
Changes in operating assets and liabilities:			
Commodity placements through financial institutions		(86,533,161)	(32,222,023)
Murabaha financing net of impairment		(14,844,881)	4,498,912
Other assets, net of impairment		(33,016,897)	(5,364,183)
Installment sales financing, net of impairment		(28,623,745)	6,915,243
Equity investments		(3,852,121)	(83,921,705)
Sukuk investments		(369,532,606)	4,110,955
Ijarah Muntahia Bittamleek, net of impairment		(85,773,008)	(8,998,934)
Accrued and other liabilities		15,740,709	(35,220,135)
ICD Solidarity Fund		(57,487)	37,027
Cash used in operations		(586,857,953)	(135,260,602)
Employee pension liabilities paid		(3,116,660)	-
Net cash used in operating activities		(589,974,613)	(135,260,602)
Investing activities			
Purchase of property and equipment	12	(158,266)	(104,435)
Proceed from disposal of property and equipment		7,253	-
Net cash used in investing activities		(151,013)	(104,435)
Financing activities			
Proceeds from Sukuk issued	13	1,096,335,079	-
Proceeds from Wakala financing	14	529,999,990	668,552,507
Repayments of Wakala financing	14	(818,552,505)	(494,665,772)
Share capital contribution		1,192,105	30,115,555
Dividend paid in cash	15 & 19	(2,101,879)	-
Net cash used in financing activities		806,872,790	204,002,290
Net increase in cash and cash equivalent		216,747,164	68,637,253
Cash and cash equivalent at the beginning of the period		216,263,052	147,625,799
Cash and cash equivalent at the end of the period	4	433,010,216	216,263,052
Non cash transactions			
Restructuring of equity investments	10 (a) & (b)	143,635,901	-
Purchase of shares	15	21,094,820	-

The attached notes 1 to 33 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

1 Activities

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.

The Board of Directors of the Corporation passed a resolution BOD 79/5/436 dated 3 September 2015, approving the use of the Solar Hijri calendar in determining the start and end dates of the financial year whilst maintaining the Lunar Hijri as the official calendar of the Corporation. Thus, all future financial years of the Corporation will cover the period equivalent from 1 January to 31 December.

The current financial statements cover a period of 444 days from 14th October 2015 to 31st December 2016 ("period ended 31 December 2016"). As a result, the comparative figures, covering the Lunar Hijri period equivalent to 25 October 2014 – 13 October 2015 ("period ended 13 October 2015") (equal to 353 days), are not comparable.

2 Basis of presentation and summary of significant accounting policies

Basis of presentation

These financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Committee of the Corporation. For matters, which are not covered by AAOIFI standards, the Corporation 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.

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

During the year ended 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 are 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 IFRSs 10 and 12, in so far it relates to the adoption of amendments related to investment entities.

Investment entity

An investment entity is an entity that: (a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services; (b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Corporation meets the definition and typical characteristics of an "investment entity" as described in the Amendments.

In accordance with the Amendments, an investment entity is required to account for its investments in subsidiaries and associates at fair value through statement of income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

2 Basis of presentation and summary of significant accounting policies (continued)

Summary of significant accounting policies

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

Accounting convention

The financial statements are prepared under the historical cost convention, except for the measurement at fair value of the equity investments, Islamic derivative financial instruments and Sukuk investments.

Transactions in foreign currencies

i) Functional and presentation currency

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

ii) Transactions and balances

Transactions in foreign currencies are recorded in United States Dollars ("USD") at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the date of the statement of financial position. All differences are taken to the statement of income.

Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate ruling at the date of initial recognition.

Cash and cash equivalents

For the purposes of statement of cash flow, cash and cash equivalents consist of bank balances and commodity placements through financial institutions having a maturity of three months or less at the date of acquisition.

Commodity placements through financial institutions

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

Murabaha

Murabaha financing receivables are agreements whereby the Corporation sells to a customer a commodity or an asset, which the Corporation has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.

Amounts receivable from Murabaha receivables are stated at the cost of the commodity or assets plus accrued profits less repayments received and impairment allowance.

Installment sales financing

Installment sales financing receivables are agreements whereby the Corporation sells to a customer a commodity or an asset, which the Corporation has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.

Amounts receivable from Installment sales are stated at the selling price of the commodity or asset less unearned income to the date of the statement of financial position, less repayments received and impairment allowance.

Ijarah Muntahia Bittamleek (IMB)

These consist of assets purchased by the Corporation either individually or as part of syndication with other entities and leased to beneficiaries for their use in Ijarah Muntahia Bittamleek agreements whereby the ownership of the leased assets is transferred to the beneficiaries at the end of the lease term and the completion of all payments under the agreement. The assets are stated at their acquisition cost less accumulated depreciation up to the date of the statement of financial position. The assets are depreciated using the straight-line method over the related lease period. No depreciation is recorded in respect of assets not yet put to use.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

2 Basis of presentation and summary of significant accounting policies (continued)

Summary of significant accounting policies (continued)

Istisna'a assets

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

Istisna'a assets represent the disbursements made as of the date of the statement of financial position against the assets acquired for Istisna'a projects plus income recognized, less repayments received and impairment allowance.

After completion of the project, the Istisna'a asset is transferred to the Istisna'a receivable account.

Investments

The Corporation's investment comprise of equity and Sukuk investments, and 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 shareholders or the entity itself regardless of the level of shareholding that the Corporation has in the entity.

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

ii) Associates

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

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

iii) Other investments

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

iv) Sukuk investments

Investments in Sukuk are debt instruments and have determinable payments and fixed maturity dates and bear a coupon yield.

v) Initial measurement

All investments are initially recorded in the statement of financial position at fair value. All transaction costs are recognised directly in profit or loss.

vi) Subsequent measurement

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

2 Basis of presentation and summary of significant accounting policies (continued)

Summary of significant accounting policies (continued)

Impairment and uncollectibility of financing assets

An assessment is made at each reporting date to determine whether there is objective evidence that a financing asset or a group of financing assets is impaired. There are several steps required to determine the appropriate level of impairment. A financing assets or a group of financing assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of receivables by the Corporation on terms that the Corporation would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Corporation considers evidence of impairment at both specific asset and collective level. All individually significant financing assets are assessed for specific impairment. The collective allowance for impairment could be based on deterioration in internal grading, external credit ratings, allocated to the borrower or group of borrowers, the current economic climate in which the borrowers operate and the experience and historical default patterns that are embedded in the components of the financing assets.

Impairment losses on financing assets are measured as the difference between the carrying amount of the financing assets and the present value of estimated future cash flows discounted at the asset's original effective yield rate.

Impairment losses are recognised in the statement of income and reflected in impairment allowance. Adjustments to the impairment allowance are recorded as a charge or credit in the Corporation's income statement. Impairment is deducted from the relevant financing asset category in the statement of financial position.

When the financing assets is deemed uncollectible, it is written-off against the related impairment allowance and any excess loss is recognised in the 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 income statement.

Islamic derivative financial instruments

Islamic derivatives financial instruments represent foreign currency forward contracts and 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 to mitigate the risk of fluctuation in foreign currency and financing cost for placements with financial institutions, Sukuks investments, financing assets and Sukuk liabilities. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting date. The resulting gains or losses on re-measurement are recognised in the statement of income. Derivatives with positive fair values or negative fair values are reported under the 'other assets' or 'accrued and other liabilities', respectively, in the statement of financial position.

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.

Derecognition of financial assets and financial liabilities

Financial assets:

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Corporation has transferred its rights to receive cash flows from an asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset; or
- the Corporation retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

2 Basis of presentation and summary of significant accounting policies (continued)

Summary of significant accounting policies (continued)

When the Corporation has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Corporation's continuing involvement in the asset.

Financial liabilities:

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Offsetting

Financial assets and financial liabilities are offset and reported net in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and when the Corporation intends to 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 applicable accounting and reporting framework, or for gains and losses arising from a group of similar transactions.

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 statement of income. Enhancements that increase the value or materially extend the life of the related assets are capitalized.

Employee pension liabilities

The Corporation has two defined post-employment benefit plans, shared with all IsDB group entities pension fund, which consists of the Staff Retirement Pension Plan and the Post-Employment Medical Scheme, both of which require contributions to be made to separately administered funds.

A defined benefit plan is a pension plan that defines an amount of pension 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. The present value of the defined benefit obligation due till 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 high-quality corporate bonds. For intermediate years, the defined benefit obligation is estimated using approximate actuarial roll-forward techniques that allow for additional benefit accrual, actual cash flows and changes in the underlying actuarial assumptions. Actuarial gains or losses, if material, are recognized immediately in the reserves under members' equity in the year they occur. The pension liability is recognized as part of other liabilities in the 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 Corporation's contributions to the defined benefit scheme are determined by the Retirement Plan Committee, with advice from the IsDB's actuaries, and the contributions are transferred to the scheme's independent custodians pension and medical obligation.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

2 Basis of presentation and summary of significant accounting policies (continued)

Summary of significant accounting policies (continued)

Financial liabilities

All Sukuk liabilities, wakala 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 statement of income.

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 financial statements.

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.

Revenue recognition

(i) Commodity placements through financial institutions

Income from commodity placements through financial institutions is recognized on a time apportionment basis over the period from the actual disbursement of funds to the date of maturity.

(ii) Non-Shari'ah compliant placements

Any income from cash and cash equivalents, commodity placements through financial institutions and other investments, which is considered by management as forbidden by Shari'ah, is not included in the Corporation's statement of income but is recorded as a liability to be utilized for charitable purposes.

(iii) Murabaha and Installment sales financing

Income from Murabaha and Installment financing receivables are accrued on a time apportionment basis over the period from the date of the actual disbursement of funds to the scheduled repayment date of installments.

(iv) Istisna'a

The Corporation uses the deferred profits method for recognizing Istisna'a income on Istisna'a assets whereby there is a proportionate allocation of deferred profits over the future financial period of the credit.

(v) Ijarah Muntahia Bittamleek

Income from Ijarah Muntahia Bittamleek and operating Ijarah are allocated proportionately to the financial periods over the Ijarah contract.

(vi) Dividends

Dividends are recognized when the right to receive the dividends is established.

(vii) Mudarib fee

Mudarib fee is recognized on accrual basis when the services have been performed.

(viii) Administrative fee and advisory fee

Income from administrative and advisory services is recognized based on the rendering of services as per contractual arrangements.

(ix) Investment in Sukuk

Income from Sukuk investment is accrued on time apportionment basis at coupon rate in accordance with the terms of the Sukuk investment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

3 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) Investment entity

In determining the as an investment entity status, the Corporation considered the following:

- a) The Corporation provides investment management services to a number of investors with respect to investment in managed funds;
- b) The Corporation generate capital and income from its investments which will, in turn, be distributed to the current and potential investors; and
- c) The Corporation evaluates its investments' performance on a fair value basis, in accordance with the policies set out in these financial statements, except for financing assets. Management believe that had the Corporation carried these financing assets at their fair values, the amounts would have not been materially different from their carrying amounts.

The Board of Directors concluded that the Corporation meets the definition of an investment entity. Their conclusion will be reassessed on an annual basis.

ii) Impairment allowance for financing assets

The Corporation exercises judgment in the estimation of impairment allowance for financial assets. The methodology for the estimation of impairment of financial assets is set out in note 2.

iii) Fair value determination

The Corporation determines the fair value of substantially all of its investments at each financial year end. Majority of the Corporation's investments are unquoted. The fair value of the investment that are not quoted in an active market is determined by using valuation techniques, 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 believe cost as an approximation of fair value at the date of statement of financial position.

The models used to determine fair values are validated and periodically reviewed by management. The inputs in the DCF and comparable P/B multiples models include observable data, such as discount rates, terminal growth rate, P/B multiples of comparable companies/banks to the relevant portfolio of company/bank, and unobservable data, such as the discount for marketability. The Corporation also considered the geopolitical situation of the countries where the investee entities operate and taken appropriate discount on their values. In certain cases, the Corporation has applied marketability and liquidity discounts from 10% to 26%.

(iv) Employee pension 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) 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 Statement of Financial Position, which are financed centrally through the Corporation's equity capital and borrowings. Management has not identified separate operating segments within the definition of FAS 22 "Segment Reporting" since the Board of Directors monitor the performance and financial position of the Corporation as a whole. Further, the internal reports furnished to the Board of Directors do not present discrete financial information with respect to the Corporation's performance to the extent envisaged in FAS 22; geographical and economic sector distribution of the Corporation's assets is set out in note 26.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

4 Cash and bank balance

	31 December 2016 USD	13 October 2015 USD
Cash at banks	65,140,172	41,312,674
Commodity placements through financial institutions (note 5)	367,000,000	174,000,000
	432,140,172	215,312,674
Bank balance relating to ICD Solidarity Fund	870,044	950,378
Cash and cash equivalents	433,010,216	216,263,052

Certain bank accounts having balance of USD 2,575,488 (13 October 2015: USD 4,533,641) are in the name of Islamic Development Bank (IsDB). However, these bank accounts are for the beneficial interest of the Corporation and managed / operated by the Corporation.

5 Commodity placements through financial institutions

	31 December 2016 USD	13 October 2015 USD
Commodity placements through financial institutions	817,401,046	394,231,984
Less: commodity placements through financial institutions with an original maturity for a period of three months or less (note 4)	(367,000,000)	(174,000,000)
	450,401,046	220,231,984

Commodity placements through financial institutions include an amount of USD 48 million placed in ICD Money Market Fund (MMF), a fund, managed by the Corporation (note 10 (b)).

6 Sukuk investments

	31 December 2016 USD	13 October 2015 USD
Opening balance	13,550,195	18,228,082
Additions	426,930,815	-
Redemption	(56,414,351)	(3,979,182)
Exchange losses	(983,858)	(698,705)
Unrealised fair value losses	(838,405)	-
	382,244,396	13,550,195

	31 December 2016 USD	13 October 2015 USD
Financial institutions	279,692,826	4,966,150
Governments	102,551,570	8,584,045
	382,244,396	13,550,195

	Counterparty rating					
	AAA USD	AA+ to AA- USD	A+ to A- USD	BBB or lower USD	Unrated USD	Total USD
31 December	11,031,701	30,347,212	220,707,957	87,987,018	32,170,508	382,244,396
13 October 2015	-	-	-	-	13,550,195	13,550,195

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

7 Murabaha financing

	31 December 2016 USD	13 October 2015 USD
Murabaha financing	80,855,430	66,010,549
Less: impairment allowance (note 22)	(7,941,464)	(5,247,147)
	72,913,966	60,763,402

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.

8 Installment sales financing

	31 December 2016 USD	13 October 2015 USD
Gross amounts receivable	192,416,709	170,323,308
Less: accrued and deferred income	(5,146,509)	(11,676,854)
	187,270,200	158,646,454
Less: impairment allowance (note 22)	(10,685,762)	(10,686,171)
	176,584,438	147,960,283

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.

9 Ijarah Muntahia Bittamleek (IMB), net

	31 December 2016 USD	13 October 2015 USD
Cost:		
<i>Assets not yet in use:</i>		
At the beginning of the period	-	-
Additions	75,955,880	8,998,934
Transferred to assets in use	(75,955,880)	(8,998,934)
At the end of period	-	-
<i>Assets in use:</i>		
At the beginning of the period	195,599,510	186,600,576
Transferred from assets not in use	75,955,880	8,998,934
Reclassified from Murabaha financing	17,998,726	-
At the end of period	289,554,116	195,599,510
Total cost:	289,554,116	195,599,510
Accumulated depreciation:		
At the beginning of the period	111,450,787	99,051,451
Charge for the period	21,929,866	12,399,336
Charge for assets reclassified from Murabaha financing	8,181,598	-
At the end of the period	141,562,251	111,450,787
Balance at the end of period	147,991,865	84,148,723
Less: impairment allowance (note 22)	(30,183,590)	(15,933,863)
Ijarah Muntahia Bittamleek, net	117,808,275	68,214,860

Certain of the assets referred to above represent the Corporation's share in joint Ijarah Muntahia Bittamleek agreements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

10 Equity investments

Investments in equity capital as at the end of the period comprised of the following:

	31 December 2016 USD	13 October 2015 USD
Subsidiaries (note 10.1)	423,584,142	347,588,270
Associates (note 10.2)	232,818,291	392,092,529
Other investments	99,081,440	91,595,308
	755,483,873	831,276,107

The movement in investments for the period is as follows:

	31 December 2016 USD	13 October 2015 USD
At the beginning of the period	831,276,107	724,035,737
Additions	80,130,231	86,735,735
Transfers and restructure (note (a) and (b))	(193,357,538)	-
Disposals	(5,461,652)	(2,814,030)
Fair value gains, net (note 10.4)	42,896,725	23,318,665
At the end of the period	755,483,873	831,276,107

(a) During the period, the Corporation transferred the carrying amount of its investment in ICD Unit Investment Fund (Labuan) LLP ("the Fund") to ICD Asset Management Labuan Limited (IAML), a wholly owned subsidiary of the Corporation, as follows:

- i) increase in equity capital of IAML limited by USD 45,295,426 and;
- ii) investment of USD 100,000,000 as commodity placement with IAML.

(b) During the period, ICD Equity Partners Limited ("the designated partner") distributed the capital and respective profit of its investment in IB Growth Fund (Labuan) LLP ("IBGF") amounting to USD 48,062,112 to its investors. The Corporation invested this amount as a placement with ICD Money Market Fund (MMF) (note 5).

10.1 Investments in subsidiaries

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

Name of the entity	Country of Incorporation	Nature of Business	Effective ownership %	
			31 December 2016 USD	13 October 2015 USD
Azerbaijan Leasing	Azerbaijan	Leasing	100	100
Taiba Leasing	Uzbekistan	Leasing	100	100
Tamweel Africa Holding	Senegal	Banking	100	60
ICD Asset Management Limited	Malaysia	Asset Management	100	100
Ijarah Management Company	Saudi Arabia	Leasing	99	99
Maldives Islamic Bank	Maldives	Banking	80	85
ASR Leasing LLC	Tajikistan	Leasing	67	67
Enmaa Ijarah Company	Egypt	Leasing	60	60
Al Majmoua Al Mauritania	Mauritania	Real estate	53	50
Catalyst International	Saudi Arabia	Advisory service	51	51
Taha Alam Sdn Bhd	Malaysia	Advisory Services	50	33
Ewaan Al Fareeda Residential Co.	Saudi Arabia	Real estate	50	50
ICD Unit Investment Fund	Saudi Arabia	Mutual Fund	-	56
IB Growth Fund	Malaysia	Private Equity Fund	-	100

In addition to the investments included in the list above, there are certain subsidiaries carried at nil value where the Corporation had invested in earlier years.

There are no regulatory or contractual arrangements that restrict the subsidiaries ability to transfer funds in the form of cash dividend or repay loans or advances made to them. The Corporation sometimes extends financial assistance in the form of advances to subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

10 Equity investments (continued)**10.2 Investments in associates**

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

Name of the entity	Country of Incorporation	Nature of Business	Effective ownership %	
			31 December 2016 USD	13 October 2015 USD
Theemar Investment Fund	Tunisia	Fund	43	43
Anfaal Capital Company	Saudi Arabia	Investment Advisory	38	38
Kazakhstan Ijara Company	Kazakhstan	Leasing	36	36
Albania Leasing	Albania	Leasing	36	36
Sante Alexandra Company	Egypt	Manufacturing	35	35
Al Fareeda Residential Fund	Saudi Arabia	Real Estate	33	33
Palestine Ijarah Company	Palestine	Leasing	33	33
Kyrgyzstan Ijara Company	Kyrgyzstan	Leasing	33	33
El Wifack Leasing	Tunisia	Leasing	30	30
Halic Finansal Kiralama A.S.	Turkey	Leasing	33	-
Royal Atlantic Residence	Gambia	Real Estate	25	25
Adritech Group International	Jordan	Agriculture	25	25
Saudi SME Fund (Afaq)	Saudi Arabia	Fund	25	25
Al Sharkeya Sugar	Egypt	Manufacturing	25	25
Jordan Pharmaceutical Manufacturing Co.	Jordan	Manufacturing	22	22
Saba Islamic Bank	Yemen	Banking	20	20
Arab Leasing Company	Sudan	Leasing	20	20
Bidaya Home Finance Company	Saudi Arabia	Leasing	20	20
PMB Tijari Berhad	Malaysia	Leasing	20	20
Turkish Asset Management (K.A.M.P)	Turkey	Fund	20	-
Al Baraka Group (formerly Burj Bank)	Pakistan	Banking	12	34
Injazat Technology Fund	Bahrain	Fund	-	30

In addition to the investments included in the list above, there are certain associates carried at nil value where the Corporation had invested in earlier years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

10 Equity investments (continued)

10.3 Fair value of investments

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

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

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

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

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

	Investment measured at fair value			
	Level 1	Level 2	Level 3	Total
31 December 2016 (USD)	34,696,715	-	720,787,158	755,483,873
13 October 2015 (USD)	38,734,499	-	792,541,608	831,276,107

Reconciliation of level 3 items

	31 December 2016 USD	13 October 2015 USD
At the beginning of the period	792,541,608	656,469,733
Additions	80,130,231	62,512,665
Transfers and restructure (note (a) & note (b))	(193,357,538)	-
Disposals	(4,840,375)	(2,814,030)
Unrealized fair value gains, net	46,313,232	13,256,236
Transfers	-	63,117,004
At the end of the period	720,787,158	792,541,608

10.4 Equity investment income, net

	31 December 2016 USD	13 October 2015 USD
Fair value gains, net	42,896,725	23,318,665
Dividend	3,725,127	11,420,762
	46,621,852	34,739,427

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

11 Other assets

	31 December 2016 USD	13 October 2015 USD
Ijarah Muntahia Bittamleek installments receivable	96,053,155	97,464,185
Due from related parties (note 20.2)	25,682,120	19,878,470
Proceeds receivable from sale of shares (note a)	16,844,093	9,561,338
Positive fair value of Islamic derivative financial instrument (note b)	14,900,261	1,947,556
Accrued income	11,856,200	10,036,979
Advances to employees	9,836,665	10,276,427
Proceeds receivable on maturity of government certificates/ Sukuk (note c)	8,077,352	8,077,352
Unamortised portion of Sukuk issuance cost	6,853,728	-
Other receivables	15,726,517	9,850,398
	205,830,091	167,092,705
Less: impairment allowance (note 22)	(18,684,870)	(16,050,184)
	187,145,221	151,042,521

(a) This represents proceeds receivable on sale of shares. The transaction was subject to arbitration proceedings with relevant regulatory authorities in a member country. The Arbitration Committee had awarded the case in favor of the Corporation and execution of the judgment is in progress.

(b) The Islamic derivative financial instruments represent foreign currency forwards and swap contracts. The forward and cross currency profit rate swaps are held to mitigate the risk of currency fluctuation for placements with financial institutions, Sukuks investments, financing assets and Sukuk liabilities. 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. 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
Cross currency Swaps	362,411,970	8,014,701	(768,941)
Profit rate Swaps	312,500,000	4,473,171	-
Forward contracts	56,846,966	2,412,389	-
31 December 2016	731,758,936	14,900,261	(768,941)

As at 13 October 2015, the positive fair value of forward contracts with notional amount of USD 7,567,115 was USD 1,947,556.

(c) The amount of USD 8.1 million for which a impairment allowance of USD 4.3 million was made represents receivable on maturity of Sukuk. On July 23, 2008 (Rajab 20, 1429H), the Corporation entered into an agreement with the counterparty to invest in Sukuk with an option of conversion of the Sukuk into shares of the latter at the time of its going for an initial public offering (IPO). These Sukuk matured during 1431H and the amount is receivable from the counterparty as the IPO formalities has not yet commenced. During the period, the sponsor of the project has initiated the process with the Corporation to finalise the settlement of the debt.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

12 Property and equipment

	Furniture and fixture USD	Computers USD	Motor vehicles USD	Other equipment USD	31 December 2016 USD	13 October 2015 USD
Cost:						
At beginning of the period	797,922	3,244,899	337,157	205,262	4,585,240	4,480,805
Additions	25,141	-	83,819	49,306	158,266	104,435
Disposals	-	-	(16,613)	-	(16,613)	-
At end of the period	823,063	3,244,899	404,363	254,568	4,726,893	4,585,240
Depreciation:						
At beginning of the period	617,587	2,690,633	158,406	128,716	3,595,342	2,953,600
Charge for the period	40,789	512,880	85,855	42,485	682,009	641,742
Disposals	-	-	(16,613)	-	(16,613)	-
At end of the period	658,376	3,203,513	227,648	171,201	4,260,738	3,595,342
Net book value:						
31 December 2016	164,687	41,386	176,715	83,367	466,155	-
13 October 2015	180,335	554,266	178,751	76,546		989,898

13 Sukuk liabilities

	Maturity Date	Issue Currency	Issued Amount USD	Rate	31 December 2016 USD
Listed (note a)					
13/04/2016	13/04/2021	USD	300,000,000	2.468% Fixed	300,000,000
Not listed (note b)					
22/02/2016	22/02/2018	KWD	200,000,000	3.4% Fixed	196,335,079
24/02/2016	24/02/2024	USD	350,000,000	3 Month LIBOR + 0.55%	350,000,000
19/07/2016	19/07/2024	USD	250,000,000	3 Month LIBOR + 0.75%	250,000,000
			1,100,000,000		1,096,335,079

(a) During the period, the Corporation through a special purpose vehicle (SPV), an entity registered in Cayman Islands, issued Sukuks valuing USD 300 million which are listed on London Stock Exchange and Nasdaq Dubai. The maturity period of these Sukuks is for five-years with the maturity date of 13 April 2021. The coupon rate is 2.468% and is paid semi-annually. The Sukuks are secured against Corporation's certain assets including Murabaha, Istisna'a, Instalment sale, Ijarah assets, Shari'ah compliant authorised investments and any replaced assets. These assets are under the control of the Corporation and shall continue to be serviced by the Corporation.

(b) The trust certificates (Sukuk) confer on certificate holders the right to receive at agreed intervals, payments (periodic distributions) out of the profit elements of Corporation's Installment Sale, Istisna'a and Ijarah assets sold at each issue by the Corporation to Trustees. The Corporation, as a third party, guarantees to the Trustees punctual performance of the assets constituting the Portfolio. Financing cost incurred on Sukuk issued during 2016 was US\$15.58 million (25 October 2014 13 October 2015: nil).

14 Wakala financing

The Wakala financing is received from financial institutions on which the Corporation pays periodic Muwakkil profit ranging from 0.4% to 1.6% per annum. The financing have original maturities ranging from 1 week to 3 years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

15 Accrued and other liabilities

	31 December 2016 USD	13 October 2015 USD
Due for purchase of shares	21,094,820	-
Due to related parties (note 20.3)	13,599,798	741,942
Accrued profit on Sukuk liabilities	4,477,932	-
Dividend payable (note 19)	3,144,563	3,683,065
Accrued profit payable on Wakala financing	1,069,648	1,063,022
Other payables	2,096,732	4,467,378
Negative fair value of Islamic derivative (note 11(b))	768,941	-
	46,252,434	9,955,407

16 Employee pension liabilities**Staff Pension Plan (SPP)**

The SPP is a defined benefit pension plan and became effective on 1 Rajab 1399H. Every person employed by the Corporation on a full-time basis except for fixed term employees, as defined in the Corporation employment policies, is eligible to participate in the SPP, upon completion of the probationary period of service, generally 1 year.

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

The main features of the SPP are:

- (i) Normal retirement age is the 62 anniversary of the participant's birth;
- (ii) On retirement, the eligible retired employee is entitled to 2.5% of the highest average remuneration (basic salary plus cost of living allowance) for each year of pensionable service.

Under the SPP, the employee contributes at 9% of the basic annual salary while IsDB and its Affiliates contribute 21%.

Staff Retirement Medical Plan (SRMP)

Effective 1 Muharram 1421H, the IsDB Group established the medical benefit scheme for retired employee via the Board of Executive Directors resolution dated 18 Shawwal 1418H. This was extended to eligible staff members of the Group's Affiliates. IsDB and its Affiliates fund the SRMP at 1% and the staff at 0.5% of the basic salaries, respectively.

The purpose of the SRMP is to pay a monthly amount to eligible retired employee towards their medical expenses. The administration of the SRMP is independent of the SPP and contributions are invested in a similar manner to that of the SPP under the management of the Pension Committee.

The monthly entitlements payable for each retired employee is computed according to the following formula:

$\{\text{Highest average remuneration} \times \text{contributory period} \times 0.18\} / 12$

Effective from 14 October 2015, the Pension Committee decided to transfer the carried forward assets and liabilities of SPP and SRMP to the respective entities participating in the plans managed by IsDB.

As a result, an amount of USD 11.1 million has been allocated to the Corporation by IsDB which is recognized directly in statement of member's equity.

	Pension liabilities allocated by IsDB		
	SPP	SRMP	Total
	USD	USD	USD
Plan assets allocated by by IsDB (note 16.1)	29,376,791	1,278,952	30,655,743
Defined benefit obligations allocated by IsDB (note 16.2)	(38,935,669)	(2,839,744)	(41,775,413)
Net employee pension liabilities allocated by IsDB	(9,558,878)	(1,560,792)	(11,119,670)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

16 Employee pension liabilities (continued)

The breakdown of net employee pension liabilities as of 31 December 2016 was as follows:

	31 December 2016 (USD)		
	SPP	SRMP	Total
	USD	USD	USD
Plan assets (note 16.1)	31,842,820	1,501,482	33,344,302
Defined benefit obligations (note 16.2)	(43,934,811)	(3,451,970)	(47,386,781)
Net employee pension liabilities	(12,091,991)	(1,950,488)	(14,042,479)

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

	31 December 2016 (USD)		
	SPP	SRMP	Total
	USD	USD	USD
Plan assets allocated by IsDB	29,376,791	1,278,952	30,655,743
Income on plan assets	1,327,350	70,225	1,397,575
Return on plan assets less than discount rate	(1,496,966)	(11,130)	(1,508,096)
Plan participations contributions	1,295,442	70,820	1,366,262
Employer contribution	2,974,203	142,457	3,116,660
Disbursements from plan assets	(1,634,000)	(49,842)	(1,683,842)
	31,842,820	1,501,482	33,344,302

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

	31 December 2016 (USD)		
	SPP	SRMP	Total
	USD	USD	USD
Defined benefit obligation allocated by IsDB	38,935,669	2,839,744	41,775,413
Current service costs	4,123,566	257,371	4,380,937
Cost on defined benefit obligation	1,994,003	163,263	2,157,266
Plan participations contributions	1,295,443	70,820	1,366,263
Disbursements from plan assets	(1,634,000)	(49,842)	(1,683,842)
Net actuarial deficit	(779,870)	170,614	(609,256)
	43,934,811	3,451,970	47,386,781

16.3 Based on the actuarial valuations, the pension and medical benefit expenses for the period comprised the following:

	For the period from 14 October 2015 to 31 December 2016		
	SPP	SRMP	Total
	USD	USD	USD
Gross current service costs	4,123,566	257,371	4,380,937
Cost on defined benefit obligation	1,994,003	163,263	2,157,266
Income on plan assets	(1,327,350)	(70,225)	(1,397,575)
Cost recognized in statement of income	4,790,219	350,409	5,140,628
Actuarial loss due to assumptions	(779,870)	170,614	(609,256)
Return on plan assets greater than discount rate	1,496,966	11,130	1,508,096
Actuarial loss recognized in statement of changes of members' equity	717,096	181,744	898,840

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

16 Employee pension liabilities (continued)

16.4 The following table presents the plan assets by major category:

	31 December 2016 (USD)		
	SPP	SRMP	Total
	USD	USD	USD
Cash and cash equivalent and commodity placements	1,877,311	96,056	1,973,367
Syndicated Murabaha	990,802	81,930	1,072,732
Managed funds and installment sales	6,677,649	1,300,024	7,977,673
Investments in Sukuk	17,626,251	13,924	17,640,175
Land	3,809,655	9,548	3,819,203
Others	861,152	-	861,152
	31,842,820	1,501,482	33,344,302

	31 December 2016	
	SPP	SRMP
Discount rate	4.15%	4.15%
Rate of expected salary increase	4.50%	4.50%

The discount rate used in determining the benefit obligations is selected by reference to the long-term rates on AA corporate bonds.

17 ICD Solidarity fund

This represents net accumulated income up to 31 December 2016 generated from liquid fund placements with certain conventional banks and financial institutions and donation which were not considered in compliance with the Shari'ah principles. As per the recommendation of the Shari'ah Committee of the Corporation, this income needs to be utilized for charitable purposes and, therefore, has been classified as a liability. The disposition of this liability is the responsibility of the Charity Committee formed within the Corporation. The sources and uses of ICD Solidarity Fund during the period ended are as follows:

	31 December 2016 USD	13 October 2015 USD
Sources		
At the beginning of the period	927,513	890,486
Amount transferred from income during the period	22,847	203,419
Income earned	2,856	1,131
	953,216	1,095,036
Users		
Charitable disbursements	(83,190)	(167,523)
At the end of the period	870,026	927,513

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

18 Share capital

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

	31 December 2016 USD	13 October 2015 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	(329,243,139)	(1,124,723,065)
	1,670,756,861	875,276,935
Installments due not yet paid	(788,388,751)	(9,846,165)
Paid-up capital	882,368,110	865,430,770

The paid-up capital of the Corporation represents amounts received from the following members:

	31 December 2016 USD	13 October 2015 USD
Islamic Development Bank (IsDB)	401,648,979	393,773,507
Member countries	402,519,131	393,488,239
Iran Foreign Investment Company	40,000,000	39,969,024
Saudi Public Investment Fund	30,000,000	30,000,000
Bank Keshavarzi	6,000,000	6,000,000
Bank Melli	2,000,000	2,000,000
Bank Nationale D'Algerie	200,000	200,000
Paid-up capital	882,368,110	865,430,770

19 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, shall be distributed as dividends only after the reserves level reach 12.5% of the subscribed capital.

The General Assembly at its Plenary Sitting held on 12 Shaaban 1437H (corresponding to May 19, 2016) in Jakarta, Indonesia, through resolution GA16/3/437, approved a dividend of USD 17,308,615 (13 October 2015: 40,000,000) in proportion to the paid-up capital held by each member as follows:

- (a) For the IsDB, an equivalent of USD 7,875,472 (13 October 2015: 8,773,505) to be allocated in the form of shares.
- (b) For the public financial institutions, cash dividend of USD 1,563,377 (13 October 2015: 3,683,065).
- (c) For the member countries, the dividend of USD 7,869,763 (13 October 2015: 17,543,430) to be distributed in the form of shares.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

20 Related party transactions and balances

Related parties represent subsidiaries, associated companies, shareholders, 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.

20.1 The following are the details of major related party transactions entered during the period:

Related parties	Nature of Transactions	For the period from 14 October 2015 to 31 December 2016 USD	For the period from 25 October 2014 to 13 October 2015 USD
Islamic Development Bank Group	Rent & pension actuarial deficit (note a)	12,645,927	951,120
Sante Alexandra	Advance	6,843,598	-
Bidaya Home Financing Company	Set-up costs	4,174,263	241,389
ICD Unit Investment Fund (UIF)	Mudarib fee	1,779,220	617,780
ICD Money Market Fund (MMF)	Rent and inter-fund recharges	1,715,212	926,814
Al Majmoua Mouritania (MMI)	Advance	1,426,500	-
Tamweel Africa Holding	Advance	623,719	-
Catalyst Group International	Advance	605,604	-
Ijarah Management Company	Advance	554,905	-
El Wifack Leasing	Advance	505,651	-
Members / Directors / Shareholders	Allowances and fee	421,414	631,004
Al Hadha Silos	Advance	125,004	-
Anfaal Capital	Fees	106,667	56,864
Maldives Islamic Bank	Recharges	103,212	-
Saba Islamic Bank	Recharges	51,443	-
ASR Leasing	Recharges	30,020	-
Al Barka Bank	Recharges	21,532	-

(a) It includes actuarial deficit related to employee pension liabilities amounting to USD 11,119,670 allocated by IsDB pursuant to decision taken by the pension committee of IsDB Group as mentioned in note 16.

20.2 Due from related parties comprise the following:

	31 December 2016 USD	13 October 2015 USD
Sante Alexandra	6,483,597	-
Tamweel Africa Holding	4,772,867	5,396,586
Catalyst Group International	3,617,126	4,222,730
Bidaya Home Financing Company	2,863,645	7,037,908
ICD Unit Investment Fund (UIF)	2,311,766	532,546
ICD Money Market Fund (MMF)	2,250,764	535,552
Al Majmoua Mouritania (MMI)	1,426,500	-
International Islamic Trade Finance Corporation (ITFC)	562,789	470,211
Ijarah Management Company	554,905	-
El Wifack Leasing	505,651	-
Al Hadha Silos	125,004	-
Maldives Islamic Bank	103,212	-
Saba Islamic Bank	51,443	-
ASR Leasing	30,020	-
Burj Bank	21,532	-
Islamic Solidarity Fund	1,299	-
Islamic Corporation for Investments and Insurance of Export Credit (ICIEC)	-	305,806
Anfaal Capital Company	-	56,863
Al Fareeda Residential Fund	-	1,320,268
	25,682,120	19,878,470

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

20 Related party transactions and balances (continued)

20.3 Due to related parties comprise the following:

	31 December 2016 USD	13 October 2015 USD
Islamic Development Bank (IsDB)	10,593,889	741,942
Waqf Fund	2,968,317	-
Islamic Corporation for Investments and Insurance of Export Credit (ICIEC)	35,752	-
Adahi	1,840	-
	13,599,798	741,942

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

	31 December 2016 USD	13 October 2015 USD
Salaries and other short-term benefits	680,945	700,319
Post-employment benefits	91,299	51,125
	772,244	751,444

21 Ijarah Muntahia Bittamleek, Net

	31 December 2016 USD	13 October 2015 USD
Income from Ijarah Muntahia Bittamleek,	28,686,879	19,853,857
Depreciation	(21,929,866)	(12,399,336)
At the end of the period	6,757,013	7,454,521

22 Impairment allowance for financing assets

The movement in the allowance for impairment of financing assets is as follows:

	31 December 2016 USD	13 October 2015 USD
At the beginning of the period	47,917,365	44,572,277
Charge for the period	19,578,321	5,224,276
Write off	-	(1,879,188)
At the end of the period	67,495,686	47,917,365

The breakdown of allowance for impairment of financial assets is as follows:

	31 December 2016 USD	13 October 2015 USD
Murabaha financing (note 7)	7,941,464	5,247,147
Installment sales financing (note 8)	10,685,762	10,686,171
Ijarah Muntahia Bittamleek (note 9)	30,183,590	15,933,863
Other assets (note 11)	18,684,870	16,050,184
	67,495,686	47,917,365

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

23 Fair value gain on islamic derivatives net of currency losses

	For the period from 14 October 2015 to 31 December 2016 USD	For the period from 25 October 2014 to 13 October 2015 USD
Fair value gain on Islamic derivatives	14,131,322	776,374
Foreign exchange loss	(8,410,833)	(223,261)
	5,720,489	553,113

24 Fiduciary assets**24.1 Unit investment fund**

The Unit Investment Fund ("UIF") of IsDB is a trust fund established under Article 23 of the Articles of Agreement of IsDB. The purpose of UIF is to participate in the economic development of the member countries through the pooling of the saving of institutions and individual investors, and to invest these savings in producing projects in the said member countries.

UIF's management is supervised by an Executive Committee, which is headed by the President of IsDB. The Corporation manages UIF as a Mudarib and charges a Mudarib fee, which is included in the statement of income under Mudarib fees.

At the end of December 31, 2016, the total assets of UIF under the management of the Corporation amounted to USD 268.06 million (1436H: USD 270.99 million).

24.2 Money Market Fund

The ICD Money Market Fund (Labuan) LP ("MMF") is a Labuan Islamic Limited Liability Partnership (LLP) registered under the Labuan Limited Partnerships and Limited Partnerships Act 2010 on July 22, 2014. The objective of the partnership is to earn periodic income by investing in Shari'ah compliant placement, investment and financing products. The Corporation acts as the Mudarib (Investment Manager), custodian and administrator of the fund and charges a Mudarib fee ranging from 0.001% to 30% of the return depending on the return percentage, which is included in the statement of income under Mudarib fees.

At the end of December 31, 2016, the total assets of MMF under the management of the Corporation amounted to USD 277.47 million (13 October 2015: USD 270.78 million).

The UIF and the Money market funds are co-managed under special purpose vehicle ICD Asset Management Labuan (IAML).

24.3 Others

Certain commodity placements, equity investments and Sukuk investments are in the name of the Corporation which are for the beneficial interest of IsDB group entities and are managed and operated by the respective entities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

25 Net assets in foreign currencies

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

	31 December 2016 USD	13 October 2015 USD
Euro	179,818,274	39,804,753
Saudi Riyals	111,266,628	81,701,197
Pakistani Rupees	16,046,639	18,620,226
Kazakhstani Tenge	10,982,974	11,649,000
Jordanian Dinar	5,350,995	5,350,995
Sterling Pounds	162,856	68,720
Malaysian Ringgit	40,344	57,602
CFA Franc (XOF)	(3,660)	(2,532)
Turkish Lira	(49,442)	-
Indonesian Rupee	(57,621)	3,803,136
Moroccan Dinar	(63,415)	-
Emirati Dirham	(258,591)	(626,191)
Islamic Dinar	(2,974,541)	-
	320,261,440	160,426,906

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

26 Concentration of assets

26.1 Concentration of assets by geographical areas at the end of the period is as follows:

Member Countries	Cash and bank balances	Commodity placements and Murabaha financing	Installment sales financing	Ijarah Muntahia Bittamleek	Sukuk and equity Investments	Other assets and property and equipment	31 December 2016 Total	13 October 2015 Total
	USD	USD	USD	USD	USD	USD	USD	USD
Africa	-	214,632,011	52,958,649	32,772,978	441,631,988	57,412,395	799,408,021	517,901,146
Asia	66,010,216	675,683,001	123,625,789	85,035,297	696,096,281	130,198,981	1,776,649,565	1,192,391,156
	66,010,216	890,315,012	176,584,438	117,808,275	1,137,728,269	187,611,376	2,576,057,586	1,710,292,302

26.2 Concentration of assets by economic sector at the end of the period is analyzed as under:

	Cash and bank balances	Commodity placements and Murabaha financing	Installment sales financing	Ijarah Muntahia Bittamleek	Sukuk and equity Investments	Other assets and property and equipment	31 December 2016 Total	13 October 2015 Total
	USD	USD	USD	USD	USD	USD	USD	USD
Financial services	66,010,216	816,965,971	176,584,438	-	739,417,765	65,549,091	1,864,527,481	1,136,629,304
Industry and mining	-	32,635,508	-	108,807,095	79,763,267	101,205,450	322,411,320	247,252,354
Social services	-	26,935,110	-	9,001,180	318,547,237	-	354,483,527	303,046,704
Others	-	13,778,423	-	-	-	20,856,835	34,635,258	23,363,940
	66,010,216	890,315,012	176,584,438	117,808,275	1,137,728,269	187,611,376	2,576,057,586	1,710,292,302

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

27 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 period are as follows:

	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Fixed maturity	Total
	USD	USD	USD	USD	USD	USD
Assets						
Cash and bank balances	66,010,216	-	-	-	-	66,010,216
Commodity placements and Murabaha financing	305,803,670	299,988,584	165,245,867	71,140,341	48,136,550	890,315,012
Sukuk investments	-	1,164,102	331,080,294	50,000,000	-	382,244,396
Installment sales financing	35,947,262	34,824,955	105,812,221	-	-	176,584,438
Ijarah Muntahia Bittamleek, net	17,503,753	19,867,424	62,084,812	18,352,286	-	117,808,275
Equity investments	-	-	-	-	755,483,873	755,483,873
Other assets and property and equipment	85,640,738	101,504,483	466,155	-	-	187,611,376
31 December 2016	510,905,639	457,349,548	664,689,349	139,492,627	803,620,423	2,576,057,586
13 October 2015	371,453,635	318,591,782	185,773,834	3,196,944	831,276,107	1,710,292,302
Liabilities						
Sukuk liabilities	-	-	496,335,079	600,000,000	-	1,096,335,079
Wakala financing	145,000,000	250,000,000	-	-	-	395,000,000
Accrued and other liabilities	46,252,434	-	-	-	-	46,252,434
Employee pension liabilities	-	-	-	-	14,042,479	14,042,479
Amounts due to ICD Solidarity Fund	870,026	-	-	-	-	870,026
31 December 2016	192,122,460	250,000,000	496,335,079	600,000,000	14,042,479	1,552,500,018
13 October 2015	92,534,662	501,900,773	100,000,000	-	-	694,435,435

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

28 Shari'ah supervision

According to Article 29 (1) of the Articles of Agreement of the Corporation, the Corporation shall have a Shari'ah Committee. As a member of the IsDB group, the Corporation utilizes the IsDB Group Shari'ah Committee. The Committee rules on whether a certain category of investment is Shari'ah compliant and considers any questions referred to it by the Board of Directors, the Executive Committee or Management of the Corporation.

29 Risk management

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 statement of financial position. The assets which subject the Corporation to credit risk principally consist of bank balances, commodity placements through financial institutions, Sukuk investments, Murabaha financing, Installment sales financing, Ijarah Muntahia Bittamleek and other assets. This risk is mitigated as follows:

Commodity placements through financial institutions and Sukuk investments are managed by the Corporation's treasury department. The Corporation has made placements with financial institutions under the arrangement of Wakala Bil Istismar. Adequate due diligence is exercised prior to investments and as at the period end, management considers that there are no material credit risks posed to these investments.

The Corporation evaluates Murabaha financing, installment sales and Ijarah Muntahia Bittamleek 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 statement of financial position was considered fully recoverable by the management of the Corporation. The Corporation's credit risk concentration is disclosed in note 26.

As of the reporting date, the ageing of the Corporation's financing assets which were overdue and considered for impairment was as follows:

	Murabaha financing	Installment sales financing	Ijarah Muntahia Bittamleek Receivables	Other assets
	USD	USD	USD	USD
0-90 days	1,900,000	-	2,491,291	-
91-180 days	160,000	-	4,683,600	-
181 days and above	9,827,747	10,685,763	61,005,403	27,006,105
31 December 2016	11,887,747	10,685,763	68,180,294	27,006,105
0-90 days	-	-	676,148	-
91-180 days	-	-	4,643,642	-
181 days and above	5,247,147	10,686,171	28,634,810	19,783,350
13 October 2015	5,247,147	10,686,171	33,954,600	19,783,350

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

29 Risk management (continued)

The following is the aging of the Corporation's financial assets which were past due but were not considered impaired by the management since there was no change in the credit quality of these financial assets:

	Murabaha financing	Installment sales financing	Ijarah Muntahia Bittamleek Receivables	Other assets
	USD	USD	USD	USD
0-90 days	246,604	-	2,013,686	-
91-180 days	3,114,651	-	187,914	-
181 days and above	1,447,242	-	38,375,306	-
31 December 2016	4,808,497	-	40,576,906	-
0-90 days	-	-	16,343,152	-
91-180 days	318,872	-	5,622,876	-
181 days and above	4,967,065	-	34,937,111	-
13 October 2015	5,285,937	-	56,903,139	-

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 certain other 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 foreign currency denominated assets and liabilities.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2016

Mark-up rate risk

Mark-up rate risk arises from the possibility that changes in mark-up rates will affect the value of the financial instruments. The Corporation is exposed to changes in mark-up rates mainly on its Sukuk investments, Murabaha, Installment Sales and Ijarah Muntahia Bittamleek financing through changes in the benchmark of the market mark-up rate; LIBOR. Other financing arrangements are normally based on fixed rates. The Board approved Asset and Liability Management policy requires that the Corporation follow the matched-funding principle in managing its assets and liabilities. Thus, the Corporation ensures that the mark-up rate basis 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.

Price risk

The Corporation is exposed to equity price risk on its investments held at fair value. The Corporation has only two investments which are listed and, accordingly, the Corporation is not 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 placements through financial institutions and Murabaha financing with short-term maturity of three to twelve months. Please see note 27 for the maturity schedule of the assets.

30 Fair value

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates. Fair valuation with respect to investments is disclosed in note 10.

31 Commitments

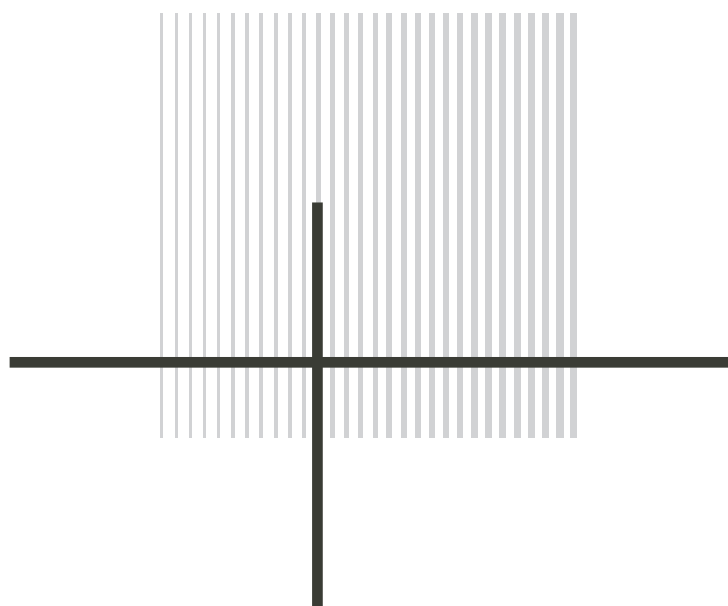
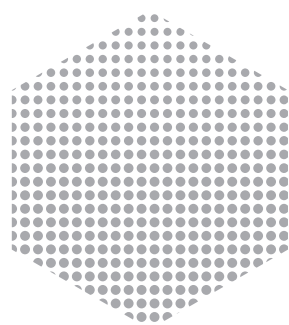
At December 31, 2016, the un-disbursed commitments for investing in operations and other investments amounted to USD 452.69 million (1436H: USD 336.9 million).

32 Comparative figures

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period.

33 Approval of financial statements

The financial statements were approved by the Board of Directors on 27 March 2017 (corresponding 28 Jumada II 1438H).





NOTES

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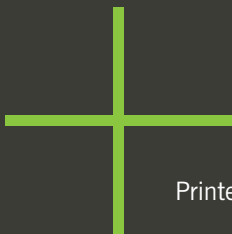
ANNUAL REPORT 2016

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