Islamic Corporation for the Development of the Private Sector

STRONGER TOGETHER

Annual Report

2021


بسم الله الرحمن الرحيم

What we do

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

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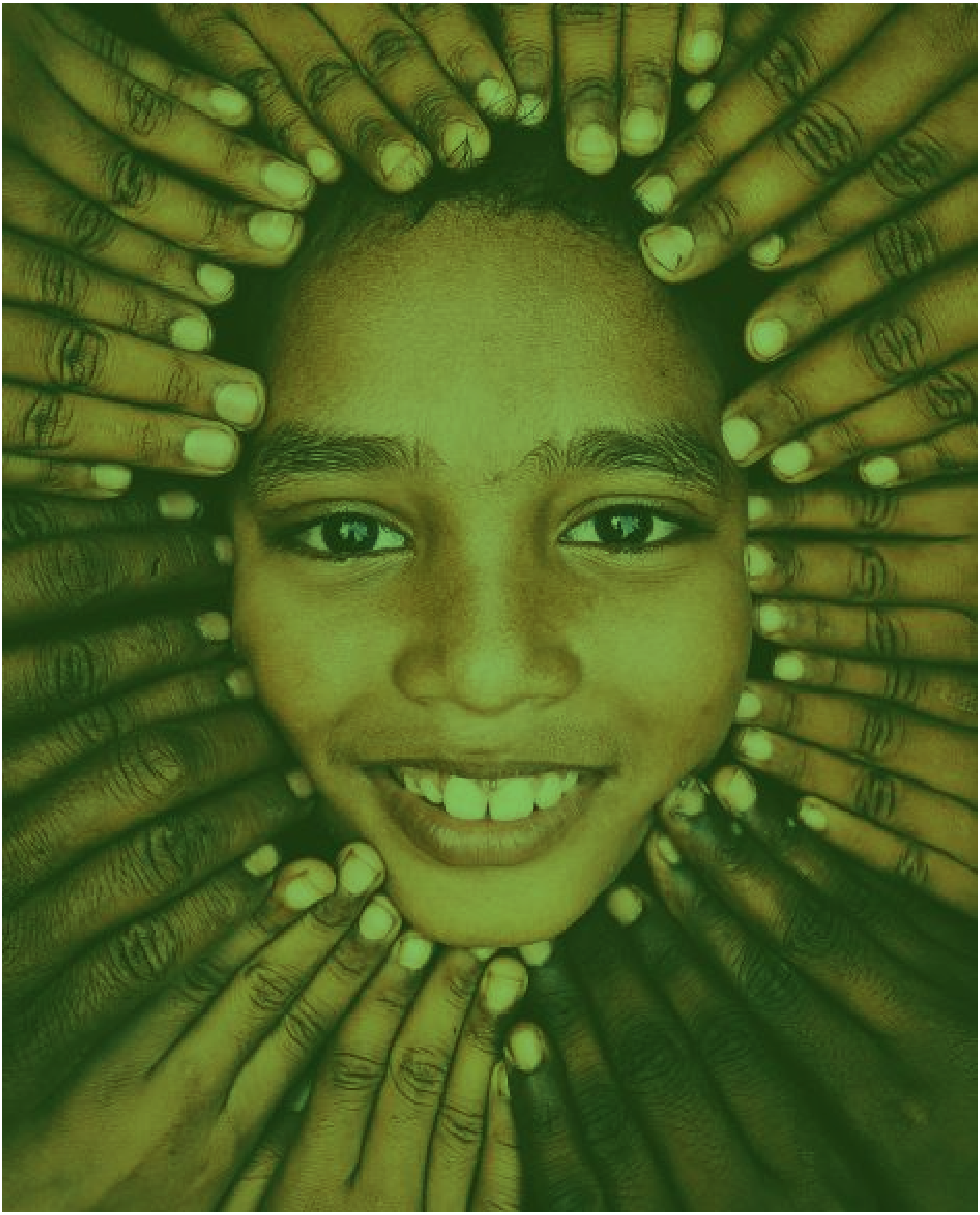


CHAIRMAN'S MESSAGE

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

In the name of Allah, the Beneficent, the Merciful

H.E. The Chairwoman,
General Assembly of the Islamic Corporation for the Development of the Private Sector

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 Twenty-Second Annual Report of the ICD for the fiscal year 2021.

This report contains an annual review of ICD's activities, including its business interventions, development impact and financial performance. The ICD will pursue all efforts to meet the aspirations of its shareholders.

Please accept, Madam Chair, the assurances of my highest consideration.

Dr. Muhammad Al Jasser

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

MESSAGE FROM THE CHIEF EXECUTIVE

In the name of Allah, the Beneficent, the Merciful

I hereby present ICD's Annual Report for the year 2021.

With a new year on the horizon, we are reflecting on the challenges, opportunities, and progress in the member countries we supported during 2021. From extending much needed funding to providing technical assistance to support troubled businesses, our priorities have been to help people recover and build resilience in the second year of a global health crisis.

Despite the challenges faced, we forged ahead with delivering tailored private sector solutions. In 2021, total project approvals stood at USD 243.60 million, with term finance and line of finance significantly contributing a 50.08% and 43.51% share respectively with a combined total of USD 228.00 million. This is in line with our commitment to channel resources to better serve end-beneficiaries, primarily SMEs. Meanwhile, equity projects accounted for the remaining 6.40% of total approvals. This brings cumulative approvals since inception to USD 7.08 billion. We also disbursed USD 208.71 million, a healthy improvement from last year's USD 135.48 million, with the largest allocation to high-impact sectors such as finance (62.25%), transportation (19.17%) energy (13.80%) and industry and mining (4.79%). Overall, the disbursement-to-approval ratio stood at 85.68%, almost double of the previous year.

Update on ICD's COVID-19 response

As you are aware, in April 2020, we committed USD 250 million in emergency funding to assist businesses affected by the pandemic. As at end of 2021, under the special COVID-19 Package, ICD received a total of 25 formal financing requests amounting to more than USD 300 million from over 20 member countries. To date, a total of 12 line of finance transactions equalling USD 169.2 million have been approved under the package, with USD 72.9 million being disbursed. In addition, two equity transactions have also been approved totalling USD 19.2 million. Moving forward, we pledge to continue channelling our resources efficiently and delivering crucial support to those most vulnerable to the economic impacts of the pandemic.

Supporting innovative solutions

In some of the countries where we work, crises such as conflict and climate change have exacerbated existing economic hardships. 2021 saw the Business Resilience Assistance for Value-Added Enterprises (BRAVE) Women Program come to fruition in Nigeria with commendable milestones accomplished, where specialized business training and financial support helped women-led businesses improve their resilience and serve as an engine for innovation, growth, and employment of more women. We also signed three new advisory mandates consisting of a liability management exercise for the Maldives and two subsequent tap issuances, helping the country reduce its short-term refinancing risk and ensuring its steady path to recovery. In total, ICD was able to raise USD 5.2 billion from the sukuk market in 2021, ranking it among the top (13th place) on the Bloomberg league tables for International Sukuk and US Dollar International Sukuk.

Forging partnerships

Building ecosystems with shared purpose, principles and progress requires a more coordinated approach. In 2021, ICD achieved important business synergies with the International Islamic Trade Finance Corporation (ITFC) and the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) with the establishment of a Technical Coordination Committee (TCC) to promote cross-selling and deal sharing. I had the honour of chairing the 2021 TCC CEO meetings and am proud of the achievements we have made in the year in terms of engagements, shared deal pipeline and approvals. As at year end, the TCC enabled the entities to share more than 35 deals with a total value of USD 1.8 billion in 19 different member countries. In addition, the entities also co-invested in nine sukuk transactions with a total value of over USD 617 million.

“Moving forward, we pledge to continue channelling our resources efficiently and delivering crucial support to those most vulnerable to the economic impacts of the pandemic.

Externally, we continued to engage with multiple stakeholders, new and old, to enhance collaboration and strengthen commitments in tackling global issues and innovating multi-faceted solutions. This includes, for example, signing agreements with the Malaysia EXIM Bank, the Saudi EXIM BANK, and the Trade Development Bank (TDB) on pipeline sharing and co-financing and numerous strategic consultations and workshops with development finance institutions (DFIs), multilateral development banks (MDBs) and Islamic financial institutions (IFIs) including the Asian Infrastructure Investment Bank (AIIB), the International Financial Corporation (IFC), the United Nations Development Program (UNDP), and Saudi Arabia's National Development Fund (NDF) and Public Investment Fund (PIF) on opportunities for enhanced cooperation.

Tracking our development impact

On the sustainability front, the pandemic has had a positive influence on our ongoing sustainability journey, as it inspired a re-evaluation of what is important to us, and our role in managing bigger issues across the globe. We are of course deeply rooted in communities where we have a presence, and continuously work with partners to improve lives and promote sustainable development. Our latest Annual Development Effectiveness Survey results revealed that ICD's respected clients and partners supported over 74,000 jobs, while a total of 4,742 SMEs benefited from ICD's financing activities. ICD-supported projects also resulted in export sales and tax revenue generation totalling USD 74.49 million and USD 72.83 million respectively in member countries, with USD 2.31 million spent on community development.

"As testament to our steadfast commitment in advancing the sustainability agenda, ICD joined the SDG Finance Advisory Board for the Global Councils on SDGs in September 2021.

I am also proud to share that as testament to our steadfast commitment in advancing the sustainability agenda, ICD joined the SDG Finance Advisory Board for the Global Councils on SDGs in September 2021. The Global Councils on SDGs aims to give visibility to the best approaches and ideas vetted by practitioners. With one Council per goal, members are a unique interdisciplinary network of international decision makers. Councils work to first identify major bottlenecks in the delivery of results on the SDGs on a national and global level, and then the solutions – potential policies, technologies, and resource allocations – to unblock progress towards 2030. With a new term for 2021-2023 in place and as a member of the SDG Finance Advisory Board, ICD will be assisting in the design, implementation and scale-up of the initiatives launched by the other SDG councils by offering them the opportunity to tap into the knowledge and networks of members, and to mobilize funding sources to enable and optimize the target outcome of these initiatives.

Investing in our people

2021 also witnessed the conclusion of our comprehensive corporate restructuring exercise, which kickstarted in 2019 as part of the ongoing execution of ICD's refreshed strategy. As the most critical input into our business, human capital is not only about building a productive and skilful workforce, but also enabling them to manage emerging risks and opportunities. We worked hard at fostering a nurturing environment that will allow our people to seamlessly realize organisational needs and aspirations, while also valuing their own personal and professional growth. I believe this new blueprint will enable us to focus on the key areas needed to transform our organization to achieve greater success.

Better days ahead

While we continue to navigate the new normal, the future will see us growing stronger and better, even if uncertainties continue on a global level. In the long term, we at ICD aim to bring about a systemic change in the way the private sector is involved in the global development agenda as there is still much to do. This is the moment to use our unique capacity to work across boundaries, connecting capital, people, ideas and best practices, both locally and globally.

I would like to take this opportunity to sincerely extend my heartfelt appreciation and gratitude to our former Group President, H.E. Dr. Bandar Hajjar, for his invaluable guidance during his years of remarkable service. I wish him all the best and every success in his future endeavours. To our new Group President, H.E. Dr. Muhammad Al Jasser, I am positive that his strong leadership will take the IsDB Group to new heights. He most definitely has ICD's utmost support and dedication in achieving the new, articulated aspirations of the IsDB Group, and we at ICD look forward to being involved in every step of the way with renewed vigour. I would also like to thank our Board of Executive Directors–as always, I am grateful for your continued support which has been invaluable to the many successes we have enjoyed to date.

To the entire ICD family: Let's not lose sight of our purpose and our fulfilling mission of supporting and developing the private sector as a powerful engine for inclusive growth and stability. I am humbled by some of the stories of how my colleagues are ensuring exceptional continuity of service to our clients in often difficult circumstances, and I have no doubt that they will continue to go the extra mile to make a positive difference.

All the best for the coming year and I wish you all the possible success, In Sha Allah.

Faithfully,

Ayman Amin M. Sejiny
Chief Executive Officer
Islamic Corporation for the Development of the Private Sector

1 ABOUT THE ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR (ICD)

The Islamic Corporation for the Development of the Private Sector (ICD) is a multilateral organization affiliated with the Islamic Development Bank (IsDB). Its authorized capital stands at USD 4 billion, of which USD 2 billion is available for subscription. Its shareholders consist of the IsDB, 55 member countries and five public financial institutions. Headquartered in Jeddah, ICD was established by the IsDB Board of Governors during its 24th annual meeting held in Jeddah in Rajab 1420H (November 1999).

The mandate of ICD is to support the economic development of its member countries by providing financial assistance to private sector projects in accordance with the principles of Shari'ah, aimed at creating employment opportunities and enhancing their export potential. Furthermore, ICD has the mandate of mobilizing additional resources for projects and encouraging the development of Islamic finance. It also attracts co-financiers for its projects and provides advisory services to governments and private sector groups on policies aimed at encouraging the establishment, expansion and modernization of private enterprises, the development of capital markets, best management practices, and the enhancement of the role of the market economy. ICD's operations complement the activities of the Islamic Development Bank in member countries and those of national financial institutions.

OUR MISSION

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

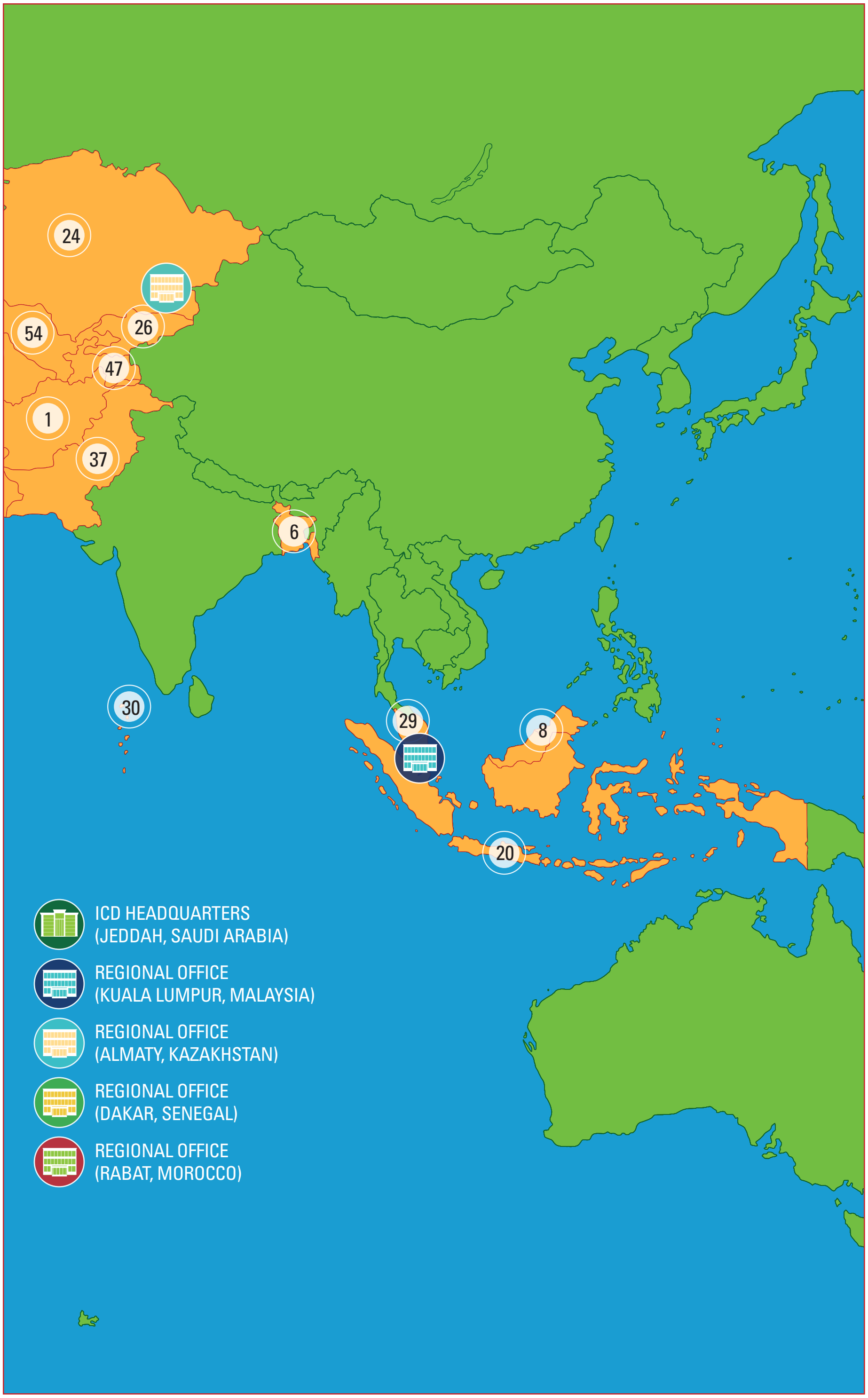
OUR VISION

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

WHERE WE OPERATE

We have been operating in these regions for more than 20 years, providing financing services and supporting growth where and when it matters most.

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



ICD MEMBER COUNTRIES

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

2
ICD IN NUMBERS

2.1 A SNAPSHOT OF 2021

Approvals by Product

Line of Finance
USD 106.00 million

Term Finance
USD 122.00 million

Institutional Equity
USD 15.60 million

Approvals by Region

Global
2.05%

Middle East and North Africa
31.61%

Asia
30.79%

Sub-Saharan Africa
29.39%

Europe and Central Asia
6.16%

Approvals by Sector

Finance
49.92%
7 projects

Transport
20.53%
1 project

Industry and Mining
18.47%
2 projects

Health and Other Social Services
11.08%
1 project

49.92%
invested in the financial sector with MSMEs as end-beneficiaries

A total of
11
projects approved

8
countries reached
(Bangladesh, Kazakhstan, Kuwait, Pakistan, Nigeria, Saudi Arabia, Senegal, Uzbekistan)

1
regional project

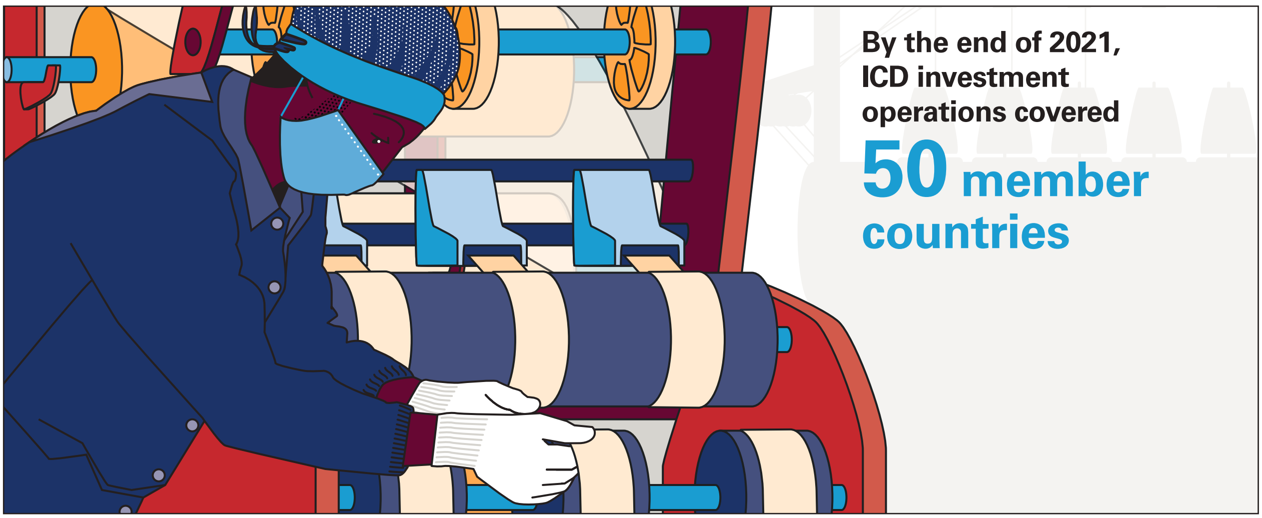
1
global project

USD 243.60 million
approved

In 2021, ICD approved projects to the value of

USD 243.60 million

benefiting 8 member countries in addition to two regional and global-level projects spanning several economies



By the end of 2021, ICD investment operations covered

50 member countries

In 2021, ICD's disbursement-to-approval ratio stood at

85.68%,

almost double that of the previous year

2.2 2021 IN REVIEW

With its significant role in driving inclusive and dynamic growth, private sector development has been the primary focus of ICD since inception.

2021 was a critical year in terms of finalizing and implementing ICD's new operating model and organizational structure, which laid the foundation for transforming ICD and the way it fulfils its private sector mandate. Total approvals for the year stood at USD 243.60 million (USD 306.60 million in the previous year). As far as ICD's core business operations are concerned, term finance and line of finance (LOF) made up the bulk of ICD approvals with a 50.08% and 43.51% share respectively and a combined total of USD 228.00 million. This is in line with our commitment to channel resources to better serve end-beneficiaries, primarily SMEs and high-impact industries. Meanwhile, equity projects accounted for the remaining 6.40% of total approvals. This brings cumulative approvals since inception to USD 7.08 billion.

In terms of sectoral allocation, almost half of the new project approvals for the year were earmarked for the financial sector (49.92%), while non-financial sector investments focused on high-impact sectors, primarily transportation (20.53%), industry and mining (18.47%) and health infrastructure (11.08%). In terms of regional distribution, 31.61% of project approvals were allocated to the Middle East and North Africa (MENA) region, followed by 30.79% to Asia, 29.39% to sub-Saharan Africa, 6.16% to Europe and Central Asia and the remaining 2.05% to global (multi-country) projects.

FIGURE 2.1: APPROVALS BY PRODUCT: 2021

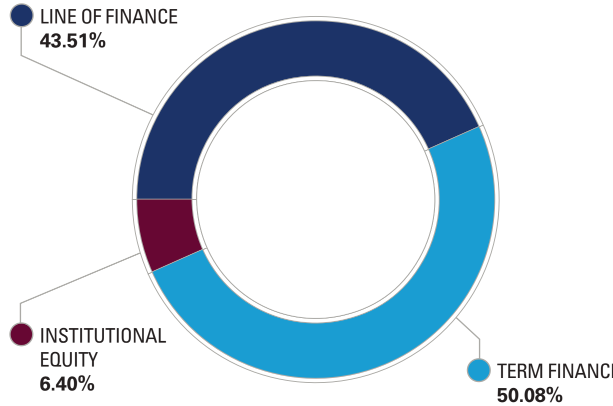


FIGURE 2.2: APPROVALS BY SECTOR: 2021

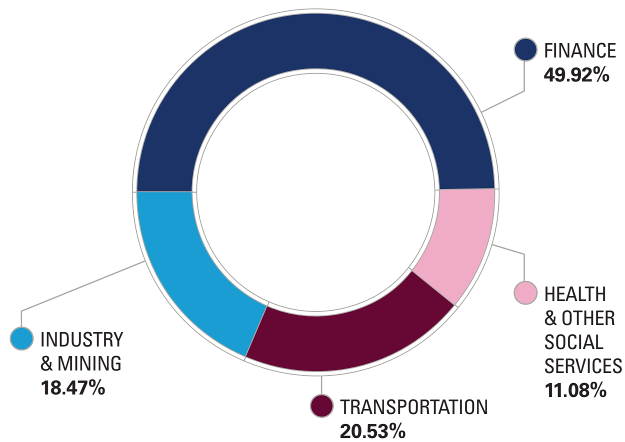


FIGURE 2.3: APPROVALS BY REGION: 2021

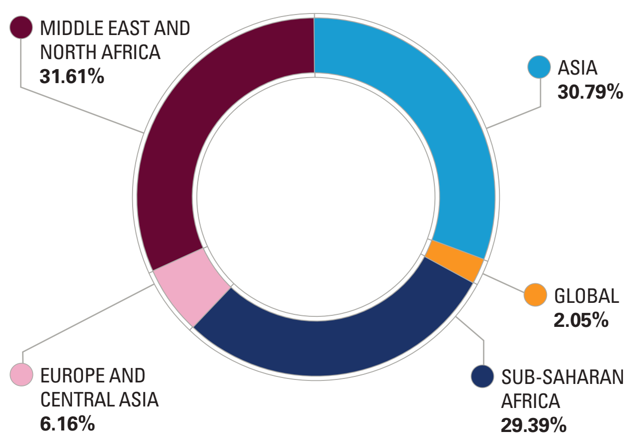
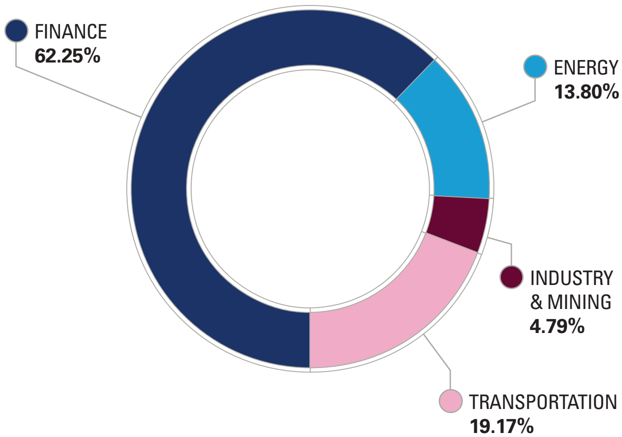


FIGURE 2.4: SECTORAL ALLOCATION OF DISBURSEMENTS: 2021



The Bridge platform was also established to help in reducing the digital divide in member countries.

On disbursements, total distribution for the year totalling USD 208.71 million (2020: USD 135.48 million) was mainly in high-impact sectors such as finance (62.25%), transportation (19.17%) energy (13.80%) and industry and mining (4.79%). Overall, the disbursement-to-approval ratio stood at 85.68%, improving significantly compared to the previous year (44.18%).

In order to further improve the operating model and to ensure financial sustainability, ICD continued its efforts to enhance its fee-based revenue generation activities and signed three new sukuk mandates as well as two new advisory transactions involving the establishment of Islamic banking windows in Senegal and Mali. The Bridge platform was also established to help in reducing the digital divide in member countries and to create a more innovative, efficient and financially sustainable organization with a large network of partner financial institutions for the purpose of mobilizing additional resources and cross-border investment.

2.3 HIGHLIGHTS SINCE INCEPTION

Since inception, ICD has delivered more than USD 7.08 billion in cumulative approvals and more than USD 3.75 billion in disbursements for private sector development

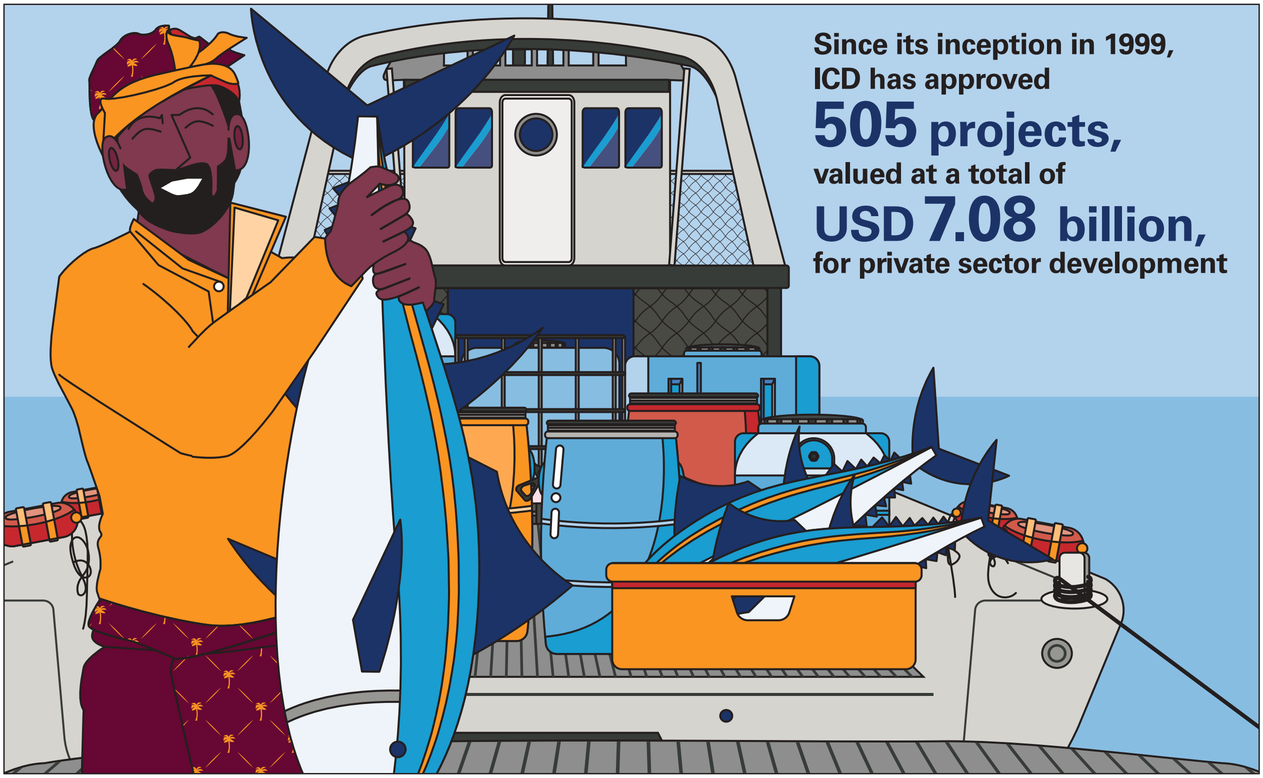
Since ICD's establishment in 1999, it has approved 505 projects, valued at USD 7.08 billion. ICD approvals support a wide array of industries including finance, infrastructure, agriculture, manufacturing and energy, with investment operations present in 50 member countries.

Our approvals include:

- **116 Line of Finance projects valued at USD 3.05 billion**
- **228 Term Finance projects valued at USD 2.45 billion**
- **146 Equity projects valued at USD 1.05 billion**
- **15 Funds projects valued at USD 532.85 million**

To date, 77.58% of approvals have been allocated to credit financing (term finance plus line of finance), followed by 14.89% in equity participation (institutional equity and corporate equity), and the remaining 7.52% in funds.

By far, the largest share of approvals was allocated to the finance sector (excluding funds) which is the intermediation of SME finance, representing 51.20% of gross approvals (USD 3.63 billion) to date. The industrial and mining sector takes up the second largest share (18.86%) with a gross approved amount of USD 1.34 billion. This is followed by funds with 7.52%, and real estate, energy, health and other social services, transportation, information and communication, and trade, accounting for 21.37% of gross approvals. The remaining USD 74.38 million, representing 1.05% of cumulative approvals, is allocated to three economic sectors: agriculture, education, and water, sanitation and waste management.


Since its inception in 1999,
ICD has approved
505 projects,
valued at a total of
USD 7.08 billion,
for private sector development


In 2021, ICD has disbursed more than
USD 3.75 billion
since its inception in 1999

FIGURE 2.5: TOTAL APPROVALS BY SECTOR SINCE INCEPTION

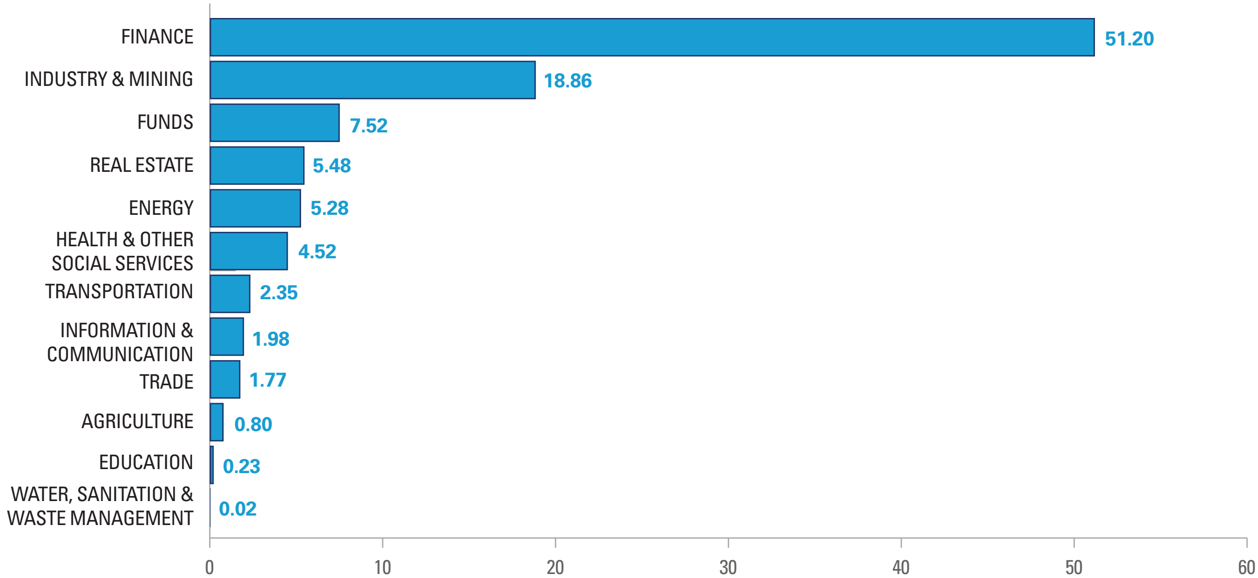


FIGURE 2.6: TOTAL APPROVALS BY PRODUCT SINCE INCEPTION

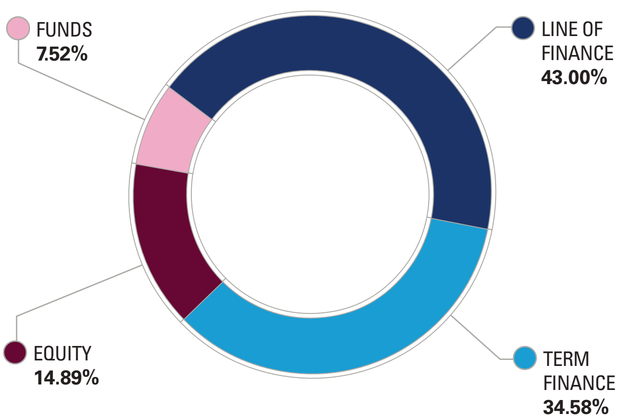
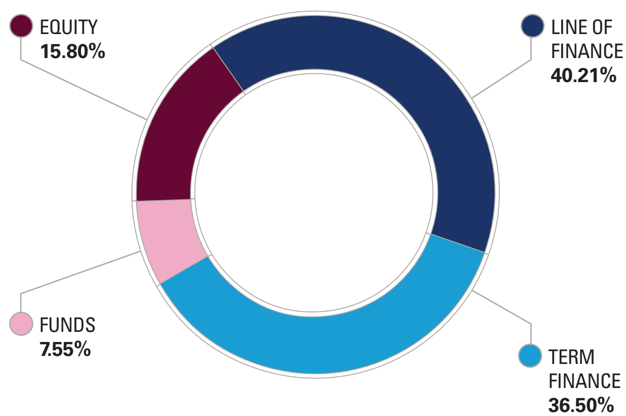


FIGURE 2.7: TOTAL DISBURSEMENTS BY PRODUCT SINCE INCEPTION



Our approvals also reflect our wide geographic reach. By the end of 2021, ICD investment operations covered 50 member countries, in addition to a number of regional and global-level projects spanning several economies. The Middle East and North Africa (MENA) region accounts for 29.35% of gross approvals, followed by Europe and Central Asia (ECA) with 21.35%, Sub-Saharan Africa (SSA) with 18.14%, and the Asia region with 14.91%. The share of regional/global projects covering several countries across different regions represents 16.25% of gross approvals.

ICD has disbursed a total of more than USD 3.75 billion since inception. Disbursements vary according to product, with line of finance and term finance projects accounting for the largest proportion (40.21% and 36.48%, respectively). Equity operations accounted for 15.76%, followed by funds at 7.55%.

Non-financial sector investments focused on high-impact sectors, primarily transportation, industry and mining and health infrastructure.

3 OUR OPERATIONS, ACTIVITIES AND PERFORMANCE: 2021 HIGHLIGHTS

In 2021, ICD's meaningful work supported inclusive development, improved business resilience and sustainability, advanced the Islamic finance agenda and contributed to post-COVID-19 recovery efforts of member countries.

BRAVE WOMEN:
KEY ACTIVITIES

3.1 BUILDING RESILIENCE FOR WOMEN ENTREPRENEURS IN NIGERIA FOR INCLUSIVE DEVELOPMENT

The Business Resilience Assistance for Value-Adding Enterprises (BRAVE) Women Program was created in a context of ongoing international development aid provided to the most fragile states in Africa and the Middle East. At its core, the program aims to enhance the resilience of women-owned or led SMEs (WSMEs) in fragile contexts and works to increase their business growth opportunities through capacity building and funding. Launched in Yemen, Nigeria and Burkina Faso and designed by IsDB, the BRAVE Women program is managed by ICD and comprises the following key activities (left)

The BRAVE Women program is a subset of a larger five-year multi-country program designed for three IsDB member countries (Yemen, Nigeria, and Burkina Faso) with a total cost of USD 32.2 million. Out of this total, USD 14.27 million was allocated to Nigeria over a three-year period (2020-2023). The program receives financial support from the global multi-donor fund, Women Entrepreneurs Finance Initiative (We-Fi), and builds upon an established track-record by the IsDB for a similar BRAVE project in Yemen that was funded by the MENA Transition Fund from 2016 to 2020. The BRAVE Women program contributes to SDG #5 (Gender Equality), SDG #8 (Decent Work and Economic Growth) and SDG #9 (Industry, Innovation and Infrastructure).

3.1.1 Context

Nigeria's persistent macroeconomic challenges, coupled with COVID-19 repercussions, have had an adverse impact on the health of the country's private sector, especially SMEs. The problems faced by SMEs include, among others: poor access to finance, a reduction in sales revenue, loss of staff due to an inability to pay salaries, increasing debt, a disruption in both local and international supply chains and price uncertainty. These problems are particularly acute for women entrepreneurs as they are prone to face additional business constraints due to their informality in addition to prevailing cultural, legal and societal norms. Tackling gender disparities in economic opportunities is therefore crucial in reinvigorating key sources of potential growth in Nigeria.

As a result, in April 2020, the IsDB Group signed the Framework Agreement with the Federal Republic of Nigeria (represented by Federal Ministry of Finance) outlining its support in the implementation of the BRAVE Women Nigeria Project. The Bank of Industry (BOI) of Nigeria was assigned as the Local Execution Agency (LEA) for the project, which was developed to be implemented in three Nigerian states (Edo, Kano and Gombe). The participating women-owned or led businesses would benefit from two major project interventions: i) specialized business resilience training which will enhance entrepreneurial, financial, and business development skills and ii) grant-matching assistance.

3.1.2 2021 project milestones

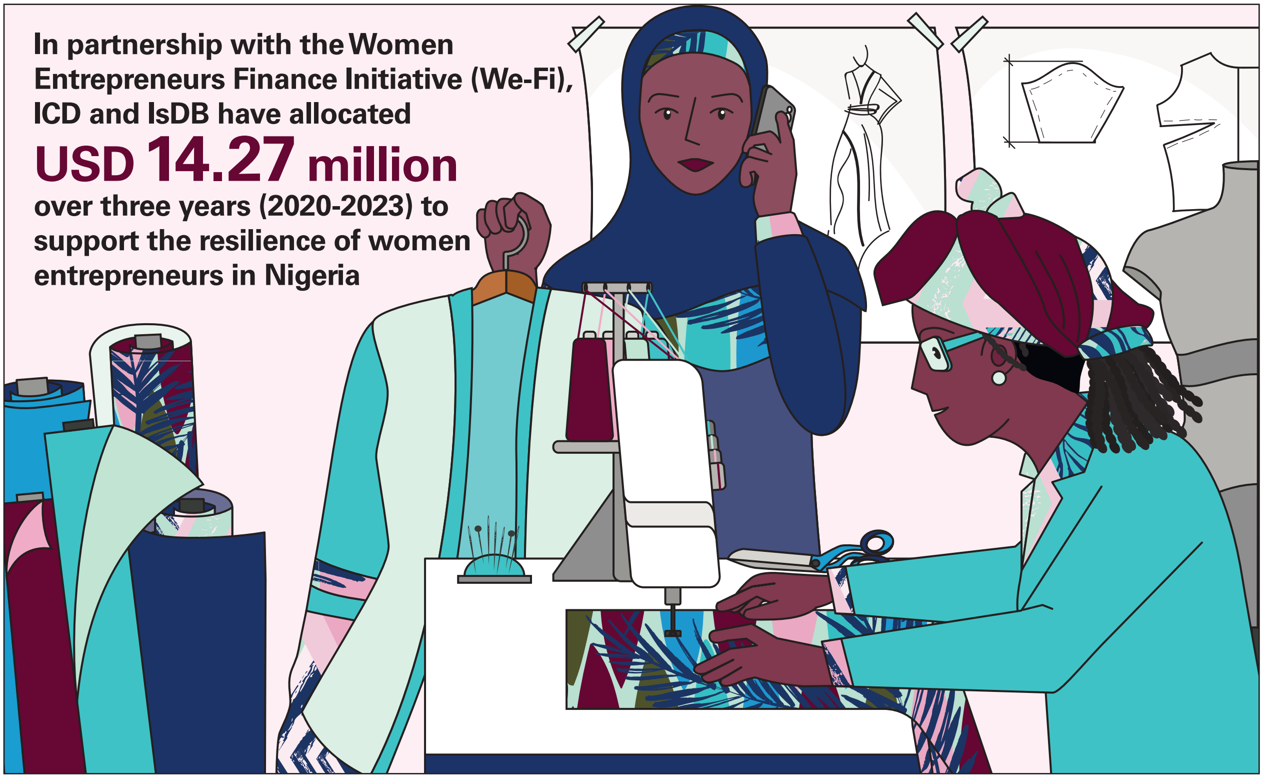
In 2021, the BRAVE Women program in Nigeria successfully established a viable Project Management Unit (PMU) within the premises of BOI, supported by a Resident Technical Adviser (RTA) who provided advisory services for the set-up and capacity building of the PMU. In its final phase, the capacity building component involved a knowledge-exchange session between the BRAVE Women's program designated LEAs in Nigeria and Yemen and the Small and Micro Enterprise Promotion Service (SMEPS). As the main facilitator, SMEPS assumed the role as the lead knowledge provider due to its extensive experience in implementing the BRAVE Women program in Yemen.

A BCP training workshop

The key goal of the capacity building exercise was to have SMEPS impart its lessons learned and best practices as acquired under the current BRAVE Women and previous BRAVE Yemen projects in the fields of project management, finance, monitoring and evaluation, marketing and communication onto the new PMU in Nigeria. Ultimately, the aim was to enhance the capacity of the new PMU in Nigeria to a level that met all the requirements established by both the donor (We-Fi) and the IsDB in delivering project results to the intended beneficiaries in the most cost-efficient, optimal and impactful manner. ICD is proud to have played a critical role in facilitating this triangular form of 'South-South' technical knowledge-exchange program.

Subsequently, a rapid market assessment was conducted in order to gauge the preliminary degree of interest among WSMEs to participate in the project, which was followed by an intense marketing and promotion campaign conducted across the project's three targeted states of Kano, Edo and Gombe.

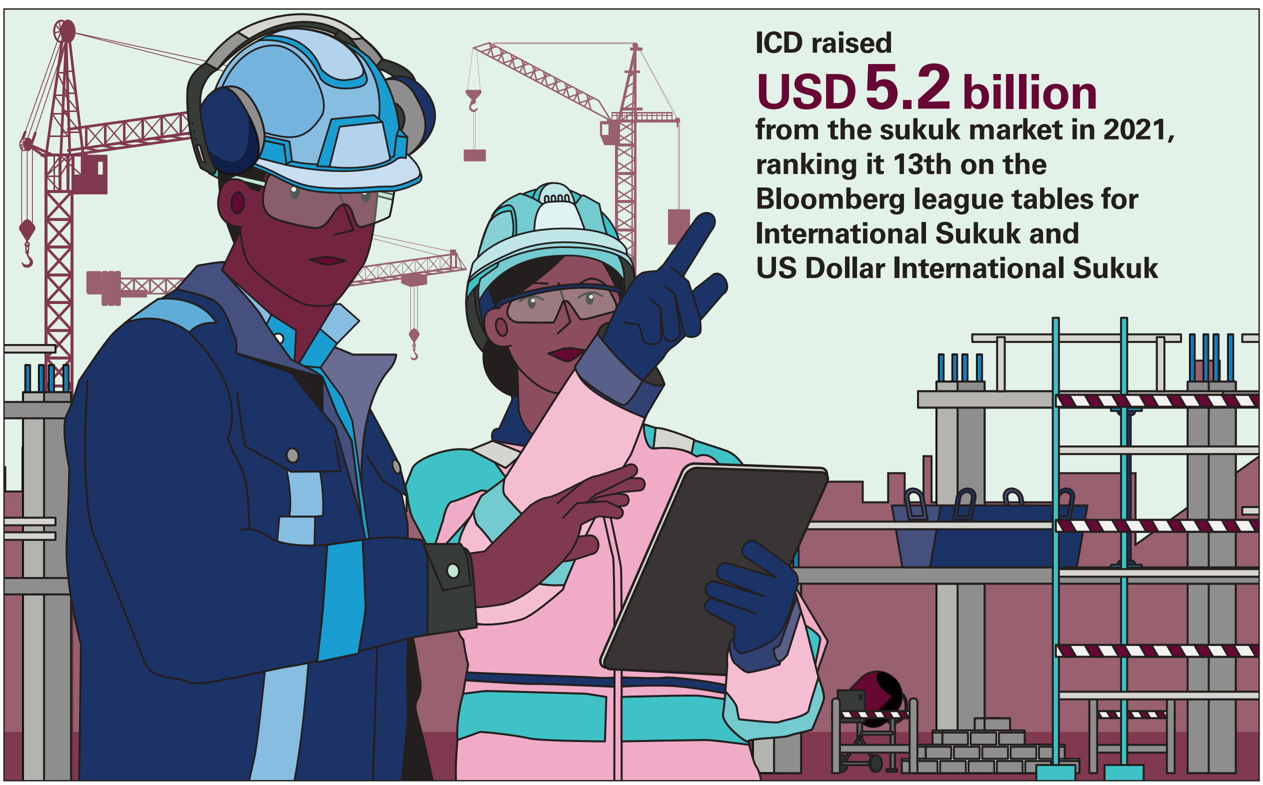
As at the final quarter of 2021, 1,505 firm applications had been received by the project through its web portal, out of which 600 WSMEs met the project's selection criteria and were ultimately retained in addition to 24 lead firms and 14 business associations. The training of the beneficiaries commenced in the second half of December following an initial 'Training of Trainers' (ToT) activity. The latter is a training organized by BOI with the aid of a consultant to train a selected list of business advisors in the domain of Business Continuity Planning



In partnership with the Women Entrepreneurs Finance Initiative (We-Fi), ICD and IsDB have allocated

USD 14.27 million

over three years (2020-2023) to support the resilience of women entrepreneurs in Nigeria



ICD raised

USD 5.2 billion

from the sukuk market in 2021, ranking it 13th on the Bloomberg league tables for International Sukuk and US Dollar International Sukuk

(BCP). This course formed the core curricula that the business advisors extended to the participating firms in December.

In addition, the project was able to secure the participation of three local commercial banks for their fulfilment of the project's role as grant administrator. These were: Jaiz Bank Plc., Suntrust Bank Ltd. and Wema Bank Plc. Here too the ICD had previously (2018-2020) played a lead role during the due diligence and assessment phase of the respective partners. In 2021, extensive contributions were made on the legal front in finalizing the terms of agreement with each respective bank.

Following the completion of the beneficiary trainings by end-2021, the BRAVE Women project in Nigeria expects to intensify its operations by the start of 2022. Three partner banks and BOI are expected to proceed with the vetting of the BCP advisors (approximately 540 expected from the total pool of trainees) after which the project shall proceed with the disbursing of the matching-grants and the monitoring of the proper utilization of the grants during the remainder of 2022 and early 2023.

3.2 ESTABLISHING TWO ISLAMIC WINDOWS IN SENEGAL AND MALI FOR BANQUE SAHÉLO-SAHARIENNE POUR L'INVESTISSEMENT ET LE COMMERCE (BSIC)

The Islamic finance industry has grown rapidly over the past decade and its systemic importance has increased globally, notably in ICD member countries. This trend is expected to continue, driven by relatively unbanked market segments. The recent growth of Islamic finance has led to increased demand for ICD to provide a wide range of Shari'ah compliant financial solutions to meet the diverse needs of consumers and businesses in the global economy.

As part of its firm commitment to develop the Islamic finance industry in its member countries, ICD offers tailored solutions to financial institutions to facilitate their integration process into Islamic finance

WOMEN ENTREPRENEURS FINANCE INITIATIVE we-fi BANK OF INDUSTRY ...transforming Nigeria's industrial sector IsDB WEMA BANK Jaiz Bank ...FOR A BETTER LIFE SunTrust Bank

BRAVE Women Nigeria Launch and Promotional Workshop in Edo, Nigeria in July 2021

ICD offers tailored solutions to financial institutions to facilitate their integration process into Islamic finance.

which involves either a full-fledged conversion of a conventional bank into an Islamic bank, introducing Islamic windows, establishing Islamic leasing companies, or providing high-level management training and capacity development on Islamic banking.

ICD signed two mandates to provide technical assistance to the Banque Sahélo-Saharienne Pour L'Investissement et Le Commerce (BSIC) for the establishment of two Islamic windows for their subsidiaries in Senegal and Mali. ICD assisted the banks through their Islamic window establishment process by providing a turnkey solution that include eight pillars:

Product development: Developed Shari'ah compliant banking products to collect deposit and provide financing and prepared comprehensive documentation for the recommended products (examples include contracts, forms, and Islamic finance guidelines).

Shari'ah Governance: Development of a Shari'ah governance framework for the Islamic window and aided in the implementation of the Shari'ah committee.

Treasury: Prepared Treasury policies pertaining to liquidity, asset/liability management and risk management for the Islamic windows.

IT: Assisted the bank in the assessment and implementation of the Islamic finance Modules.

Capacity Building in Islamic Finance: Conducted a training workshop in Islamic finance and organized a reverse linkage training program with Wifack Bank, a partner Islamic bank in Tunisia.

Risk Management: Prepared a bespoke risk management framework based on international best practice (IFSB), central bank guidelines and the specific risks inherent to the business of Islamic banking.

Accounting: Guided BSIC teams on the treatment of Islamic banking products' accounting records for the Islamic windows.

Marketing: Developed an integrated marketing and communication strategy for the new Islamic windows.

Throughout the project management process, ICD conducted many on-site missions to ensure the quality of the technical services provided to BSIC.

The Islamic windows will allow the banks to cater to the growing demand for Shari'ah compliant banking services in the region. They will participate in enhancing the banking penetration rate in Senegal and Mali, create direct and indirect employment and provide a new source of deposits. It is expected that ICD's intervention and involvement will have an impact on at least four SDGs, including SDG #2 – Zero Hunger, SDG #8 – Decent Work and Economic Growth, SDG #9 – Industry Innovation and Infrastructure, and SDG #17 – Partnership for the Goals.

> **In 2021, ICD signed three new advisory mandates consisting of a liability management exercise for the Maldives and two subsequent tap issuances.**

3.3 ICD ASSUMES ACTIVE ROLE IN SUKUK ISSUANCE

2021 was envisaged to be a recovery year, however the cascading impact of new COVID-19 variants provided new challenges for countries and businesses alike. Nevertheless, conventional and Islamic debt capital markets witnessed a flurry of activity in 2021, continuing the momentum that began during the second half of 2020. Sovereigns and corporates have continued to take advantage of the relatively low rates available in the market. In particular, high-yield issuers have benefited from raising relatively cheap money as these types of issuances were at an all-time high by the end of 2021.

In 2021, ICD signed three new advisory mandates consisting of a liability management exercise for the Maldives and two subsequent tap issuances. These mandates fell under a greater mandate for ICD to advise the Maldives on setting up a USD 1.0 billion Sukuk Program. On 29 March 2021, the Maldives issued a USD 200 million, 9.875% coupon five-year sukuk with ICD as a joint lead manager. Subsequently, ICD successfully closed an additional USD 100 million tap sale in late April 2021. The proceeds were used partly to fund tender offers amounting to 76.8% of the outstanding USD 250 million Eurobond maturing in 2022 and to fund development projects. On 21 September 2021, the sovereign raised another USD 200 million from a second sukuk tap. The September issue was oversubscribed by three times, with investors from pension funds, banks, hedge funds and asset managers from America, Europe, Nordic countries, Asia and the Middle East. In addition, it will also pave the way for inclusion in the Emerging Market Bond Index which is envisaged to broaden the Maldives' investor base by bringing in institutional investors.

In 2021, ICD emerged as an active role player in the GCC sukuk market, playing key roles as joint lead managers and arrangers for four financial institutions in the region as well as for the Emirate of Sharjah of the United Arab Emirates. ICD was also able to secure a role in the IsDB Group sukuk issuance as joint lead manager and arranger. In total, ICD was able to raise USD 5.2 billion from the market in 2021, ranking it in 13th place on the Bloomberg league tables for International Sukuk and US Dollar International Sukuk. ICD's gross revenue for sukuk advisory was over USD 10 million in 2021.

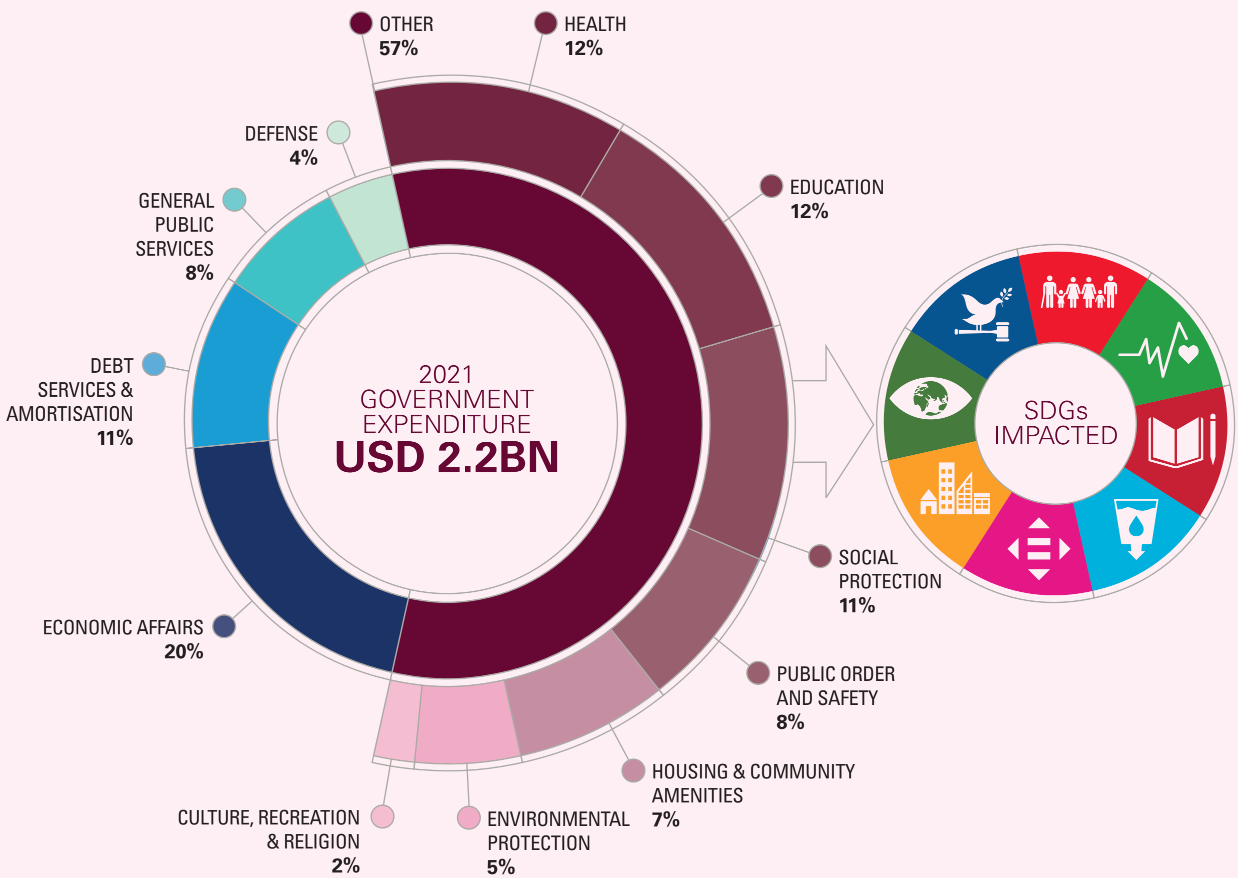
THE HIGH DEVELOPMENT IMPACT OF THE MALDIVES SUKUK

The Maldives Sukuk issuance has added to the approximately USD 1.4 billion (37% of estimated 2020 GDP) in external financing received from bilateral and multilateral partners during 2020. The issuance has enabled the alleviation of external liquidity pressures that have been exacerbated by the sharp reduction in tourism activity resulting from the coronavirus pandemic. It also allowed the Maldivian government to reduce its 2022 external debt repayments and extend the maturity of its external debt obligations. Furthermore, the Sukuk issuance is contributing to the sustainable development of a member country where 57% of the government expenditure for 2021 is directly linked to the SDGs.

The Maldives Sukuk issuance allowed the Maldivian government to reduce its 2022 external debt repayments and extend the maturity of its external debt obligations.

SDGs Impacted

SDG #1 No Poverty
SDG #3 Good Health and Well-being
SDG #4 Quality Education
SDG #8 Decent Work and Economic Growth
SDG #10 Reduced Inequalities
SDG #11 Sustainable Cities and Communities
SDG #13 Climate Action
SDG #16 Peace, Justice and Strong Institutions



OUR USD 250 MILLION FINANCING COMMITMENT

How we've supported our financial sector clients and communities during the pandemic

At the onset of the COVID-19 outbreak, ICD took swift and bold action in engaging with member countries to ensure the critical needs of the private sector were being effectively met following the emergency response announced by the IsDB Group, which was envisaged to collectively deploy nearly USD 2.3 billion. ICD swiftly earmarked USD 250 million of emergency funding to help mainly in the form of short- to medium-term financing instruments. The funding aims to help existing and new clients who can demonstrate a clear impact on their business by the pandemic, especially those in the agri-food, energy and other vulnerable economic sectors. Of the total funding, USD 200 million was allocated to Line of Finance for financial institutions and private sector actors affected by the COVID-19 pandemic. Meanwhile, USD 50 million was allocated to equity investments in Islamic Financial Institutions (IFIs) and selective industries broadly related to healthcare and food.

2021 UPDATE

As at end of 2021, under the COVID-19 Package, ICD received a total of 25 formal financing requests amounting to more than USD 300 million from over 20 member countries.

ICD has given priority to existing clients with a good repayment record, state-owned financial institutions, and national and regional development financial institutions when selecting clients.

LINE OF FINANCE

By the end of 2021, twelve line of finance transactions totalling USD 169.2 million were approved under the package, with USD 72.9 million being disbursed as shown in the tables, right.

EQUITIES

By the end of 2021, two equity transactions totalling USD 19.2 million were approved, with USD 3.4 million disbursed.

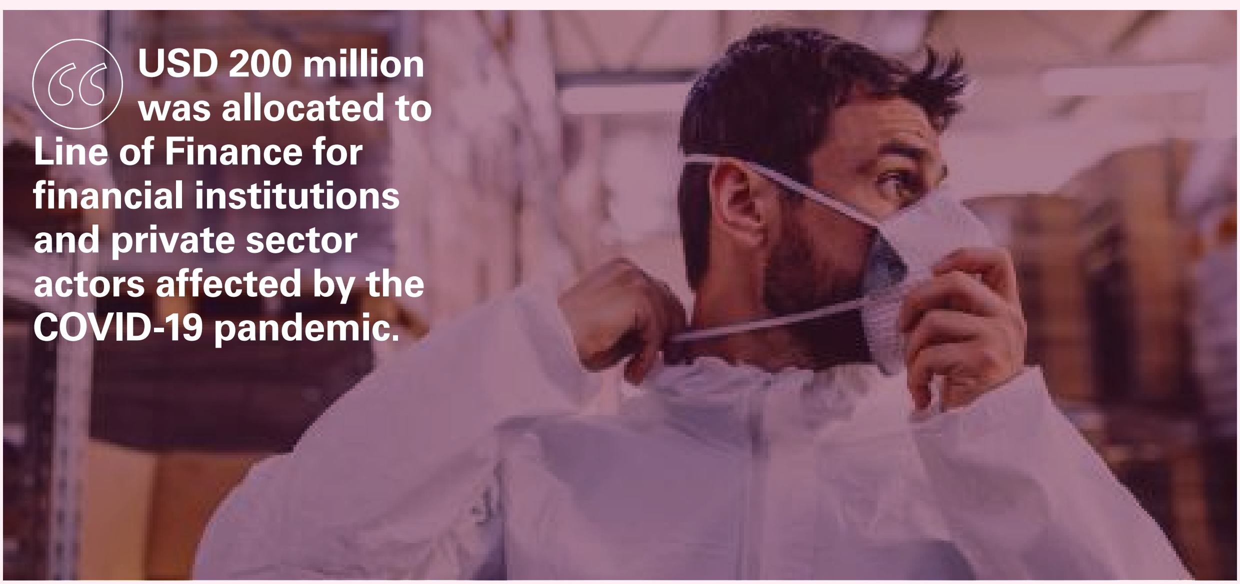


TABLE 3.1: A SUMMARY OF APPROVALS AND DISBURSEMENTS UNDER THE COVID-19 PACKAGE AS AT END-2021

Items	Amount	Member Countries
Pipeline of COVID-19 related projects (Line of Finance and Equity)	**Over USD 300 million**	From over 20 member countries
Total Approvals to date, including: • Line of Finance for 12 financial institutions • Equity for 2 financial institutions	**USD 188.4 million:** • USD 169.2 million • USD 19.2 million	• Burkina Faso, Nigeria, Senegal, Uzbekistan, Turkmenistan, Cameroon, Maldives, Azerbaijan • Senegal, Malaysia
Total Disbursements to date, including: • Line of Finance for 5 financial institutions • Equity for 1 financial institution	**USD 76.3 million:** • USD 72.9 million • USD 3.4 million	• Burkina Faso, Nigeria, Senegal, Uzbekistan • Senegal

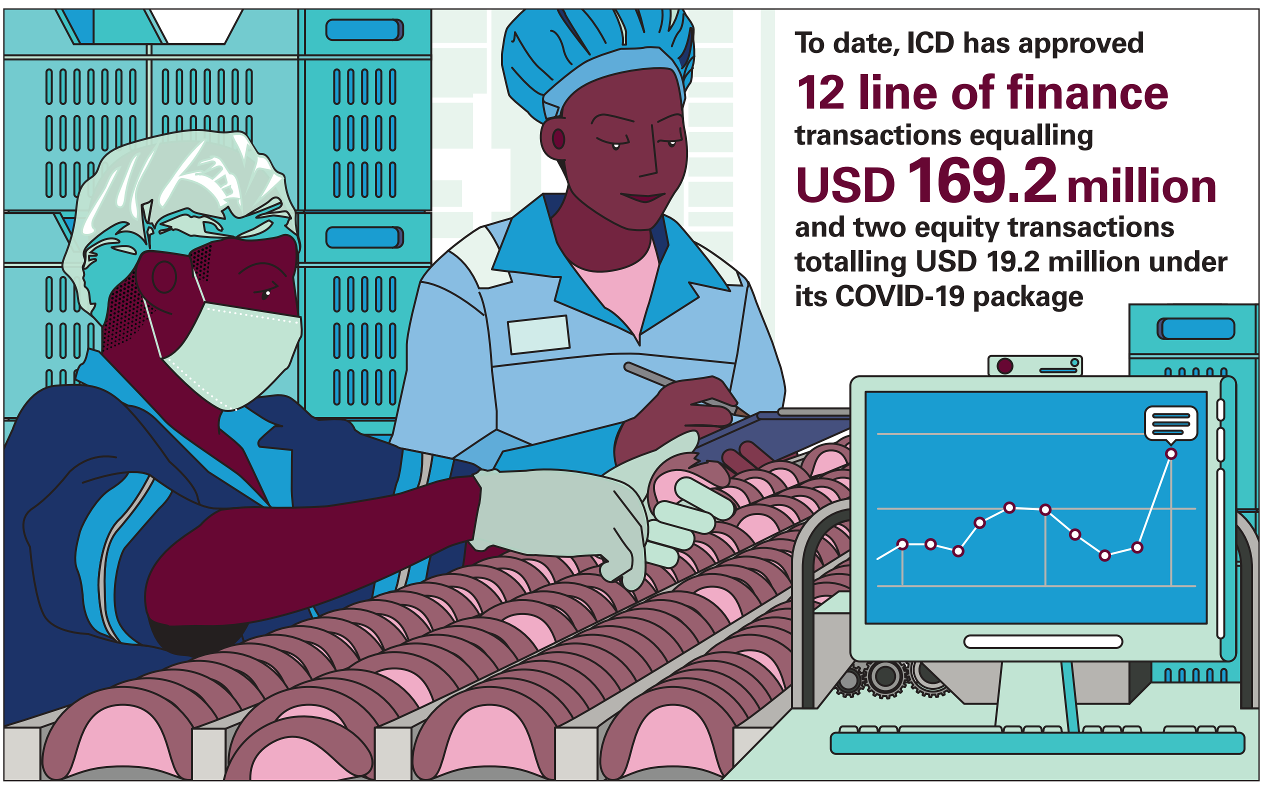
TABLE 3.2: LINE OF FINANCE

	Institution Name	Country	Approved Amount	Disbursement Status
1.	Coris Bank International	Burkina Faso	EUR 15 million (USD 17.7 million) in September 2020	Fully disbursed in December 2020
2.	Jaiz Bank	Nigeria	USD 10 million in December 2020	Fully disbursed in May 2021
3.	Banque Nationale pour le Développement Economique	Senegal	EUR 12 million (USD 14.2 million) in April 2021	Fully disbursed in June 2021
4.	Banque Islamique du Sénégal	Senegal	EUR 25 million (USD 29.5 million) in May 2021	Fully disbursed in September 2021
5.	Orient Finans Bank	Uzbekistan	USD 10 million in March 2021	Effective, pending disbursement
6.	Infin Bank	Uzbekistan	USD 10 million in April 2021	Effective, pending disbursement
7.	Trust Bank	Uzbekistan	USD 10 million in April 2021	USD 1.5 million disbursed
8.	Qishloq Qurilish Bank	Uzbekistan	USD 15 million in August 2021	Effective, pending disbursement
9.	State Bank of Turkmenistan	Turkmenistan	USD 10 million in April 2021	Effective, pending disbursement
10.	Afriland First Bank	Cameroon	EUR 20 million (USD 22.8 million) in July 2021	Effective, pending disbursement
11.	Bank of Maldives	Maldives	USD 10 million in August 2021	Pending signing of the agreements
12.	Turan Bank	Azerbaijan	USD 10 million in November 2021	Pending signing of the agreements
	Total	**8 member countries**	**USD 169.2 million**	**USD 72.9 million**

TABLE 3.3: EQUITIES

	Institution Name	Country	Approved Amount	Disbursement Status
1.	Banque Islamique du Sénégal	Senegal	XOF 7.6 billion (USD 14.2 million)	USD 3.4 million disbursed
2.	IILMC	Supranational	USD 5 million	Pending disbursement
	Total	**2 member countries**	**USD 19.2 million**	**USD 3.4 million**

By the end of 2021 ICD had received a total of 25 formal financing requests under its **dedicated COVID-19 Package,** amounting to more than **USD 300 million** from over 20 member countries



To date, ICD has approved **12 line of finance** transactions equalling **USD 169.2 million** and two equity transactions totalling USD 19.2 million under its COVID-19 package

3.4 SUPPORTING A LEADING PLAYER IN THE AIRCRAFT LEASING MARKET

Amidst a challenging backdrop, ICD, in collaboration with Kuwait Finance House Capital as the lead arranger, joined a four-year USD 75 million syndicated financing based on commodity Murabaha financing in favour of ALAFCO Aviation Lease and Finance Company K.S.C.P. ("ALAFCO") and became the lead financier of this transaction. ICD participation in the syndication totalled USD 50 million.

Listed on the Kuwait Stock Exchange and operating according to Shari'ah principles, ALAFCO is a leading aircraft leasing company based in Kuwait. ALAFCO's major institutional shareholders include Kuwait Finance House, Gulf Investment Corporation and Kuwait Airways Corporation.

ALAFCO's fleet consists of 79 Airbus and Boeing aircrafts, leased to 23 airlines in 15 countries across the Americas, Africa, Asia-Pacific, Europe, and the Middle East. ALAFCO's remaining order book comprises 68 new technology aircraft from Airbus and Boeing. Deliveries are scheduled to take place between 2022 and 2028.

While the aviation sector plays a crucial role in global connectivity and mobility as well as economic growth, it has been one of the hardest hit sectors during the pandemic, with airlines experiencing overwhelming disruption and a shocking downturn. It is envisaged that ICD's financing will strengthen the operations of ALAFCO and support its business needs as economic recovery and global travel picks up. The financing facility will enable ALAFCO to be better prepared to accommodate the expected growing international passenger demand due to significant easing of restrictive measures and restored confidence.

3.5 REINFORCING CAMEROONIAN SMEs

In 2021, ICD extended a new line of finance (LOF) facility of EUR 20 million (USD 22.8 million) to Afriland First Bank (AFB) in Cameroon under ICD's dedicated USD 200 million COVID-19 Line of Finance Support Package. Prior to this new facility, AFB had benefited from two of ICD's LOF facilities with an aggregate amount of EUR 28 million, including a EUR 15 million LOF extended in 2016 (fully settled), and a EUR 13 million LOF extended in 2018 which is expected to be fully settled by May 2024.

ICD's new facility is part of a EUR 40 million syndicated Shar'iah compliant LOF facility arranged by ICD. The remaining balance of EUR 20 million has been syndicated from the Arab Bank for Economic Development in Africa (BADEA). This project is ICD's first syndicated line of finance facility with BADEA and it also marks BADEA's first Shari'ah compliant line of finance facility, which falls in line with BADEA's drive to promote Islamic finance in the region. As per the arrangement, BADEA has appointed ICD as its Investment Agent to deploy its portion of the LOF.

The syndicated facility will be directed to private sector projects with strong developmental impact in the agriculture sector, which is the largest source of employment in Cameroon. The objective is to effectively mitigate the impact of COVID-19 on the country's agriculture sector especially in supporting the country's efforts towards achieving food security, in addition to creating and preserving jobs. In addition to the promotion of further awareness on Islamic finance, the strong pipeline of projects to be financed would enable ICD to contribute largely to SDG #1: No poverty; SDG #2: Zero Hunger, SDG #8: Decent Work and Economic Growth; SDG #9: Industry, Innovation, and Infrastructure; and SDG #17: Partnerships for the Goals.

Cameroon is the largest middle-income country in Central Africa and is one of the most diversified economies of the six-state Central African Economic and Monetary Community (CEMAC). Currently, Cameroon contributes 45% of CEMAC's nominal GDP and has vibrant forestry, agriculture, oil, and mining sectors. The Cameroonian banking system comprises 15 banks, including AFB. Founded in 1987, AFB has successfully cemented its leadership position in the Cameroonian banking industry. It is the only bank in the country with an Islamic window, which was established with ICD's support.

"ICD's LOF facility will mitigate the impact of COVID-19 on Cameroon's agriculture sector especially in supporting the country's efforts towards achieving food security.

“Cameroon is the largest middle-income country in Central Africa and has vibrant forestry, agriculture, oil, and mining sectors.


In December 2021,
ICD approved a
USD 5 million LOF
in the equivalent of
Kazakhstan Tenge (KZT)
for the Leasing Group
JSC in support of private
sector development

LEASING GROUP

3.6 EXTENDING A USD 5 MILLION LINE OF FINANCING TO LEASING GROUP JSC IN LOCAL CURRENCY EQUIVALENT IN THE REPUBLIC OF KAZAKHSTAN

ICD will be launching its first local currency Sukuk Program in Kazakhstan Tenge (KZT) as part of ICD's resource mobilization program to support ICD's Line of Finance (LOF) operations in Kazakhstan and develop its private sector. The National Bank of the Republic of Kazakhstan, the country's central bank, and other investors, have expressed their willingness to subscribe for the first tranche of the KZT Sukuk issuance. The proceeds of the Sukuk will be deployed to extend lines of finance to financial institutions and non-bank financial institutions operating in Kazakhstan to support private sector development. Both deployment and repayments will be denominated in KZT.

Subsequently in December 2021, ICD approved a USD 5 million LOF in the equivalent of Kazakhstan Tenge (KZT) for the Leasing Group JSC. Established in 2005 in Almaty, Kazakhstan, Leasing Group is a first-time ICD client and focuses on the provision of leasing products, catering primarily to SMEs operating across various industries. Leasing Group has been listed on the Kazakhstan Stock Exchange (KASE) since 2018.

The transaction (ICD's local currency Sukuk issuance and LOF operation) is the first of its kind for ICD, and can be replicated in other member countries, giving ICD the capability of funding in local currency. Therefore, the successful implementation and closing of this transaction is envisaged to pave the way for ICD to expand its reach in its member countries.

Following the COVID-19 pandemic, there is an urgent need to support Kazakhstan's SME sector. As a result, SMEs from various industries affected by the COVID-19 pandemic will receive support from this facility. Currently, the SME sector is one of the key priorities for the Kazakh government, as announced by the President of Kazakhstan, and is in line with the country's overall strategy of economic diversification into non-oil sectors. The government's long-term strategy positions the SME sector to account for 50% of the economy by 2050. This sector has a significant social role because it provides over 30% of the employment in the country.

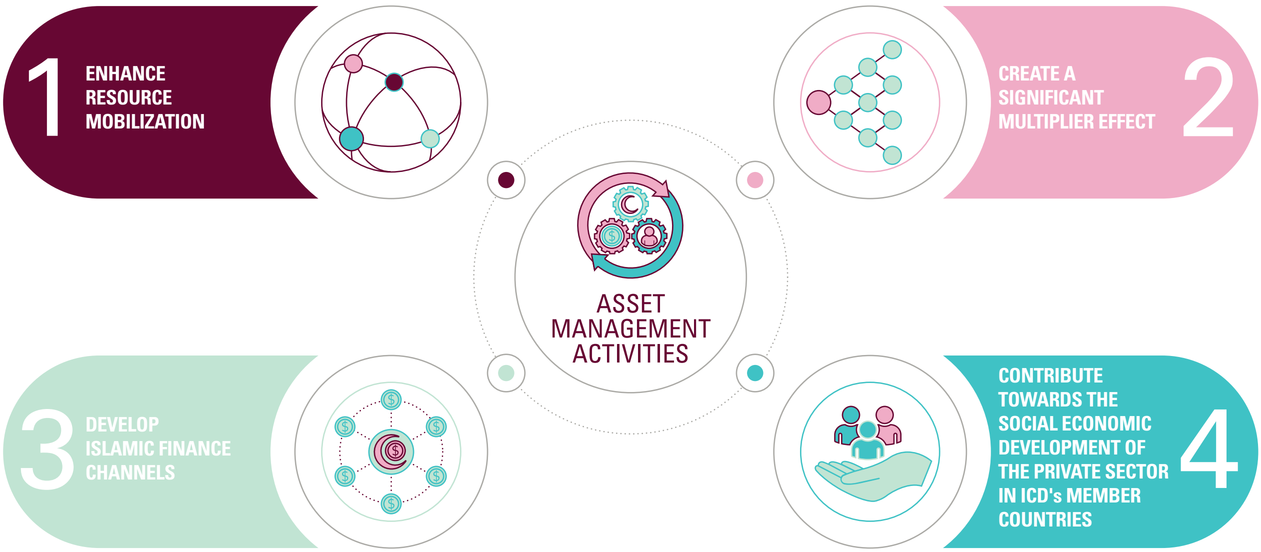
The local currency facility is expected to contribute to achievement of the following SDGs: #8 – Decent work and economic growth; #9 – Industry, innovation, and infrastructure; and #17 – Partnership for the goals.

The USD 5 million LOF facility in local currency equivalent to be funded by ICD's KZT local currency Sukuk in Kazakhstan will enable Leasing Group to introduce and grow its Islamic leasing portfolio and operations, as well as strengthen its balance sheet, contribute to the creation of direct jobs at the SME level, while providing financial returns to stakeholders and increasing government revenues in the form of taxes. Since this LOF facility will be provided in the local currency of Kazakhstan, it will have no or minimal foreign currency risk for the Leasing Group.

3.7 ASSET MANAGEMENT ACTIVITIES

The primary goal of ICD's Asset Management business is to create an enabling environment for the growth of Islamic finance (via the Fund Management Program and Client Advisory Services) and build partnerships with the private sector to:

> **The primary goal of ICD's Asset Management business is to create an enabling environment for the growth of Islamic finance.**



3.7.1 Fund Management Program

The main objective of the ICD Fund Management Program is to build ICD's general partner (GP) business and launch new "self-selling" products (or Funds) with a focus on in-house funds aligned with ICD's core competencies and track record. Our products encompass fixed income, capital markets and alternative assets which are complemented with client advisory services that are designed to provide tailored and effective asset management solutions to clients including business development, portfolio management and operations related support. The key goal is to increase financial sustainability via developed high-performance and attractive products that generate optimal risk-adjusted returns, enhance the fee business (i.e. resource mobilization) and boost development impact. At present, two in-house managed funds exist within the program: the ICD Unit Investment Fund (UIF) and the ICD Money Market Fund (MMF).

3.7.1.1 ICD Unit Investment Fund (UIF)

The principal objective of ICD's Unit Investment Fund (UIF) is to achieve competitive, periodic returns by investing in viable and socially responsible investments (primarily corporate, trade and treasury instruments) in conformity with the principles of Shari'ah and the Investment Policy of the Fund. At present, the fund is winding down some of its operations and investments and the process is being managed in a way that is designed to protect and maximize the interest of the investors. Since its inception, the Fund has mostly outperformed its benchmark, generating a cumulative return of around 141% to investors over its almost 30 years of existence.

By end of 2018, ICD in its capacity as Fund Manager of UIF had concluded that the Fund had reached closure in terms of its objectives. Due to its natural lifetime and the market sentiment, it was decided that a liquidation was in the best interest of its unit holders. In 2019, all Limited Partners of the UIF unanimously approved the Winding-Up and Termination Plan (WTP) to commence a systematic process of terminating and winding up the operations and investments of the Fund.

The most notable achievement to date under the WTP is the fact that the fund (ICD on behalf of the Fund) has distributed USD 86.2 million to investors (conveying cumulative equity divestments, cumulative active collections from underlying loans and excess cash), which represents approximately 66% of the total units under the UIF WTP initial two-year Divestment and Asset Disposal Period (DADP). Despite the repercussions associated with a challenging macroeconomic climate and the COVID-19 pandemic in 2020, the Fund Manager has successfully achieved year-to-date cumulative collections of USD 35.7 million composed of USD 31.0 million of Debt Collections and USD 4.7 million of Equity Divestment. The fund closed the year with assets under management (AUM) of about USD 24.0 million.

Taking into consideration the ICD UIF Winding-Up and Termination Plan (WTP) and the imminent expiration of the DADP in 2021, the ICD in its capacity as Fund Manager of UIF is currently seeking proposals from reputable firms for appointment as independent advisors of the Fund to, inter alia, serve the unitholders in the assessment, initiation, management and liquidation of the remnant ICD UIF illiquid asset and to seek due closure of the Fund with the regulatory authorities.

3.7.1.2 ICD Money Market Fund (MMF)

ICD launched the Money Market Fund (MMF) as a USD 50 million seed investment in September 2013. The Fund is a central liquidity solution catered to investors and institutions seeking highly liquid near-term instruments and short-term capital preservation and income growth. The Fund invests in short-term bank placements and low to moderate risk income-generating instruments and portfolios such as the premium (yet low) allocation to Sukuks for an attractive yield bump.

“ICD implemented a sound reduced-risk core focused strategy within the Fund by significantly reducing its credit risk exposure.

Positioned as a moderate-yield money market fund, MMF has outperformed treasury funds in its category, generating returns well above its target return within its first few years of operation. This success led to a surge in capital raised from third-party investors as it grew its AUM to approximately USD 268 million, representing a 5.8x multiplier on invested capital by Q1 of 2016. Within the same year, ICD MMF was awarded ‘Best Shari’ah Compliant Open-Ended High-Yield Income Fund (Since Inception)’ and ‘Most Innovative Asset Management Firm 2016, APAC– MEA Region’ by Wealth & Finance International. Since inception the Fund has achieved disbursements of USD 3.0 billion 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. Despite the outperformance, the Fund was unfortunately impacted by two losses in EY2018: a loss related to a developer and a secondary loss due to a Shari’ah compliant restricted Wakala engagement as related to an agent and sponsor.

At present, the Fund looks forward to enhancing its branding, investment policies and governance frameworks to continue to attract investors to achieve its past AUM. With a challenging macroeconomic climate and pandemic repercussions, ICD implemented a sound reduced-risk core focused strategy within the Fund by significantly reducing its credit risk exposure, accepting modest returns while reducing the Fund’s risk profile. This was done to protect investors first and foremost against any downside risks by investing in short-term placements and low-risk transactions with attractive yield. The Fund ended the year with an AUM of about USD 85.4 million and a gross return of 3.5%, outperforming its target despite prudent and conservative management within the year.

3.7.2 Portfolio Management Program

Under its Portfolio Management Program, ICD invests and monitors funds across geographic markets of interest with a strong focus on SMEs. ICD aims to improve access to finance for SMEs in member countries and offers a range of customized investment products, risk capital and technical assistance by partnering with top-tier local fund managers. At present, ICD has investments in three funds: the Tunisia "Theemar" Fund and the Saudi "Afaq" SME Fund, in addition to the ICD Global Sustainable Fund (GSF). The SME Fund's investment period is over, and it is currently in the phase of exit from the invested underlying entities.

3.7.2.1 ICD Global Sustainable Fund

ICD's Global Sustainable Fund (GSF) is an actively managed Shari'ah compliant fund focusing on the Environmental, Social and Governance (ESG) arena, targeting listed global equities which employ a combination of alpha- and beta-driven strategies across equity capital markets. ICD is proud to have launched one of the first Shari'ah compliant listed equities funds in the growing ESG and sustainability space, and to date has generated lucrative premiums and resource mobilization targets at approximately 11x over ICD commitment. The fund is managed by Saturna Capital.

For the calendar year ending December 2021, the ICD GSF climbed 14.6% compared with 19.0% for the benchmark MSCI ACWI Islamic Index. In terms of AUM, it closed the year with USD 61.9 million with a cumulative appreciation of net value asset of 48% since inception. The Fund's performance was a result of Shari'ah and ESG asset allocation strategy dominance and sectorial diversification in defensive and winning sectors. Key sectors driving performance were information technology (+318 basis points relative contribution), consumer staples (+45 basis points), and communication services (+33 basis points).

"Key sectors driving ICD's GSF performance were information technology, consumer staples and communication services.

3.7.2.2 Theemar Investment Fund (Tunisia)

The Theemar Investment Fund is a closed-end Shari'ah-compliant fund with AUM of TND 25 million (USD 16.1 million at historical rate on launch date) approved by the Financial Market Council of Tunisia. The investment objective of the Fund is to provide equity funding to SMEs in Tunisia, with a targeted allocation of 80% in private companies and 20% in publicly traded companies. The Fund is managed by United Gulf Financial Services-North Africa (UGFS), an asset management company established in November 2008, licensed by and working under the control of Tunisian Capital Market Authorities.

ICD invested a total amount of TND 10 million (USD 5.2 million at historical rates) and owns 40% of the Fund. The Fund has invested TND 26.6 million in 10 SMEs since inception, helping them to achieve growth, expand, improve operations and reach out to new markets. The portfolio is well diversified across various sectors including IT, food & beverage, automotive, healthcare, and more. Three of those investments have been fully or partially exited to date.

In December 2021, the Fund life was extended by unit holders for one additional year. This is the last possible extension of Fund life and therefore the Fund will be aiming to exit from all the underlying investments in 2022. During the extension period, the Fund Manager will continue working closely with investee companies, applying individual approaches in order to achieve successful exits and high returns for unit holders.

3.7.2.3 Saudi "Afaq" SME Fund (KSA)

The Saudi "Afaq" SME Fund is a closed-end Shari'ah compliant fund with AUM of SAR 400 million (USD 107 million) approved by the Capital Markets Authority (CMA) of Saudi Arabia. Its investment objective is to provide mezzanine financing to SMEs

for growth and expansion in Saudi Arabia. The Fund is managed by Malaz Capital, an asset management firm operating under the regulations of the CMA.

ICD invested SAR 100 million (USD 26.7 million) in September 2013 and owns 25% of the Fund. Since inception, a total of SAR 191 million was deployed by the Fund to 12 SMEs in KSA in the form of commodity Murabaha and equity to finance growth and the expansion of operations. The portfolio is well-diversified across various sectors including manufacturing, education, healthcare and so on. The investment period of the Fund ended in September 2018 and the Fund Manager is currently focusing on exits, collections and distributions. Since the end of the investment period, the Fund Manager has achieved two exits from investments with the most recent exit having a 1.6x multiplier.

During the current period, the Fund's net assets value decreased which was mostly due to distribution to unitholders as well as due to the Fund expenses that were offset by income in the form of recovered debt. The original life of the Fund expired in September 2021 and the Fund was granted a one-year extension by the unitholders in line with the terms and conditions of the Fund that allow for two one-year extensions.

3.7.3 Client Advisory Services

ICD's asset management business has been actively working over the last year to develop new advisory products. The goal is to i) execute, grow and close client advisory mandates in line with ICD's fee growth strategy, ii) to enhance ICD's asset management business model by identifying new commercial opportunities for partnerships and iii) to raise the development impact multiplier for the universe of Islamic asset management products and increase penetration in the space. Two areas for potential advisory products can be defined as:

- **Asset Management Advisory:** Advisory services for selected initiatives, encompassing fund establishment, fund domiciliation, fund manager selection, event management and more; and
- **Fund Management Services:** To design, structure, launch and administer various fund initiatives operating within agreed member countries.

In its first year of operation, ICD's asset management business pursued product development and worked on its first proposal on Shari'ah advisory for a launched trade finance. Despite the niche task, the rewards and experience of the advisory arrangement will enable ICD to provide a platform and basis on which further new proposals will be developed for third party clients in our member countries specifically on more comprehensive offerings.

4 ICD SYNERGIES AND PARTNERSHIPS

ICD engages with numerous stakeholders with the aim of greater private sector involvement in global development.

4.1 ICD'S SYNERGIES AND COLLABORATION EFFORTS IN 2021

Exiting the pandemic and focusing on a full economy economic recovery requires cooperation with the global community. At ICD, we believe that partnerships and multilateral cooperation are essential in order to anticipate and respond adequately to current and future global development challenges.

In 2021, ICD capitalized on its established network of partnerships which include multilateral development banks, development finance institutions, sovereign wealth funds, financial institutions, central banks and technical advisors. The development of the private sector through the provision of financing solutions and the contribution to the SDGs are key priorities for ICD. Throughout 2021, ICD identified several partners with similar mandates and objectives, and it has established strategic partnerships and many collaborative efforts that will help us achieve lasting synergies.

- **IsDB Group Synergy Enhancement: "One Group, One Goal"** - Group Synergy was recognized as an area requiring greater focus and as a pivotal guiding principle in implementing the 10-Year Strategy 2016-25 (10YS) of the Bank. Throughout 2021, ICD has been actively involved in the **Group Executive Coordination (GEC)** Team and the **Group Synergy Facilitation Team (GSFT)** to draft, review and implement the **Group Synergy Enhancement Agenda** of the Islamic Development Bank Group.

- **Technical Coordination Committee (TCC) and its achievements to date.** ICD has been working very closely with entities within the IsDB Group, namely ITFC and ICIEC, to foster greater intra-group partnerships and cooperation. This was achieved through regular TCC meetings and Entities' CEOs Meetings. In 2021, ICD, ITFC and ICIEC agreed to implement joint Key Performance Indicators (KPIs) in order to drive stronger engagements and an increased volume of co-financing activity between group entities. 2021 was a successful year for TCC, in terms of engagements, shared deal pipeline and approvals. After assuming a very successful chairmanship of the TCC CEO's Meetings in 2021, ICD's CEO transferred the chairmanship to the CEO of ICIEC in 2022.

Technical Coordination Committee: Key Achievements

Number of deals shared between TCC Members
+35
By YE2021

Amount of total deals shared by TCC members
+USD 1.8 billion
By YE2021

Number of Member Countries covered by TCC
19

Sukuk transactions jointly participated by TCC Members
9 deals
(+USD 617 million)

Number of TCC CEOs Meetings organized
8
By YE2021

Number of TCC meetings organized
47
By YE2021

- **Saudi Development and Reconstruction Program for Yemen (SDRPY).** ICD has been assigned, along with ITFC and ICIEC, to represent the IsDB Group for Track 5: Investing for sustainable development and empowering the private sector.
- **Newly established Partnerships and MoUs.** ICD initiated and signed multiple agreements with new partners in 2021. These include a Lines of Finance for Africa and Asia agreement with the CDC Group, UK, and an agreement with Malaysia EXIM Bank, Saudi EXIM BANK, and Trade Development Bank (TDB) on pipeline sharing and co-financing. ICD has also signed an agreement on communication and capacity building services with Islamic Markets Ltd and an agreement on Sukuk advisory with Infrastructure Guarantee Credit (InfraCredit) in Nigeria, Libyan Stock Market (LSM) and Azerbaijan Investment Holding (AIH). An MoU on joint PR and Media has also been signed with the Islamic Chamber of Commerce, Industry and Agriculture (ICCIA).

4.2 STRATEGIC CONSULTATIONS AND WORKSHOPS WITH DFIS, MDBS AND IFIS ON OPPORTUNITIES FOR ENHANCED COOPERATION

In 2021, ICD organized and participated in several partners' consultations and workshops including the following:

Asian Infrastructure Investment Bank (AIIB) - In February 2021, ICD organized a workshop between ICD and AIIB where the ICD Infrastructure Corporate Finance, Lines of Finance and Syndication Teams showcased their products to AIIB including Shari'ah compliant lines of finance, syndication structures and discussed areas of future collaboration in common member countries.

National Development Fund (NDF), Kingdom of Saudi Arabia - In February 2021, ICD organized a consultation session with the NDF, attended by the Leadership teams of NDF and ICD. During the session, NDF provided some background on the status and strategy of the National Infrastructure Fund (NIF) and discussed avenues of potential cooperation between ICD and NDF. Subsequently, in November 2021, ICD organized a consultation session between NDF and ICD's Development Effectiveness team to discuss the establishment of impact assessment frameworks and the methodologies used in MDBs for development impact assessment. During the session, ICD shared its experience and methodology to assist NDF in developing an Impact Assessment Framework to assess and monitor the impact of NDF's lending and supporting activities on the Saudi economy.

International Financial Corporation (IFC) MENA - ICD and IFC jointly organized two successful workshops in February and April 2021 with the participation of senior representatives from MENA debt and equity operations. During the first session, the teams showcased their institutions' capabilities and identified partnership opportunities. IFC and ICD Teams identified three partnerships tracks; namely, infrastructure and corporate finance, on-lending to financial institutions, and joint equity investments. In April 2021, additional workshops were held with the Equity and Infrastructure Corporate Finance Teams and IFC's MENA Team. ICD and IFC discussed pipeline and co-financing opportunities in several sectors including healthcare, education, manufacturing, and chemical fertilizers, and the possibility of sharing projects pipeline and introducing ICD to some of IFC's partners.

Public Investment Fund (PIF) - In May 2021, ICD organized a workshop between ICD's Equity and Infrastructure Corporate Finance Teams and the Real Estate Investment Team at PIF. During the session ICD presented an overview of its offerings and PIF briefed ICD on its Giga Projects portfolio in Saudi Arabia. Subsequently, ICD, in close collaboration with PIF, organized several consultation sessions with the Leadership Teams of select Giga Projects owned by PIF to explore avenues of potential cooperation.

International Financial Corporation (IFC) Central Asia - ICD organized a knowledge sharing session with the IFC Tajikistan Hub in November 2021. IFC and ICD shared their experience in the Central Asia region, including challenges and opportunities. ICD and IFC Central Asia Teams also discussed avenues of cooperation in Central Asia in financing infrastructure projects, and initiated transaction-level discussions in common member countries. Both ICD and IFC Central Asia Teams emphasized the importance of capitalizing on the increased demand for Islamic finance in the Central Asian region.

“ICD organized a knowledge sharing session with the IFC Tajikistan Hub in November 2021.

United Nation Development Program (UNDP) - In September 2021, ICD organized a knowledge sharing session between the UNDP Istanbul Office and the Deputy General Manager of United Gulf Financial Services, UGFS (North Africa) to assist UNDP in collecting data for their study on "The Impact Investing Ecosystem in Tunisia" to assess the general potential of the impact investing market in Tunisia and to identify the main stakeholders, opportunities and challenges in the development of an Impact Investing ecosystem in Tunisia.

Libyan Stock Market - In September 2021, ICD organized a virtual workshop to promote ICD's Sukuk advisory services, on "Sukuk Denominated in Local Currency" in collaboration with the Libyan Stock Market (LSM). The workshop was attended by various commercial and Islamic banks in Libya. The focus of the workshop was to support and assist the Libyan Stock Market to find an Islamic alternative to treasury bills and an Islamic product for managing financial surpluses in liquidity. This is in light of the current increase in the number of Islamic banks and Islamic windows emanating from traditional banks. The workshop also dealt with ICD's methodology in developing Islamic products for money and financial markets, sukuk structures, asset selection criteria, sukuk pricing mechanism, and bidding for local sukuk. The workshop was very successful and benefited from a large specialized audience.

USD 1.27 billion

In 2021, the Coalition jointly reached a third of its USD 4 billion target

SME FINANCE FORUM

SME Finance Forum (SMEFF) – ICD joined the SME Finance Forum global membership network in 2020. The SMEFF brings together a global network that includes more than 200 banks, non-bank financial institutions, Fintechs, and development banks from around the world to support SMEs through knowledge exchange, policy change, and impactful partnerships. ICD is also a member of the recently launched SME Finance Virtual Marketplace which promotes partnership with leading fintech, financial institutions, and investors. In 2021, ICD attended several Virtual Marketplace sessions and presented an overview on ICD's products and offerings. In addition, the CEO of ICD contributed a video about the importance of SME Green Finance which was showcased at the Global SME Finance Forum 2021.

Africa Investment Forum (AIF) Partners meeting – ICD was nominated to represent the Islamic Development Bank (IsDB) Group in the AIF platform throughout 2020 and 2021 and has actively engaged with AIF founding members and project sponsors for co-financing deals originated by the AIF deal development platform. In 2021, ICD and other AIF partners worked on the establishment of a Deal Development Network (DDN). The DDN will be a platform established under the auspices of the AIF with the overarching objective of progressing projects from concept stage to bankability. The DDN will also sharpen the focus of the AIF partners and mainstream this critical activity which has the potential to unlock significant development impacts on the African continent.

Coalition for a sustainable and inclusive recovery for the private sector. Since November 2020, ICD has been part of a coalition in partnership with the African Development Bank, the West-African Development Bank, FinDev Canada, the U.S. Development Finance Corporation, and the Association of European Development Financial Institutions on behalf of all of its member institutions: BIO (Belgium), BMI (Belgium), CDC (UK), Cofides (Spain), DEG (Germany), Finnfund (Finland), FMO (The Netherlands), IFU (Denmark), Norfund (Norway), OeEB (Austria), Proparco (France), Sifem (Switzerland), Simest/CDP (Italy), Sofid (Portugal), and Swedfund (Sweden). In 2021, the Coalition jointly reached a third of its USD 4 billion target. Over the period, signatories have collectively committed USD 1.27 billion in financing towards MSMEs in Africa, and combined support via technical assistance which has reached more than USD 7 million. As part of efforts to reach the USD 4 billion target for dedicated financing to MSMEs in Africa, ICD has participated in developing the annual report of the Coalition and shared information on its contribution to the African continent.

> **The SMEFF brings together a global network that includes more than 200 banks, non-bank financial institutions and Fintechs.**

DRIVING SDG PROGRESS THROUGH DIGITAL FINANCIAL INCLUSION

For post-pandemic recovery and to build resilience in facing future challenges, it is important to understand the impact of the COVID-19 pandemic on the attainment of SDGs. This is because not only can the SDGs framework serve as a useful tool if properly incorporated in post-pandemic actions and recovery plans, but also because it can be a good opportunity to synergize the multiple agendas for a sustainable future.

While it is hard to quantify, the COVID-19 pandemic is likely to have a severe negative impact on the achievement of the SDGs. Not only does it risk hampering or reversing the gains achieved in several areas, it may also exacerbate already high levels of inequality within and between countries. What we saw in the period before the pandemic was that, despite the progress made, action to deliver on the SDGs was not advancing at the speed required. According to the High-Level Political Forum (HLPF) in 2020, even before the pandemic, the SDGs were not on track to be reached by 2030.

In addition, the unusual circumstances created by the COVID-19 pandemic have intensified the interdependencies between the SDGs. For example, the intersection between health and sustainability challenges was made clearer by the pandemic. The slow implementation of the most pandemic-affected SDGs can influence the achievement of other SDGs, in the short or long-term, creating a new pattern of interconnectedness between them.

One major positive impact of COVID-19 is its role in accelerating digital transformation in the financial

industry. Empirical research has proven that without the proper development and deployment of digital technology, the world will fall short of achieving the SDGs. Encouragingly, the rise of fintech companies and their integrated services, operations, infrastructure, and processes, has contributed positively to the financial inclusion agenda. Financial inclusion is an important goal of financial development; accordingly, it has been positioned as a key enabler of other developmental goals in the 2030 Agenda, where it is featured as a target in eight of the 17 goals. In this regard, fintech and other inclusive digital financial services contribute to the realization of financial inclusion and are poised to yield significant benefits on underserved populations.

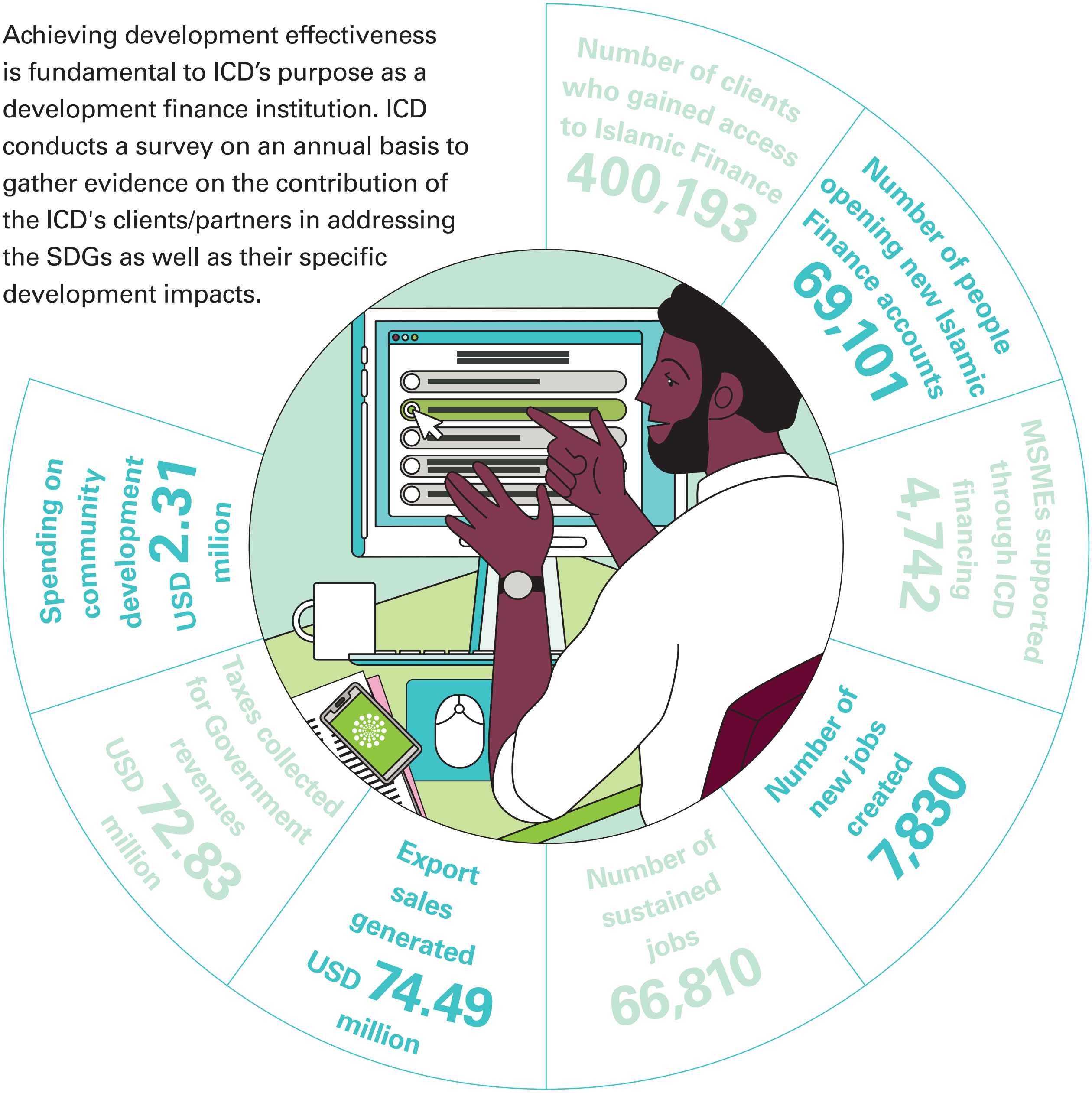
To address the financial inclusion challenges and push the frontier of access to finance, ICD established the Financial Intelligence Platform (FIP) with the aim to promote access to financial services in underserved financial markets in its member countries, with fintech at its core. The fintech sector will achieve higher operational efficiency and provide a superior customer experience. This will accelerate the pace of progress to achieve several related SDGs and is a major objective of the G20 development agenda. Fintech will drive innovation and serve the financing needs of a broader population. It will open the sector to emerging Fintech players, remove obstacles that hinder the growth of finance companies, unlock financing for SMEs, and increase mortgage penetration. Furthermore, the Fintech sector will improve access to financing and enhance product offerings to better serve the needs of unbanked or underserved populations.

ICD leading the Investment Pillar under the Arab-Africa Trade Bridges Programme (AATB). The AATB Programme is a regional trade promotion programme aimed at addressing some of the challenges faced in promoting trade between the two regions. The AATB Programme is expected to increase investments and trade between the Arab and African regions and covers different dimensions including infrastructure financing, advisory and technical assistance. ICD's role is focused on the Investment Pillar. During 2021, ICD worked on Lines of Finance and Term Finance with an AATB component and co-financed three Line of Finance facilities with the Arab Bank for Economic Development in Africa (BADEA) including USD 25 million to First City Monument Bank Nigeria, EUR 20 million to Afriland First Bank Cameroon, and USD 20 million to Coronation Merchant Bank in Nigeria.

ICD joined the SDG Finance Advisory Board for the Global Councils on SDGs in 2021. The Global Councils on SDGs, an initiative by the United Nations, World Bank and the OECD is a unique interdisciplinary network of decision makers from governments, international organizations, academia, and the private sector coming together to share innovative practices and discuss the creative implementation of the 17 SDGs at national and global levels. The Global Councils were launched in February 2018 during the **World Government Summit in Dubai**, and council members follow a two-year work plan leveraging their networks, expertise and influence to facilitate new partnerships between governments and other entities to implement their innovative solutions. A **new term for 2021-2023** is underway and in September 2021, ICD joined the SDG Finance Advisory Board as a member of this panel of experts. The aim is to assist in the design, implementation and scale-up of the initiatives launched by the other SDG councils by offering them the opportunity to tap into the knowledge and network of members, and to mobilize funding sources to enable and optimize the target outcomes of these initiatives.

4.3 2021 DEVELOPMENT EFFECTIVENESS SURVEY RESULTS

Achieving development effectiveness is fundamental to ICD's purpose as a development finance institution. ICD conducts a survey on an annual basis to gather evidence on the contribution of the ICD's clients/partners in addressing the SDGs as well as their specific development impacts.



Note: The ICD Annual Development Effectiveness Survey included specific questions regarding the contribution of ICD-supported projects to the SDGs. Further information can be found in the 2021 Annual Development Effectiveness Report.

4.4 AWARDS & RECOGNITION

Best Contributor to the Islamic Finance Industry
AlHuda Centre of Islamic Banking & Economics

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

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

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

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

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

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

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

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

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

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

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

Best Islamic Finance Initiative Award
African Banker Magazine 2015

Best Development Bank
CPI Financial 2015

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

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

Islamic Banking Business Excellence Award
Acquisition International Magazine 2014

Islamic Bank of the Year
ACQ Global Awards 2014

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

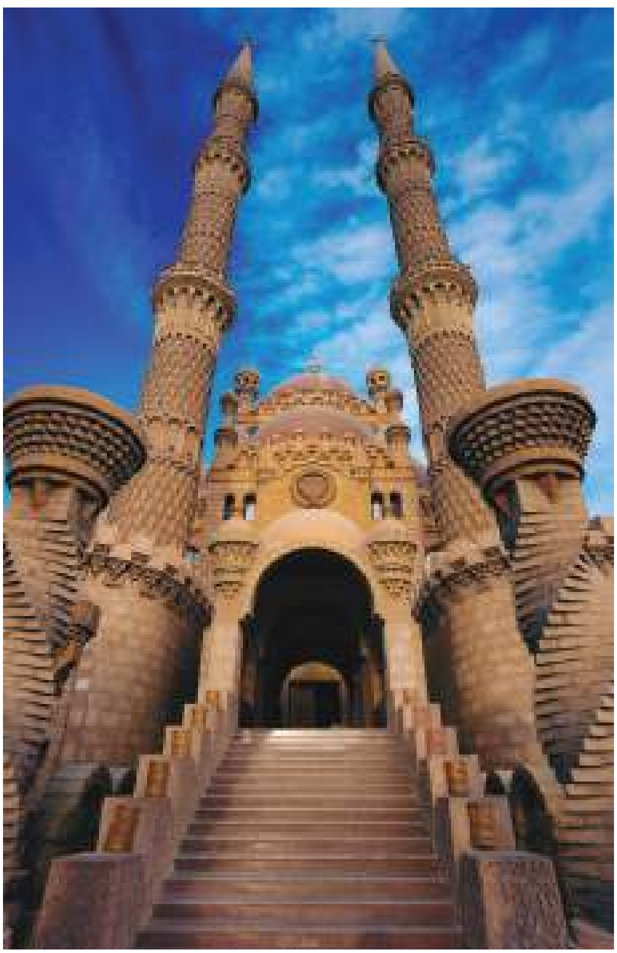
Best Development Bank
CPI Financial 2014

Best Islamic Financial Initiative
Tatweej Academy for Excellence Awards 2013

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

4.5 ICD IN PHOTOS

After the success of last year's inaugural ICD Mobile Photography Competition, in 2021 we again asked photographers throughout all 55 member countries to send us their best pictures. An editor's selection appear on the following pages.



5
OUR PEOPLE

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

BOARD OF DIRECTORS AS OF END 2021

Dr. Bandar M.H. Hajjar (Chairman of the Board)

Dr. Rami M.S. Ahmad

Mr. Khalifa Sarr

Mr. Wisam Jasem Al-Othman

Mrs. Moufida Jaballah Srarfi

Mr. Ismail Ali Manik

Dr. Hamad Bin Suleiman Al Bazai

Dr. Fahad M. Al-Turki

Mr. Abdulrahman Abdullah Alsakran

Mr. Laaziz Faid

Note: Dr. Bandar M.H. Hajjar was Chairman of the Board until 5 August 2021.

5.1 GENERAL ASSEMBLY

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

5.2 BOARD OF DIRECTORS (BOD)

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

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

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

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

5.3 EXECUTIVE COMMITTEE

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, review the performance of existing investments and financing operations and ensuring their alignment with ICD's developmental mandate, review ICD's progress in achieving its development effectiveness mandate, review and recommend ICD's Business Plans, review and recommend the annual budget of ICD in addition to other powers delegated to EC by the Board.

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

EXECUTIVE COMMITTEE MEMBERS OF THE BOARD AS OF END 2021

1. Dr. Bandar M. H. Hajjar (Chairman of ICD Board of Directors)
2. Dr. Fahad M. Al-Turki
3. Dr. Rami M.S. Ahmad
4. Mr. Khalifa Sarr
5. Mr. Ismail Ali Manik

5.4 AUDIT COMMITTEE

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

BOARD AUDIT COMMITTEE AS OF END 2021

1. Dr. Fahad M. Al-Turki (Chairman)
2. Mr. Khalifa Sarr
3. Mr. Wisam Jasem Al-Othman
4. Mr. Saleh Mugbel Al Khalaf (Independent Expert Member)

Note: The Audit Committee was renamed as the Audit, Risk and Compliance Committee in December 2021.

5.5 THE CHIEF EXECUTIVE OFFICER

The CEO, under the general supervision of the Chairman of the Board of Directors, conducts the day-to-day business of ICD. The CEO is also responsible for the appointment of officers and staff of the Corporation. To the extent that he is authorized by the BOD, the CEO approves ICD's financing and investment. The BOD appointed Mr. Ayman Amin M. Sejiny as the Chief Executive Officer of ICD in 23/12/1439H (September 2018) for a three-year term, which has subsequently been renewed for one year.

5.6 ISDB SHARI'AH BOARD

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

ISDB GROUP SHARI'AH BOARD AS OF END 2021

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

ICD MANAGEMENT AS OF END 2021

Br. Ayman Sejiny

Br. Aamir Husain Khan

Br. Ikbal Daredia

Br. Abdullah Khatib

Br. Omar Hashem

Br. Osman Buyukmutlu

Dr. Mohammed Alyami

Br. Tahir Naseem

Br. Buba Barrow

Br. Taufique Hasan

Br. Karim Jan

5.7 ICD MANAGEMENT

1 Br. Ayman Sejiny, Chief Executive Officer (CEO)
2 Br. Aamir Husain Khan, Director of Global Markets Equity
3 Br. Ikbal Daredia, Acting Director of Global Markets Fixed Income and Acting Director Treasury
4 Br. Abdullah Khatib, Director of Asset Management
5 Br. Omar Hashem, Director of Corporate Support
6 Br. Osman Buyukmutlu, Director of Strategy, Policy and Research
7 Dr. Mohammed Alyami, Director of Development Effectiveness
8 Br. Tahir Naseem, Director of Legal
9 Br. Buba Barrow, Acting Director of Finance and Accounting
10 Br. Taufique Hasan, Acting Director of Risk Management
11 Br. Karim Jan, Acting Director of Internal Audit

5.8 SENIOR AND MIDDLE MANAGEMENT CHANGES

As part of the implementation of ICD's new organizational structure and new hiring, the following changes took place in the ICD Senior and Middle Management in the course of 2021:

1 Mr. Omar Hashem joined ICD as the Director Corporate Support Department on 03/10/2021.

2 Mr. Tahir Naseem was appointed as the Director Legal under the Legal Department effective from 02/05/2021.

3 Mr. Karim Jan was appointed as the Unit Head, Headquarter Audits under the Internal Audit Department effective from 02/05/2021.

4 Mr. Muminu Mayanja was appointed as the Unit Head, Follow-up & Investee Audits under the Internal Audit Department effective from 02/05/2021.

5 Mr. Mohammad Kamran was appointed as the Division Head, Credit Risk under the Risk Management Department effective from 02/05/2022.

6 Mr. Taufique Hasan was appointed as the Division Head, Credit Administration under the Risk Management Department effective from 02/05/2021.

7 Mr. Sahal Almarwai was appointed as the Division Head, Outreach and Events Management under the IsDB Group Forum (THIQAH) effective from 02/05/2021.

8 Mr. Sami Alahmadi joined ICD as the Division Head of Administrative Services and IT Support under the Corporate Support Department on 13/06/2021.

9 Mr. Siraj Al Islam joined ICD as the Division Head Equity and Asset Management Legal Affairs under the Legal Department on 16/08/2021.

ICD COMPLETES ITS RESTRUCTURING EXERCISE IN 2021

ICD successfully completed the implementation of the new organizational structure and the staff mapping exercise during the year 2021. The new organizational structure has improved the operating efficiency of the organization and allowed ICD Management to focus on achieving the corporate goals and objectives outlined in the three-year business plan approved by the Board.

Achieved Outcomes:

- Ensured alignment between the business strategy, organizational structure, and human capital to continue the journey towards success and achievements.
- Created and established clear understanding of the roles, responsibilities, accountabilities and reporting lines of the functions and their staff.
- Ensured the right placement of staff based on their skills, qualifications, and experience.
- Completed the review of staff grievances arising from the implementation of the new organizational structure and its outcomes.

Other HR initiatives in the year:

- Continuously promoted work-life balance for staff members by providing flexible working arrangements and guidelines.
- Updated the existing delegation of authority matrix (DoA) to provide the functions with the required delegation and flexibility needed to conduct their business activities efficiently and effectively.
- Updated the HR Governance Framework including staff rules, regulations, policies, and procedures to meet organizational needs and demands.
- Nurtured performance driven culture within the introduction of recognition and rewards to motivate staff to perform better.

5.9 THE ISDB GROUP STRATEGY UPDATE EXERCISE

Taking on board the input from the Board of Governors' Roundtable that took place during the 46th Annual Meeting in Tashkent, Uzbekistan, the President of the Islamic Development Bank (IsDB) and Group Chairman H.E Dr. Muhammad Al Jasser launched a new initiative to update and reinvigorate the IsDB Group (IsDBG) 10-Year Strategic Framework for the remaining period (2022-2025) to better align it with member countries' development priorities. As an outcome of this exercise, an Updated Strategy will be prepared, which will concomitantly guide the preparation and formulation of the 2022 Annual Work Program (AWP) and provide the underpinning for the 2023-2025 Integrated Work Program (IWP). Three focus areas have been endorsed to guide the IsDB Group in its strategy realignment, while a high priority has been assigned to developing sustainable infrastructure and inclusive human capital as foundational pillars for the future.

The IsDB Group 10-Year Strategic Framework was first formulated in 2015, which coincided with the year the Sustainable Development Goals (SDGs) were adopted globally. However, the current global landscape necessitates the timely review and consolidation of the SDGs to ensure that crucial targets can be realized by 2030. Therefore, it is envisaged that the renewed strategies and interventions resulting from this exercise will allow the IsDB Group to become more relevant and responsive to the growing demands of its member countries and effectively address key challenges such as technological transformations, issues related to climate change and more.

THREE FOCUS AREAS FOR THE IsDB GROUP STRATEGY REALIGNMENT

6 OUR PRACTICES

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

6.1 RISK MANAGEMENT AND COMPLIANCE

Based on the Anti Money Laundering, Combating Financing Terrorism and Know Your Customer Policy of the IsDB Group, ICD is strongly committed to ensuring that all its activities are governed by its strict rules, procedures and guidelines. All activities are undertaken based on rigorous scrutiny, due diligence, monitoring and oversight using automated filtering and screening systems which cover all major international sanctions programs, embargoes, politically exposed persons (PEPs) and legal and regulatory enforcement lists etc. This policy was approved by the IsDB Board of Executive Directors in 2019 and the ICD Board in 2020. Additionally, ICD takes into consideration the latest version of the unbiased and non-political recommendations of specialized international entities such as the Financial Action Task Force (FATF) on Anti-Money Laundering and Combating Financing of Terrorists, International Convention for Suppression of the Financing of Terrorism and the U.N. Security Resolution No. 1373, as measures to combat money laundering and the financing of terrorism. As a member of the IsDB Group, ICD also has an approved Integrity Policy, Disclosure of Information & Conflict of Interest Policy and Whistleblowing Policy dealing with anti-bribery, anti-corruption, anti-fraud and conflict of interest.

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

6.2 INTERNAL AUDIT

The Internal Audit function is an independent assurance and consulting activity that adds value to ICD by helping it accomplish its objectives. It utilizes a systematic and disciplined approach to evaluate and improve the effectiveness of ICD's governance, risk management and internal control mechanisms. The function adopts the Institute of Internal Auditors' mandatory guidance, and its independence from management responsibility is critical to its ability to deliver quality audits by maintaining a neutral and objective stance. It is free from interference by any element in ICD on matters of audit selection, scope, procedures, frequency, timing, or internal audit report content. Its independence is ensured by functionally reporting to the Audit Committee of the ICD Board.

The function utilizes a risk-based approach to develop its Annual Audit Plan, which it aligns with ICD's strategic priorities and objectives and therefore confronts ICD's most pressing risks. Audit coverage is achieved through channelling audit effort to business, support and control functions within the Corporation. In 2021, the Department focused on ICD's treasury and equity activities as well as its Information Technology and Human Resource practices. In 2022, it will among other areas focus on evaluating ICD's credit-issuing divisions, financial reporting and policy as well as advising management on how to enhance and improve its policies and procedures.

"As a member of the IsDB Group, ICD has an approved Integrity Policy, Disclosure of Information & Conflict of Interest Policy.

The Department enjoys a cordial working relationship with the Management team which is responsible for ensuring that any issues or risks raised are addressed within an appropriate and agreed timetable. Confirmation to this effect is always provided to the Department for validation that risks raised have indeed been successfully remediated.

6.3 LEGAL

The Legal function has the mandate to assist, support and complement the mission of ICD through the provision of accurate, effective, efficient and timely legal services that best protect the interest of ICD. The Legal function is also responsible for managing all legal risks emanating from the operations of ICD and providing support at the organizational and business unit levels, and it permeates all projects, transactions and corporate arrangements involving ICD.

6.4 SHA'RIAH

While the responsibility of the IsDB Group Sha'riah Board is to approve all Shari'ah-related aspects of all transactions, products, policies and documentation undertaken by ICD in order to ensure that they are in conformity with the rules and principles of Shari'ah, the day-to-day Shari'ah issues are managed by ICD's Sha'riah advisor in close collaboration with the IsDB Group's Shari'ah Compliance Section by providing technical support and advice to ICD's business and control functions.


All Risk Management and Compliance activities are undertaken based on rigorous scrutiny, due diligence, monitoring and oversight using automated filtering and screening systems
The Legal function assists, supports and complements ICD through the provision of accurate, effective, efficient and timely legal services
The Internal Audit's independence from management responsibility is critical to its ability to deliver quality audits by maintaining a neutral and objective stance
End-to-end compliance with Shari'ah requirements is ensured for all ICD products and services

7 OUR PRODUCTS AND PROCESSES

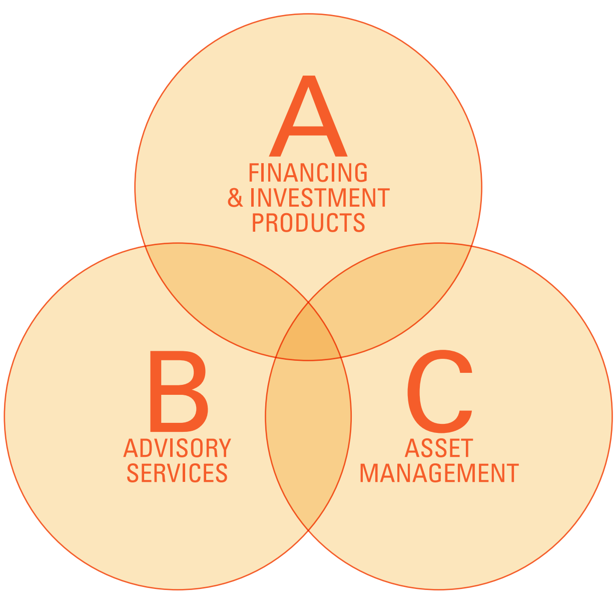
ICD's diverse Shari'ah compliant offerings are designed to cater to the specific needs of member countries across different industry sectors.

7.1 THREE GLOBAL BUSINESS PRODUCTS

ICD has a unique position in that it offers three sets of Shari'ah compliant business products and services to its private sector clients in member countries. These global business products are mutually reinforcing and interrelated as shown in the diagram (right).

A. FINANCING & INVESTMENT PRODUCTS

ICD's mandate to serve the private sector of member countries is carried out through a variety of different products. It provides both term financing and equity contribution to private sector greenfield projects or those that are undergoing expansion or modernization. ICD also extends short-term financing to cover working capital or procure raw materials with a tenor of up to 24 months. Furthermore, it extends lines of financing to commercial banks and local development financial institutions in member countries in order to indirectly finance their private sector companies including SMEs. At the same time, it structures, arranges and manages syndication.



ICD's financing and investment products include:

Musharakah (joint venture)

In the context of business and trade, Musharakah refers to a partnership or joint business venture with a view to making profit. All investors contribute capital towards a business venture and agree to share profits on a pre-agreed ratio, while losses are borne by each investor in proportion to their respective capital contributions.

Mudarabah (profit-sharing)

This is a form of partnership where one party provides the funds, while the other provides the expertise and management. The former (capital provider) is known as the rab-al-maal, while the latter is referred to as the mudarib. Profits made through the business are shared between parties according to a pre-agreed ratio. If losses occur, the rab-al-maal will lose his capital, and the mudarib will lose the time and effort he invested into running the business. The mudarib bears the losses if caused by his negligence, misconduct or breach of contractual terms.

Murabahah (cost plus mark-up)

This concept refers to the sale of goods at a price which includes a profit margin agreed by both parties. The purchase and selling price, other costs, and the profit margin must be clearly stated at the time of the sale agreement.

Wakalah (agency)

This is a contract whereby a person (as the principal) asks another party to act on his behalf (as his agent) to undertake a specific task. The agent will be paid a fee for his services. This contract is usually used in conjunction with another Shari'ah compliant product.

> **ICD's mandate to serve the private sector of member countries is carried out through a variety of different products and services.**

Istisna

Istisna is Manufacturing Finance. It is a contract where one party agrees to manufacture/construct an asset based on the order and specifications of the paying party (buyer). In this contract, payments are made in advance, deferred or in stages to facilitate step-by-step progress in the manufacturing/construction works.

Ijarah

This type of contract refers to a lease, rent or wage. Generally, Ijarah is used when selling the benefit of use (usufruct) or service for an agreed rental charge or wage. Under this concept, ICD makes assets available to a client for an agreed period and rental. For example, equipment such as a manufacturing plant, automation equipment, or motor vehicle can be rented to a client, and during the lease period ICD retains ownership of the asset.

B. ADVISORY SERVICES

ICD provides a variety of advisory services to the governments, public sector and private sector entities of its member countries. These services include assessing the business environment of member countries, along with any required reform actions. It also provides advisory services for project financing, company restructuring/rehabilitation, privatization, Islamic finance and the development of Islamic capital markets, particularly Sukuk.

C. ASSET MANAGEMENT

ICD sponsors, manages (as Mudarib) and participates in private equity funds and other special-purpose investment vehicles which are designed to invest in/finance projects in accordance with its mandate.

7.2 PROJECT CYCLES

The figure below shows the simplified seven-stage cycle of a business deal for it to become an ICD investment project.

ICD provides a variety of advisory services to the governments, public sector and private sector entities of its member countries.

1 ORIGINATION & PRELIMINARY ASSESSMENT

- Projects are sourced either directly through ICD's Business Development team or from the Client.
- Initial KYC & compliance assessment is conducted with ICD's relevant policies and guidelines and its strategy to ensure maximum developmental impact and Shari'ah compliance.

2 CONCEPT REVIEW

- Initial concept review & clearance of the project by concerned/relevant departments and then approved by the Investment Committee.
- Thereafter, the concerned department starts conducting a project appraisal sanctioned by a Due Diligence report and the Financing term sheet.

3 FINAL REVIEW

- The final Due Diligence report and the indicative term sheet are presented to the Investment Committee for final clearance and approval.

4 EXECUTIVE COMMITTEE APPROVAL

- Final financing conditions and the final project information memo are presented to the Executive Committee for final approval on behalf of the Board of Directors (if required).

5 EFFECTIVENESS & DISBURSEMENT

- The project's effectiveness is declared after the satisfactory compliance of all Shari'ah legal requirements has been confirmed.
- Disbursement occurs upon declaring the effectiveness and fulfillment of all CPs (Conditions Precedents).

6 MONITORING & EVALUATION

- ICD's follow-up teams closely monitor each stage of implementation.
- The follow-up teams track the developmental results of projects which have reached early operating maturity.

7 PROJECT CLOSING

- ICD closes the books on a project when the investment is repaid in full, or when the corporation exits by selling its equity stakes.

8 ANNEXES

ANNEX 1: ACRONYMS & ABBREVIATIONS

AATB	Arab-Africa Trade Bridges Programme
AUM	Assets Under Management
APIF	Awqaf Properties Investment Fund
AWP	Annual Work Program
BADEA	Arab Bank for Economic Development in Africa
BCP	Business Continuity Plan
BOAD	Banque ouest-africaine de développement
BOI	Bank of Industry Nigeria
BRAVE	Business Resilience and Assistance for Value-adding Enterprises
BSIC	Banque Sahélo-Saharienne Pour l'Investissement et le Commerce
CAGR	Compounded annual growth rate
CEMAC	Central African Economic and Monetary Community
DADP	Divestment and Asset Disposal Period
DEF	Development Effectiveness Framework
DEP	Development Effectiveness Policy
DFI	Development finance institution
FATF	Financial Action Task Force
GCC	Gulf Co-operation Council
GVC	Global value chain
ICD	Islamic Corporation for the Development of the Private Sector
ICIEC	Islamic Corporation for the Insurance of Investment and Export Credit
IDFC	International Development Finance Club
IFI	International financial institution
IILMC	International Islamic Liquidity Management Corporation
IsDB	Islamic Development Bank
ISFD	Islamic Solidarity Fund for Development
ITFC	International Islamic Trade Finance Corporation
IWP	Integrated Work Program
KAAP	King Abdullah bin Abdulaziz Program for Charity Works
KSA	Kingdom of Saudi Arabia
LEA	Local Execution Agency
LOF	Line of Finance
MAPS	Management Action Plans
MCPS	Member Country Partnership Strategy
MDB	Multilateral development bank
MDFI	Multilateral development financial institution
MENA	Middle East and North Africa
MSME	Micro, small- and medium-sized enterprise
NBFI	Non-Bank financial institution
NPF	Non-performing financing
NPL	Non-performing loan
OIC	Organization of Islamic Cooperation
PEP	Politically exposed person
PMU	Project Management Unit
PPP	Public-private partnership
SDG	Sustainable Development Goals
ROAA	Return on average asset
ROAE	Return on average equity
SME	Small- and medium-sized enterprise
SMEPS	Small and Micro Enterprise Promotion Service
SRI	Socially Responsible Investment
TA	Technical Assistance
TCC	Technical Coordination Committee
WAEMU	West African Economic and Monetary Union
WSME	Women-owned small- and medium-sized enterprise
We-Fi	Women Entrepreneurs Finance Initiative

ANNEX 2: APPROVALS & DISBURSEMENTS SINCE INCEPTION

Country	Gross Approvals (USD million)	Gross Disbursements (USD million)
Albania	4.35	4.10
Algeria	33.00	-
Azerbaijan	143.82	102.86
Bahrain	83.81	18.24
Bangladesh	403.43	269.84
Benin	13.15	-
Brunei	3.66	-
Burkina Faso	43.94	41.02
Cameroon	45.04	17.05
Chad	28.15	5.50
Cote d'Ivoire	157.00	50.88
Djibouti	4.00	4.00
Egypt	261.52	204.79
Gabon	46.71	-
Gambia	27.35	6.15
Guinea	2.84	2.99
Indonesia	190.80	60.77
Iran	164.86	36.31
Iraq	25.00	-
Jordan	109.10	55.31
Kazakhstan	247.80	34.03
Kuwait	64.13	54.13
Kyrgyzstan	49.90	22.09
Lebanon	7.00	-
Libya	76.00	10.00
Malaysia	109.66	100.55
Maldives	43.40	41.44
Mali	80.79	55.63
Mauritania	78.99	57.70
Morocco	20.36	20.38
Mozambique	40.00	20.09
Niger	21.44	13.23
Nigeria	367.60	179.01
Pakistan	302.93	129.59
Palestine	7.00	4.00
Qatar	46.15	-
Saudi Arabia	622.98	360.11
Senegal	191.39	147.44
Sierra Leone	6.00	12.00
Sudan	79.61	52.80
Suriname	2.00	-
Syria	152.50	56.30
Tajikistan	54.50	42.42
Tunisia	54.71	51.64
Turkey	575.87	299.63
Turkmenistan	2.50	10.00
United Arab Emirates	93.90	50.90
Uganda	65.00	-
Uzbekistan	433.93	335.66
Yemen	177.31	99.73
Regional	1,216.77	618.53
Total	**7,083.65**	**3,758.87**

ANNEX 3: FINANCIAL HIGHLIGHTS

	2021 (USD million)	2020 (USD million)	2019 (USD million)
Statement of Income:			
Total Income	54,611	32,124	(52,287)
Total Operating Expenses	46,000	47,351	53,560
Net Income	8,611	(15,227)	(105,847)
Balance Sheet:			
Liquid Assets	1,893,116	2,189,003	1,180,841
Net Operating Assets	1,023,800	1,029,400	1,258,498
Other Assets	47,961	49,426	89,756
Total Assets	2,964,877	3,267,829	2,529,095
Financing & Long Term Debt	1,800,335	2,163,644	1,481,973
Equity	1,079,346	995,450	966,890
Ratios:			
Return on Average Assets	0.3%	(0.01)	(0.04)
Return on Average Equity	0.8%	(0.02)	(0.11)
Debt to Equity	166.8%	217.4%	153.3%
Equity to Assets	36.4%	30.5%	38.2%
Liquidity to Total Assets	63.9%	67.0%	46.7%

INDEPENDENT AUDITOR'S REPORT

Your Excellencies the Chairman and Members of the General Assembly

Islamic Corporation for the Development of Private Sector

Jeddah, Kingdom of Saudi Arabia

Deloitte.

Deloitte and Touche & Co

Chartered Accountants

Waleed Bin Moha'd Sobahi
Certified Public Accountant
License No. 378

Jeddah, Kingdom of Saudi Arabia
18 May 2022
17 Shawwal 1443 AH

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Islamic Corporation for the Development of Private Sector (the "Corporation"), which comprise the statement of financial position as at 31 December 2021, and the related income statement, statement of changes in members' equity, statement of cash flows and statement of changes in off-balance sheet assets under management for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2021, and the results of the operations, its cash flows and changes in members' equity for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

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

Basis for Opinion

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	31 December 2021 USD	31 December 2020 USD
Assets			
Cash and cash equivalents	5	**158,647,462**	305,058,959
Commodity Murabaha and Wakala placements	6	**198,066,519**	526,847,463
Sukuk investments	7	**1,536,402,435**	1,357,096,279
Murabaha financing	8	**120,430,904**	108,768,496
Installment sales financing	9	**307,573,205**	359,287,367
Ijarah Muntahia Bittamleek	10	**220,675,530**	218,135,558
Istisna'a assets	11	**15,846,231**	21,074,004
Equity investments	12	**359,274,458**	322,134,545
Other assets	13	**47,662,056**	49,253,246
Property and equipment		**298,128**	173,417
Total assets		**2,964,876,928**	**3,267,829,334**
Liabilities and members' equity			
Liabilities			
Sukuk issued	14	**700,000,000**	1,000,000,000
Commodity Murabaha financing liabilities	15	**1,100,334,902**	1,163,644,349
Accrued and other liabilities	16	**44,253,354**	53,079,798
Employee pension liabilities	17	**39,722,752**	54,454,005
Amounts due to ICD Solidarity Fund	18	**1,220,122**	1,201,580
Total liabilities		**1,885,531,130**	**2,272,379,732**
Members' equity			
Paid-up capital	19	**1,582,923,427**	1,525,448,350
Accumulated losses	20	**(477,569,912)**	(486,180,675)
Actuarial losses		**(26,007,717)**	(43,818,073)
Total members' equity		**1,079,345,798**	**995,449,602**
Total liabilities and members' equity		**2,964,876,928**	**3,267,829,334**

STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 USD	2020 USD
Income / (loss) from			
Treasury assets			
Commodity Murabaha and Wakala placements		4,552,922	7,400,081
Sukuk investments	7	21,764,235	66,406,422
		26,317,157	**73,806,503**
Equity investments income / (loss), net	12.4	**11,281,855**	**(18,308,653)**
Financing assets			
Murabaha financing		1,690,299	3,431,101
Installment sales financing		16,006,527	19,854,640
Ijarah Muntahia Bittamleek	22	13,425,057	11,483,784
Istisna'a assets		949,745	1,103,004
		32,071,628	**35,872,529**
Impairment reversal / (allowance) for financial assets	23	4,114,634	(27,864,196)
Financing cost		(29,874,198)	(38,049,897)
Fair value (loss) / gain on Islamic derivatives net of exchange loss	24	(272,816)	860,327
Other income			
Administrative fees		3,321,266	3,695,705
Management fees		1,279,224	1,400,200
Advisory fees		6,372,501	711,500
		10,972,991	**5,807,405**
Total operating profit		**54,611,251**	**32,124,018**
Staff costs		(39,499,296)	(38,706,703)
Other administrative expenses		(6,450,306)	(8,529,293)
Depreciation		(50,886)	(114,600)
Total operating expenses		**(46,000,488)**	**(47,350,596)**
Net profit / (loss)		**8,610,763**	**(15,226,578)**
Shari'ah non-compliant income	18	13,306	88,905
Transferred to ICD Solidarity Fund	18	(13,306)	(88,905)
Total profit / (loss)		**8,610,763**	**(15,226,578)**

STATEMENT OF CHANGES IN MEMBERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Paid up capital USD	Accumulated losses USD	Net loss/ profit USD	Actuarial losses USD	Total USD
Balance at 31 December 2019 (previouly reported)	**1,394,376,616**	**(402,893,778)**	**-**	**(24,592,465)**	**966,890,373**
Adjustment on adoption of FAS 30 on 1 January 2020 (note 23)	-	(68,060,319)	-	-	(68,060,319)
Restated balance as at 31 December 2019	**1,394,376,616**	**(470,954,097)**	**-**	**(24,592,465)**	**898,830,054**
Contributions during the year	131,071,734	-	-	-	131,071,734
Net loss for the year	-	-	(15,226,578)	-	(15,226,578)
Transfer to Accumulated losses	-	(15,226,578)	15,226,578	-	-
Actuarial loss for the year from the pension schemes (note 17.3)	-	-	-	(19,225,608)	(19,225,608)
Balance at 31 December 2020	**1,525,448,350**	**(486,180,675)**	**-**	**(43,818,073)**	**995,449,602**
Contributions during the year	57,475,077	-	-	-	57,475,077
Net profit for the year	-	-	8,610,763	-	8,610,763
Transfer to reserve	-	8,610,763	(8,610,763)	-	-
Actuarial gain for the year from the pension schemes (note 17.3)	-	-	-	17,810,356	17,810,356
Balance at 31 December 2021	**1,582,923,427**	**(477,569,912)**	**-**	**(26,007,717)**	**1,079,345,798**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 USD	2020 USD
Operating activities			
Net profit/ (loss) for the year		**8,610,763**	(15,226,578)
Adjustments for:			
Fair value (gain) / loss on equity investments, net	12	**(8,394,621)**	20,068,429
Financing cost		**29,874,198**	38,049,897
Depreciation		**26,946,630**	20,742,873
Impairment (reversal) / allowance for financial assets	23	**(4,114,634)**	27,864,196
Provision for employee pension liabilities	17	**8,424,714**	6,898,307
Assets written-off	23	**-**	40,271,845
Unrealized fair value loss (gain) on Sukuk investments		**19,157,271**	(25,195,278)
Loss (gain) on Islamic derivatives net of currency losses	24	**272,816**	(860,327)
		80,777,137	**112,613,364**
Changes in operating assets and liabilities:			
Commodity Murabaha and Wakala placements		**326,233,725**	(253,529,963)
Sukuk investments		**(197,127,780)**	(535,035,262)
Murabaha financing		**(17,439,726)**	84,451,804
Installment sales financing		**47,333,039**	81,305,778
Ijarah Muntahia Bittamleek		**(11,654,049)**	(40,907,116)
Istisna'a assets		**3,752,054**	257,648
Equity investments		**(28,745,292)**	6,921,135
Other assets		**497,073**	(20,927,332)
Accrued and other liabilities		**(4,216,450)**	5,522,236
Amounts due to ICD Solidarity Fund		**18,542**	(47,776)
Cash from/ (used in) operations		**199,428,273**	(559,375,484)
Financing cost paid		**(34,484,192)**	(43,991,160)
Employee benefits liabilities paid		**(5,345,611)**	(3,095,363)
Net cash from / (used in) operating activities		**159,598,470**	(606,462,007)
Investing activity			
Purchase of property and equipment		**(175,597)**	(73,508)
Financing activities			
Proceeds / (repayment) of Sukuk issued		**(300,000,000)**	700,000,000
Proceeds from Commodity Murabaha financing		**569,154,265**	248,498,606
Repayments of Commodity Murabaha financing		**(632,463,712)**	(266,827,178)
Share capital contribution		**57,475,077**	131,071,734
Net cash from / (used in) financing activities		**(305,834,370)**	812,743,162
Net (decrease) / increase in cash and cash equivalent		**(146,411,497)**	**206,207,647**
Cash and cash equivalent at the beginning of the year		**305,058,959**	98,851,312
Cash and cash equivalent at the end of the year	5	**158,647,462**	**305,058,959**

STATEMENT OF CHANGES IN OFF-BALANCE SHEET ASSETS UNDER MANAGEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	January 1, 2021	Additions	Net disposals/ withdrawals	Mudarib's Share	December 31, 2021
Net assets managed on behalf of a financial institution	**-**	**370,600,000**	**(326,700,000)**	**-**	**43,900,000**
Total	**-**	**370,600,00**	**(326,700,000)**	**-**	**43,900,000**

	January 1, 2020	Additions	Net disposals/ withdrawals	Mudarib's Share	December 31, 2020
Net assets managed on behalf of a financial institution	-	-	-	-	-
Total	-	-	-	-	-

The Corporation has Wakala based arrangement with a financial institution in which it provides investment management services to the financial institution and acts as its agent. The Corporation is not exposed to any variable returns on the investment of these funds and accordingly, does not control these funds. Therefore, the Corporation does not recognize these funds on its statement of financial position. During the year, the Corporation earned USD 49k (2020: USD Nil) as agent's remuneration. The remuneration is agreed upon through the Framework Agreement between the Corporation and the financial institution.

1 ORGANIZATION AND OPERATIONS

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

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

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

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

2 BASIS OF PREPARATION

These 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 Board of the IsDBG. For matters, which are not covered by AAOIFI standards, the Corporation seeks guidance from the relevant International Financial Reporting Standards (IFRSs) issued or adopted by the International Accounting Standards Board (IASB) and the relevant interpretation issued by the International Financial Reporting Interpretations Committee of IASB provided they do not contradict the rules and principles of Shari'ah as determined by the Shari'ah Board of IsDBG.

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 4.

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

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

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 income statement.

3 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 certain of its financial assets and the actuarial valuation of its defined benefit obligations in accordance with the accounting policies adopted.

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 arising on translation are taken to the income statement.

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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Cash and cash equivalents

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

Commodity Murabaha and Wakala placements

Commodity Murabaha placements are made through financial institutions and are utilized in the purchase and sale of commodities at a fixed profit. The buying and selling of commodities is limited by the terms of agreement between the Corporation and other 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 impairment.

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

Murabaha

Murabaha 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.

Installment sales financing

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

Ijarah Muntahia Bittamleek

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

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

Istisna'a assets

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

Investments

The Corporation's investments are categorised as follows:

i) Subsidiaries

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

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

ii) Associates

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

The adoption of the Amendments requires investments in associates to be measured at fair value through income statement. 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 income statement.

iii) Other investments

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

iv) Sukuk investments

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

v) Initial measurement

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

vi) Subsequent measurement

After 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 income statement in the period in which it arises.

Impairment of financial assets

The Corporation applies the credit loss approach to financing instruments measured at amortized cost and treasury investments held at amortized cost. No impairment loss is recognized on equity and other investment carried at fair value. To assess the extent of credit risk, the financial assets are divided into three (3) categories:

i. Stage 1 – No significant increase in credit risk;

ii. Stage 2 – Significant increase in credit risk (SICR); and

iii. Stage 3 – Credit impaired financial assets.

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

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

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

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

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

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

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

All financial assets are allocated to stage 1 on initial recognition. However, if a significant increase in credit risk is identified at the reporting date compared with initial recognition, then the asset is transferred to stage 2 (Refer to Note 30 Risk management). If there is objective evidence of impairment, then the asset is credit-impaired and allocated to stage 3 as described in Note 30 Risk management.

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

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or

- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2).

- As for instruments classified in stage 3, loss allowance is quantified as the difference between the carrying amount of the instrument and the net present value of expected future cash flows discounted at the instrument's original effective profit rate (EPR) where applicable.

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

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

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

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

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

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

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

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

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

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

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

For financial assets modified as part of the Corporation's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Corporation's ability to collect the modified cash flows taking into account the Corporation's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forborne loan is credit impaired due to the existence of evidence of credit impairment (see above), the Corporation performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit-impaired. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

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

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

Definition of default

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

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

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

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

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

Write-off

When the exposure is deemed uncollectible, it is written-off against the related impairment provision and any excess loss is recognized in the 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. Corporation has not written off any financial assets during the current year.

Financial liabilities

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

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

Other amortised cost assets

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

Financial liabilities

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

Offsetting of financial assets and liabilities

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

Islamic derivative financial instruments

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

Fiduciary assets

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

Property and equipment

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

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

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

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

Sukuk issued

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

Provisions

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

Employee pension liabilities

The Corporation operates two defined post-employment benefit plans for its employees, the Staff Retirement Pension Plan ("SPP") and the Post-Employment Medical Scheme ("SRMP"). Both of these plans 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 until the retirement date is determined by discounting the estimated future cash outflows (relating to service accrued to the reporting date) using the yields available on high quality corporate bonds. The bonds should be denominated in currencies in which the benefits will be paid and that have terms to maturity closely matching the terms of the actual pension obligation. 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.

The current service cost of the defined benefit plan recognized in the income statement reflects the increase in the defined benefit obligation resulting from employee service in the current year.

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 Retirement Plan Committee, with advice from the Corporation's actuaries, determines the Corporation's contributions to the defined benefit scheme and the contributions are transferred to the scheme's independent custodians. Further detail and analysis of the post-employment benefit plans are included in Note 17.

Revenue recognition

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

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

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

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

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

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

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

Zakat and tax

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

Segment reporting

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

4 ACCOUNTING JUDGMENTS AND ESTIMATES

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

i) Investment entity

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

a) The Corporation's management believes that the AAOIFI accounting standards do not contain any guidance on investment entities and, therefore, based on the conceptual framework has followed the guidance under IFRS 10 related to investment entities. Any guidance issued by AAOIFI in the future years may require the management to re-assess the Corporation's status as an investment entity.

b) The Corporation provides investment management services to a number of investors with respect to investment in managed funds;

c) The Corporation generates capital and income from its investments which will, in turn, be distributed to the current and potential investors; and

d) The Corporation evaluates its investments' performance on a fair value basis, in accordance with the policies set out in these financial statements. Management believes that it meets the criteria of substantially all investments being evaluated at fair value as of December 31, 2021

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

ii) Impairment allowance for financing assets

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

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

i) The Corporations internal credit grading model, which assigns PDs to the individual grades;

ii) The Corporation's criteria for assessing if there has been a significant increase in credit risk necessitating the loss allowance to be measured on a 12 month or lifetime ECL basis and the applicable qualitative assessment;

iii) Development of ECL models, including the various formulas and the choice of inputs

iv) Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs

v) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

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

iii) Fair value determination

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

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

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.

v) Going concern

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

vi) Impact of COVID’19

The COVID-19 pandemic has caused significant disruptions to global economies and business operations of many companies with the new variant of the infection emerging in many countries. ICD operates in many member countries located in different geographical zones. The impact of the pandemic differs from one country to another but in terms of measures, there were similarities in actions taken at national level to curtail the spread of the virus internally and from those coming outside the country.

Since the outbreak of the pandemic, the IsDB Group has taken several initiatives to support the governments of Member Countries to mitigate the human and economic impact of the COVID-19 pandemic. ICD made available USD250 million on fast track basis as an emergency package to minimise the spread and impact of the pandemic and to:

- Support the worst affected sectors, including the private health care industry, the energy sector, agriculture and the financial sector amongst others.
- Support and collaborate with more than 100 local and regional financial institutions to ensure Private Sector Businesses, especially SMEs in affected industries still have access to finance.
- Support our investee companies to assure their sustainability and future growth.
- Support existing Clients adversely affected by extending payment relief terms and/or rescheduling/restructuring existing facilities.

At the end of 2021, the pandemic was significantly controlled in many countries with government embarking on measures to reduce restrictions to restart their economies. Consequently, the impact on the Corporation's business and results is limited. ICD will continue to follow the various host country policies and advice and in parallel will do its utmost to continue its operations in the best and safest way possible without jeopardizing the health of its people.

5 CASH AND CASH EQUIVALENTS

	31 December 2021 USD	31 December 2020 USD
Cash at banks	52,427,875	46,210,314
Commodity Murabaha and Wakala placements (note 6)	105,000,000	257,708,000
Less: allowance for credit losses (note 23)	(655)	(3,096)
	157,427,220	303,915,218
Bank balance relating to ICD Solidarity Fund	1,220,242	1,143,741
	158,647,462	**305,058,959**

Certain bank accounts with balance of USD 4,862,916 (31 December 2020: USD 4,495,311) are in the name of Islamic Development Bank (IsDB). However, these bank accounts are beneficially owned and managed/operated by the Corporation.

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

6 COMMODITY MURABAHA AND WAKALA PLACEMENTS

	31 December 2021 USD	31 December 2020 USD
Commodity Murabaha and Wakala placements	317,144,759	794,438,265
Less: Commodity Murabaha and Wakala placements with an original maturity of three months or less (note 5)	(105,000,000)	(257,708,000)
Less: allowance for credit losses (note 23)	(14,078,240)	(9,882,802)
	198,066,519	**526,847,463**

a) All the above Commodity Murabaha and Wakala placements are with international financial institutions and denominated in US Dollars.
b) Commodity Murabaha and Wakala placements include an amount of USD 356,164 (2020: USD 5,839,422) provided to a related party of the Corporation, over which the Corporation earned profit of USD nil (31 December 2020: USD 3,977).

7 SUKUK INVESTMENTS

	31 December 2021 USD	31 December 2020 USD
Opening balance	1,357,096,279	798,786,484
Additions	1,433,050,000	1,537,760,757
Redemptions	(1,234,643,627)	(1,004,590,055)
Exchange (loss) / gain	(1,278,593)	1,864,560
Fair value (loss) / gain	(19,157,271)	25,195,278
Reversal / (charge) for impairment	1,335,647	(1,920,745)
	1,536,402,435	1,357,096,279

Financial institutions	853,380,005	789,982,730
Governments	544,100,949	471,380,819
Others	138,921,481	95,732,730
	1,536,402,435	1,357,096,279

AAA	95,356,675	53,614,773
AA+ to AA-	72,953,990	45,132,730
A+ to A-	844,099,858	717,160,246
BBB+ or lower	523,991,912	541,188,530
	1,536,402,435	1,357,096,279

	Sukuk investments measured at fair value			
	Level 1	Level 2	Level 3	Total
2021 (USD)	1,525,046,945	-	11,355,490	1,536,402,435
2020 (USD)	1,342,498,431	-	14,597,848	1,357,096,279

Sukuk investments included an amount of USD 125,357,109 (31 December 2020: USD 53,614,773) invested in Sukuk issued by IsDB, over which the Corporation earned profit of USD 1,197,792 (31 December 2020: USD 679,795)

	31 December 2021 USD	31 December 2020 USD
Coupon income	39,399,200	30,836,666
Fair value (losses) / gains	(17,634,965)	35,569,756
Total Income	**21,764,235**	**66,406,422**

8 MURABAHA FINANCING

	31 December 2021 USD	31 December 2020 USD
Murabaha financing	**183,380,408**	168,381,254
Accrued income	**2,635,731**	3,011,811
Less: deferred income	**(16,602,693)**	(19,419,345)
	169,413,446	151,973,720)
Less: allowance for credit losses (note 23)	**(48,982,542)**	(43,205,224)
	120,430,904	**108,768,496**

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

Murabaha financing included financing of USD 60,412,619 (31 December 2020: USD 61,632,318) provided to related parties of the Corporation, over which the Corporation earned profit of USD 992,212 (31 December 2020: USD 1,338,150).

9 INSTALLMENT SALES FINANCING

	31 December 2021 USD	31 December 2020 USD
Installment sales financing	**354,750,576**	409,587,357
Accrued income	**4,529,604**	5,538,191
Less: deferred income	**(28,973,611)**	(37,485,940)
	330,306,569	377,639,608
Less: allowance for credit losses (note 23)	**(22,733,364)**	(18,352,241)
	307,573,205	**359,287,367**

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

Installment sales financing included financing of USD 54,746,908 (31 December 2020: USD 9,414,338) provided to related parties of the Corporation, over which the Corporation earned profit of USD 1,374,213 (31 December 2020: USD 391,223).

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	31 December 2021 USD	31 December 2020 USD
Cost:		
Assets not yet in use:		
At the beginning of the year	-	-
Additions	28,795,093	41,075,556
Transferred to assets in use	(6,193,093)	(41,075,556)
	22,602,000	-
Assets in use:		
At the beginning of the year	444,373,514	406,092,168
Transferred from assets acquired	6,193,093	41,075,556
Transferred assets to beneficiaries	(90,859,288)	(4,792,094)
Forex revaluation	(1,706,726)	1,997,884
	358,000,593	444,373,514
Total cost	**380,602,593**	**444,373,514**
Accumulated depreciation:		
At the beginning of the year	215,182,365	194,554,093
Charge for the year	26,895,744	20,628,272
Depreciation on assets transferred to beneficiaries	(76,518,035)	-
Total depreciation	**165,560,074**	**215,182,365**
Accrued income	40,634,975	41,728,040
Ijarah Muntahia Bittamleek, gross	**255,677,494**	**270,919,189**
Less: allowance for credit losses (note 23)	(35,001,964)	(52,783,631)
Ijarah Muntahia Bittamleek, net	**220,675,530**	**218,135,558**

Ijarah Muntahia Bittamleek includes financing of USD 13,400,484 (31 December 2020: USD 13,400,484) provided to related parties of the Corporation. Certain assets referred above represent the Corporation's share in joint Ijarah Muntahia Bittamleek agreements.

Future rentals receivable relating to Ijarah Muntahia Bittamleek as at 31 December 2021 are estimated to be USD346.77 million (2020: USD386.05 million). The precise amount at the end of each period is only known prior to the commencement of the period, as some of the rentals are determined based on floating rates. Detail of the receivables is shown below:

	31 December 2021 USD	31 December 2020 USD
Expected within 12 months	**98,435,903**	137,716,313
Expected after 12 months but less than 5 years	**117,872,019**	117,872,019
Expected after 5 years	**130,458,244**	130,458,244
Total Income	**346,766,166**	**386,046,576**

Future cash outflows related to Ijarah contracts are summarized in note 32 and these are expected to be paid within 12 months.

11 ISTISNA'A ASSETS

	31 December 2021 USD	31 December 2020 USD
Istisna'a financing	22,053,098	26,759,648
Accrued income	532,909	402,310
Less: deferred income	(5,110,249)	(5,934,146)
	17,475,758	21,227,812
Less: allowance for credit losses (note 23)	(1,629,527)	(153,808)
	15,846,231	**21,074,004**

12 EQUITY INVESTMENTS

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

	31 December 2021 USD	31 December 2020 USD
Subsidiaries (note 12.1)	163,492,352	159,039,976
Associates (note 12.2)	124,545,107	93,655,199
Other investments	71,236,999	69,439,370
	359,274,458	**322,134,545**

The movement in investments for the year is as follows:

	31 December 2021 USD	31 December 2020 USD
At the beginning of the year	322,134,545	349,124,109
Additions	6,115,340	-
Transfer from Murabaha Financing	23,929,932	-
Disposals	(1,299,980)	(6,921,135)
Fair value gains / (losses) net	8,394,621	(20,068,429)
At the end of the year	**359,274,458**	**322,134,545**

12 EQUITY INVESTMENTS (Continued)

12.1 INVESTMENTS IN SUBSIDIARIES

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

Name of the entity	Country of incorporation	Nature of business	Effective ownership %	
			2021	2020
Azerbaijan Leasing	Azerbaijan	Leasing	**100**	100
ICD Asset Management Limited	Malaysia	Asset management	**100**	100
Islamic Banking Growth Fund	Malaysia	Private equity fund	**100**	100
Taiba Leasing	Uzbekistan	Leasing	**100**	100
Tamweel Africa Holding	Senegal	Banking	**100**	100
Ijara Management Company	Saudi Arabia	Leasing	**100**	100
Capitas Group (Formerly Capitas)	Saudi Arabia	Advisory	**100**	100
ASR Leasing LLC	Tajikistan	Leasing	**67**	67
Al Majmoua Al Mauritania	Mauritania	Real estate	**53**	53
Ewaan Al Fareeda Residential Co.	Saudi Arabia	Real estate	**50**	50
Taha Alam Sdn Bhd	Malaysia	Hajj & Umra Services	**50**	50

a) In the above investment, certain subsidiaries carried at nil value where the Corporation had invested in earlier years and were fully impaired.

b) There are no regulatory or contractual arrangements that restrict the subsidiaries ability to transfer funds in the form of cash dividends or repay financing or advances made to them by the Corporation. The Corporation sometimes extends financial assistance in the form of advances to its subsidiaries.

12 EQUITY INVESTMENTS (Continued)

12.2 INVESTMENTS IN ASSOCIATES

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

Name of the entity	Country of incorporation	Nature of business	Effective ownership %	
			2021	2020
Al-Akhdar Bank	Morocco	Banking	**49**	49
Enmaa Ijara Company	Egypt	Leasing	**47**	47
Bank Islamic Du Senegal	Senegal	Banking	**27**	-
Theemar Investment Fund	Tunisia	Fund	**40**	40
Anfaal Capital	Saudi Arabia	Investment Advisory	**38**	38
Kyrgyzstan Ijara Company	Kyrgyzstan	Leasing	**37**	37
Kazakhstan Ijara Company	Kazakhstan	Leasing	**36**	36
Albania Leasing	Albania	Leasing	**36**	36
Maldives Islamic Bank	Maldives	Banking	**36**	36
Palestine Ijarah Company	Palestine	Leasing	**33**	33
Halic Finansal Kiralama A.S.	Turkey	Leasing	**33**	33
Al Fareeda Residential Fund	Saudi Arabia	Real Estate	**33**	33
Wifack International Bank	Tunisia	Leasing	**30**	30
ICD Money Market Labuan	Malaysia	Asset Mgt.	**29**	-
Royal Atlantic Residence	Gambia	Real Estate	**25**	25
Saudi SME Fund (Afaq)	Saudi Arabia	Fund	**25**	25
Al Sharkeya Sugar	Egypt	Manufacturing	**22**	22
Jordan Pharmaceutical Manufacturing Co.	Jordan	Manufacturing	**22**	22
Saba Islamic Bank	Yemen	Banking	**20**	20
Arab Leasing Company	Sudan	Leasing	**20**	20
PMB Tijari Berhad	Malaysia	Leasing	**20**	20
Turkish Asset Management (K.A.M.P)	Turkey	Fund	**20**	20
Saba Islamic Bank	Yemen	Banking	**20**	20

a) In the above investments, certain associates carried at nil value where the Corporation had invested in earlier years and were fully impaired.

12 EQUITY INVESTMENTS (Continued)

12.3 FAIR VALUE OF INVESTMENTS

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

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

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

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

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

	Equity investments measured at fair value			
	Level 1	Level 2	Level 3	Total
2021 (USD)	**22,872,063**	**17,553,512**	**318,848,883**	**359,274,458**
2020 (USD)	21,757,727	30,316,788	270,060,030	322,134,545

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

12 EQUITY INVESTMENTS (Continued)

The management has taken into account investee specific as well as the macro economic environment of the investee. The investee specific inputs primarily included market multiples, actual business performance against expected and revisions to the business plans. The macroeconomic inputs included country or regional specific information as well as the foreign currency rates. In addition, management has implemented certain refinements to the valuation techniques to reflect appropriately the ever-changing circumstances and economic environment. The valuation techniques used to measure the fair value of equity investments classified in level 2 & 3 for each significant sector as at 31 December 2021 and 31 December 2020 are as follows:

Sector	Valuation technique	31 December 2021 USD	31 December 2020 USD
Financial Services	Market comparables	72,428,811	138,710,101
	Adjusted net asset value	83,841,180	69,578,079
	Other techniques	113,944,989	18,846,074
Industry and Mining	Adjusted net asset value	2,712,110	5,572,202
	Discounted cashflows	13,787,773	14,181,858
Social Services	Other techniques	552	2,113,757
Others	Market comparables	1,264,239	-
	Residual method	39,193,575	41,845,835
	Adjusted net asset value	8,079,166	8,378,912
	Other techniques	1,150,000	1,150,000
Total		**336,402,395**	**300,376,818**

Reconciliation of level 3 items	31 December 2021 USD	31 December 2020 USD
At the beginning of the year	270,060,030	293,976,159
Additions	30,045,272	-
Disposals	(1,384,077)	(6,921,134)
Transferred from / (to) level 1 & 2	14,530,755	(1,671,388)
Fair value gains / (losses), net	5,596,903	(15,323,607)
At the end of the year	**318,848,883**	**270,060,030**

12.4 EQUITY INVESTMENT INCOME/ (LOSS), NET

	31 December 2021 USD	31 December 2020 USD
Fair value gains / (losses), net	8,394,621	(20,068,429)
Dividend	823,714	826,798
Others	2,063,520	932,978
	11,281,855	**(18,308,653)**

13 OTHER ASSETS

	31 December 2021 USD	31 December 2020 USD
Positive fair value of Islamic derivative financial instrument (note a)	**7,721,386**	10,552,558
Due from related parties (note 21.3)	**9,625,081**	10,139,826
Accrued income	**16,814,801**	16,653,303
Advances to employees	**8,117,563**	8,126,057
Unamortised portion of Sukuk issuance cost	**4,001,171**	3,231,426
Other receivables	**4,083,273**	4,075,772
	50,363,275	52,778,942
Less: allowance for credit losses (note 23)	**(2,701,219)**	(3,525,696)
	47,662,056	**49,253,246**

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

Islamic derivative financial instrument	Notional amount USD	Positive fair value USD	Negative fair value USD
Cross currency swaps	235,235,907	2,410,626	198,444
Profit rate swaps	144,116,667	-	4,357,705
Forward contracts	56,906,930	5,310,760	2,600
31 December 2021	**436,259,504**	**7,721,386**	**4,558,749**

Islamic derivative financial instrument	Notional amount USD	Positive fair value USD	Negative fair value USD
Cross currency swaps	335,319,077	5,989,260	4,640,961
Profit rate swaps	225,785,000	-	9,222,027
Forward contracts	126,998,317	4,563,298	507,152
31 December 2020	**688,102,394**	**10,552,558**	**14,370,140**

In addition to above, the Corporation entered into cross currency swaps and forward contracts on behalf of Arab Bank for Economic Development for Africa (BADEA) through a master agreement dated 13 June 2016. The notional value of such swaps is USD 37,891,102.3 million (31 December 2020: USD 50.67 million).

14 SUKUK ISSUED

Issue date	Maturity date	Issue currency	Issued amount USD	Rate	31 December 2021 USD	31 December 2020 USD
Listed (note a)						
15-10-2020	15-10-2025	USD	600,000,000	1.81% Fixed	**600,000,000**	600,000,000
13-04-2017	13-04-2021	USD	300,000,000	2.468% Fixed	**-**	300,000,000
Not listed						
05-03-2020	05-03-2025	SAR	100,000,000	SIBOR+0.60%	**100,000,000**	100,000,000
			1,000,000,000		**7,000,000,000**	**1,000,000,000**

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

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

15 COMMODITY MURABAHA FINANCING LIABILITIES

Commodity Murabaha financing is received from financial institutions under commodity murabaha agreements. The financings have original maturities ranging from 3 to 7 years (31 December 2020: 3 to 4 years).

16 ACCRUED AND OTHER LIABILITIES

	31 December 2021 USD	31 December 2020 USD
Negative fair value of Islamic derivative (note 13 (a))	**4,558,749**	14,370,140
Accrued profit payable on Commodity Murabaha financing	**1,773,378**	6,864,850
Due to related parties (note 21.4)	**11,087,600**	4,473,508
Dividend payable (note 20)	**4,108,563**	4,108,563
Accrued profit on Sukuk issued	**2,472,586**	4,087,214
Other payables	**20,252,478**	19,175,523
	44,253,354	**53,079,798**

17 EMPLOYEE PENSION LIABILITIES

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

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

Staff Pension Plan (SPP)

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

In both Pillars, the employee contributes at a rate of 11.1% (2020-11.1%) of the basic annual salary while the Bank and its Affiliates contribute 25.9% (2020-25.9%).

The main features of the SPP are:

i) Normal retirement age is the 62nd anniversary of the participant’s birth

17 EMPLOYEE PENSION LIABILITIES (Continued)

ii) On retirement, the eligible retired employee is entitled to 2.5% under the old staff retirement plan or 1% under the hybrid plan in the Define Benefit ("DB") component, of the Weighted Highest Average Remuneration ("WHAR") (as defined by the pension committee) for each year of pensionable service and limited to a maximum of 30 hijri years.

iii) 10% of Bank and its Affiliates' contribution of 25.9%, and 5% of employees' contribution of 11.1%, are used to fund the Define Cost ("DC") component of the hybrid plan. The accumulated fund and its investment returns will be paid as retirement lump sum benefits to the participants in the hybrid plan.

iv) Benefits payment upon early retirement, disability benefits, termination benefits, pre-retirement death or post retirement death benefits are also paid as determined by the Pension Committee.

Staff Retirement Medical Plan (SRMP)

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

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

WHAR (as defined by the pension committee) X contributory period (limited to a maximum of 30 hijri years) X 0.18%.

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

Retirees Medical Solidarity Fund (RMSF)

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

The plan is to be funded jointly with contributions equal of 4% of the pensionable salary by the Bank and the active staff; and contribution by future retirees equal to 4% of their pension salary (before commutation).

Starting January 2021, the Bank's and Employees' contributions of the staff mapped under the new scheme have been transferred to RMSF.

17 EMPLOYEE PENSION LIABILITIES (Continued)

Administration of SRPs

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

Risks

Investment risk

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

Discount rate

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

Longevity risk

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

Salary risk

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

The breakdown of net employee pension liabilities was as follows:

2021	SPP	SRMP	Total
	31 December 2021 (USD)		
Defined benefit obligations (note 17.1)	83,638,356	7,108,723	90,747,079
Less: plan assets (note 17.2)	(48,535,006)	(2,489,321)	(51,024,327)
Net employee pension liabilities	**35,103,350**	**4,619,402**	**39,722,752**

2020	SPP	SRMP	Total
	31 December 2020 (USD)		
Defined benefit obligations (note 17.1)	93,614,706	8,354,399	101,969,105
Less: plan assets (note 17.2)	(45,341,816)	(2,173,284)	(47,515,100)
Net employee pension liabilities	**48,272,890**	**6,181,115**	**54,454,005**

17 EMPLOYEE PENSION LIABILITIES (Continued)

17.1 THE MOVEMENT IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATION IS AS FOLLOWS:

	SPP		SRMP	
	31 December 2021 USD	31 December 2020 USD	31 December 2021 USD	31 December 2020 USD
Balance as at 1 January	93,614,706	71,560,539	8,354,399	6,366,961
Current service costs	6,476,323	5,041,028	571,391	439,431
Cost on defined benefit obligation	2,421,000	2,347,000	216,000	208,000
Plan participants contributions	1,872,371	1,473,813	95,080	66,266
Net actuarial deficit	(19,533,968)	13,538,786	(2,082,933)	1,312,077
Disbursements from plan assets	(1,212,076)	(774,308)	(45,214)	(38,336)
Others	-	427,848	-	-
	83,638,356	93,614,706	7,108,723	8,354,399

17.2 THE MOVEMENT IN THE PRESENT VALUE OF THE PLAN ASSETS IS AS FOLLOWS:

	SPP		SRMP	
	31 December 2021 USD	31 December 2020 USD	31 December 2021 USD	31 December 2020 USD
Balance as at 1 January	45,341,816	44,445,671	2,173,284	2,061,284
Income on plan assets	1,203,000	1,497,000	57,000	68,000
Return on plan assets greater / (less) than discount rate	(3,837,933)	(4,092,692)	31,388	(281,264)
Plan participants contributions	1,872,371	1,473,813	95,080	66,266
Employer contribution	4,372,891	3,455,469	170,550	297,334
Disbursements from plan assets	(1,212,076)	(774,308)	(45,214)	(38,336)
Others	794,937	(663,137)	7,233	-
	48,535,006	45,341,816	2,489,321	2,173,284

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

17 EMPLOYEE PENSION LIABILITIES (Continued)

17.3 BASED ON THE ACTUARIAL VALUATIONS, THE PENSION AND MEDICAL BENEFIT EXPENSES FOR THE YEAR COMPRISED THE FOLLOWING:

	SPP		SRMP	
	31 December 2021 USD	31 December 2020 USD	31 December 2021 USD	31 December 2020 USD
Gross current service costs	6,476,323	5,041,028	571,391	439,431
Cost of defined benefit obligation	2,421,000	2,347,000	216,000	208,000
Past service costs	-	427,848	-	-
Income from plan assets	(1,203,000)	(1,497,000)	(57,000)	(68,000)
Cost recognized in income statement	**7,694,323**	**6,318,876**	**730,391**	**579,431**
Actuarial (gain)/ loss due to change in assumption	(19,533,968)	13,538,786	(2,082,933)	1,312,077
Return on plan assets greater / (less) than discount rate	3,837,933	4,093,890	(31,388)	280,855
Actuarial (gain) / loss recognized in statement of changes in members' equity	**(15,696,035)**	**17,632,676**	**(2,114,321)**	**1,592,932**

17.4 THE FOLLOWING TABLE PRESENTS THE PLAN ASSETS BY MAJOR CATEGORY:

	SPP		SRMP	
	31 December 2021 USD	31 December 2020 USD	31 December 2021 USD	31 December 2020 USD
Investments in Sukuk	13,830,951	14,716,983	889,740	890,993
Managed funds and Installment sales	6,580,700	5,918,113	-	-
Cash and cash equivalent and commodity placements	24,025,541	20,113,776	1,103,120	1,228,355
Land	3,932,613	4,259,435	-	-
Others	165,201	333,509	496,461	53,936
	48,535,006	**45,341,816**	**2,489,321**	**2,173,284**

17 EMPLOYEE PENSION LIABILITIES (Continued)

17.5 THE ASSUMPTIONS USED TO CALCULATE THE PENSION PLANS LIABILITIES ARE AS FOLLOWS:

	SPP		SRMP	
	31 December 2021 USD	31 December 2020 USD	31 December 2021 USD	31 December 2020 USD
Discount rate	**2.85%**	2.60%	**2.85%**	2.60%
Rate of expected salary increase	**6.5% - 4.5%**	4.5%	**6.5% - 4.5%**	4.5%

The discount rate used in determining the benefit obligations is selected by reference to the long-term rates on AA rated Corporate Bonds. Rate of expected salaries increase for 2021 was based on age i.e., 20-35 years – 6.5%, 35-50 years – 5.0% and above 50 years – 4.5%.

17.6 THE QUANTITATIVE SENSITIVITY ANALYSIS FOR CHANGE IN DISCOUNT RATE ON THE EMPLOYEE PENSION LIABILITIES ARE AS FOLLOWS:

	SPP		SRMP	
	+0.5%	-0.5%	+0.5%	-0.5%
Discount rate	(8,947,459)	10,455,663	(849,922)	1,000,490
Rate of expected salary increase	5,111,435	(4,914,665)	441,366	(407,634)

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

	SPP	SRMP
Present value of defined benefit obligation	**92,291,039**	7,934,993
Fair value of plan assets	**(54,042,757)**	(2,707,165)
Plan deficit	**38,248,282**	5,227,828

SPP

The expected employer contribution for year ended 31 December 2022 is USD 3.2 million and expected costs to be recognized in profit or loss is USD 6.3 million.

SRMP

The expected employer contribution for year ended 31 December 2022 is USD 128k and expected costs to be recognized in profit or loss is USD 737k.

17 EMPLOYEE PENSION LIABILITIES (Continued)

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

	SPP		SRMP	
	31 December 2021 USD	31 December 2020 USD	31 December 2021 USD	31 December 2020 USD
January 1	40,187,540	22,554,864	3,630,533	2,037,601
Effect of changes in demographic assumptions	(2,292,336)	-	(38,992)	-
Effect of changes in financial assumptions	(3,308,802)	14,254,026	(331,495)	1,311,480
Effect of experience adjustments	(13,932,830)	(715,240)	(1,712,446)	597
Return on plan assets greater than discount rate	3,837,933	4,093,890	(31,388)	280,855
	24,491,505	**40,187,540**	**1,516,212**	**3,630,533**

The expected maturity analysis is below:

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

18 ICD SOLIDARITY FUND

This represents net accumulated income up to 31 December 2021 generated from liquid fund placements with certain conventional banks and financial institutions which was discontinued by ICD and other income which were not considered in compliance with the Shari'ah principles. As per the recommendation of the Shari'ah Board of IsDB Group, this income needs to be utilized for charitable purposes and, therefore, has been classified as a liability. The disposition of this liability is the responsibility of the Charity Committee formed within the Corporation. The sources and uses of ICD Solidarity Fund during the year ended are as follows:

	Sources & Uses of Shari'ah non-compliant income			
		31 December 2021		31 December 2020
Description	**No. of events**	**Amount (USD)**	**No. of events**	**Amount (USD)**
At the beginning of the year		**1,201,580**		1,249,356
Income during the year:				
Income from Solidarity Fund	1	**5,174**	-	-
Forex valuation	2	**62**	10	(11)
Penalty to customers on default	1	**13,306**	7	88,905
		18,542		**88,894**
Paid during the year:				
Medical expenses	-	**-**	3	75,030
Water supply	-	**-**	1	20,000
Support for orphanage	-	**-**	1	40,000
Others	-	**-**	2	1,640
		-		**136,670**
At the end of the year		**1,220,122**		**1,201,580**

19 PAID-UP CAPITAL

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

	31 December 2021 USD	31 December 2020 USD
Authorized share capital: 400,000 shares of USD 10,000 each	**4,000,000,000**	4,000,000,000
Subscribed capital share:		
Available for subscription: 200,000 shares of USD 10,000 each	**2,000,000,000**	2,000,000,000
Share capital not yet subscribed	**(279,664,646)**	(279,664,646)
	1,720,335,354	1,720,335,354
Installments due not yet paid	**(137,411,927)**	(194,887,004)
Paid-up capital	**1,582,923,427**	**1,525,448,350**

In 2021, USD 57.5 million (2020: 131.1 million) received from the shareholders. The paid-up capital of the Corporation represents amounts received from the following members:

	31 December 2021 USD	31 December 2020 USD
Islamic Development Bank (IsDB)	**659,681,958**	659,681,958
Saudi Public Investment Fund	**124,940,000**	124,940,000
Member countries	**750,101,469**	692,626,392
Iran Foreign Investment Company	**40,000,000**	40,000,000
Bank Keshavarzi	**6,000,000**	6,000,000
Bank Melli	**2,000,000**	2,000,000
Bank Nationale D'Algerie	**200,000**	200,000
Paid-up capital	**1,582,923,427**	**1,525,448,350**

20 RESERVE AND DIVIDEND

In accordance with Section 1 of Article No. 33 of the Articles of Agreement of the Corporation, the General Assembly shall determine the part of the Corporation's net income and surplus after making provision for reserves to be distributed as dividend. In any event, no dividend shall be distributed before reserve reach 12.5% of the subscribed capital. No dividend was paid or declared in 2021 and 2020.

21 RELATED PARTY TRANSACTIONS AND BALANCES

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

21.1 THE FOLLOWING ARE THE DETAILS OF MAJOR RELATED PARTY TRANSACTIONS ENTERED DURING THE YEAR:

Related parties	Nature of Transactions	31 December 2021 USD	31 December 2020 USD
Islamic Development Bank Group	Rent & pension (note a)	**4,421,047**	5,037,816
Al Majmoua Al Mauritania	Advance	**86,284**	-
Maldives Islamic Bank	Sale of Shares	**186,527**	4,813,849
International Islamic Trade Fin. Corp.	Advance	**-**	53,965
ICD Fixed Income Limited	Management fee	**665,786**	1,033,835

21.2 CERTAIN RELATED PARTY TRANSACTIONS AND BALANCES HAVE BEEN DISCLOSED IN NOTES 5 TO 10.

21.3 DUE FROM RELATED PARTIES COMPRISED THE FOLLOWING:

	31 December 2021 USD	31 December 2020 USD
Tamweel Africa Holding	**4,766,171**	4,766,581
ICD Fixed Income Limited	**547,449**	1,213,235
Taiba Titrisation	**1,000,000**	1,000,000
Maldives Islamic Bank	**697,180**	883,707
Ijarah Management Company	**871,265**	871,291
Wifack International Bank	**500,968**	500,968
Al Majmoua Mouritania (MMI)	**253,722**	330,006
Taiba Leasing	**254,633**	254,633
International Islamic Trade Finance Corporation (ITFC)	**104,376**	104,387
Others	**629,317**	215,018
	9,625,081	**10,139,826**

21 RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

21.4 DUE TO RELATED PARTIES COMPRISED THE FOLLOWING:

	31 December 2021 USD	31 December 2020 USD
Islamic Development Bank (IsDB)	8,931,247	4,292,967
Royal Atlantic	145,878	145,878
IsDB Staff Retirement Pension Plan	1,978,018	2,761
Others	32,457	31,901
	11,087,600	**4,473,508**

21.5 THE COMPENSATION PAID OR PAYABLE TO KEY MANAGEMENT PERSONNEL IS AS FOLLOWS:

	31 December 2021 USD	31 December 2020 USD
Salaries and other short-term benefits	2,170,705	1,942,828
Post-employment benefits	399,637	314,870
	2,570,342	**2,257,698**

22 IJARAH MUNTAHIA BITTAMLEEK

	31 December 2021 USD	31 December 2020 USD
Income from Ijarah Muntahia Bittamleek	40,320,801	32,112,056
Depreciation	(26,895,744)	(20,628,272)
	13,425,057	**11,483,784**

23 IMPAIRMENT ALLOWANCE

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

2020	Credit loss as at 1 January 2020 USD	Credit loss (reversal) charge for the year USD	Written off during the year USD	Credit loss as at 31 December 2020 USD
Cash and cash equivalents	6,029	(2,933)	-	3,096
Commodity Murabaha and Wakala placements	9,866,378	16,424	-	9,882,802
Sukuk investments	6,308,701	5,612,044	-	11,920,745
Murabaha financing	29,796,028	13,409,196	-	43,205,224
Installment sales financing	14,247,596	4,104,645	-	18,352,241
Ijarah Muntahia Bittamleek	90,096,460	2,959,016	(40,271,845)	52,783,631
Istisna'a assets	267,922	(114,114)	-	153,808
Other assets	1,645,778	1,879,918	-	3,525,696
Total	**152,234,892**	**27,864,196**	**(40,271,845)**	**139,827,243**

24 FAIR VALUE (LOSS)/ GAIN ON ISLAMIC DERIVATIVES NET OF EXCHANGE LOSS

	31 December 2021 USD	31 December 2020 USD
Gain/ (loss) on Islamic derivatives	7,806,375	(19,800,992)
Foreign exchange (loss)/ gain	(8,079,191)	20,661,319
	(272,816)	**860,327**

25 FIDUCIARY ASSETS

25.1 UNIT INVESTMENT FUND

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

The purpose of UIF is to participate in the economic development of the member countries through the pooling of the saving of institutions and individual investors, and to invest these savings in producing projects in the said member countries. Pursuant to Islamic Limited Liability Partnership Agreement (the “Partnership” or the “Agreement”) dated 3 November 2015. At the end of 31 December 2021, the net assets of UIF amounting to USD 20.4 million (2020: USD 31.78 million) were under the management of the Corporation.

25.2 MONEY MARKET FUND

The ICD Money Market Fund (Labuan) LLP (“MMF”) is a Labuan Islamic Limited Liability Partnership (LLP) registered under the Labuan Limited Partnerships and Limited Partnerships Act 2010 on July 22, 2014. The objective of the partnership is to earn periodic income by investing in Shari'ah compliant placement, investment and financing products. At the end of 31 December 2021, the net assets of MMF amounting to USD 86 million (2020: USD 89.53 million) were under the management of the Corporation.

25.3 OTHERS

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

26 NET ASSETS IN FOREIGN CURRENCIES

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

	31 December 2021 USD	31 December 2020 USD
Euro	**96,121,531**	236,048,005
Pakistani Rupees	**6,300,084**	4,373,242
Kazakhstani Tenge	**7,364,235**	7,695,729
Moroccan Dirham	**14,173,162**	14,048,792
Jordanian Dinar	**-**	2,113,757
Pound Sterling	**263,239**	172,278
Malaysian Ringgit	**(80,609)**	(156,253)
Islamic Dinar	**556**	-
CFA Franc (XOF)	**(81,401)**	(13,803)
Turkish Lira	**(47,807)**	(42,247)
Indonesian Rupiah	**46,120**	44,942
Saudi Riyals	**(181,308,187)**	(222,460,944)
Maldivian Rupiah	**6,260,651**	6,444,502
	(50,988,426)	**48,268,000**

27 CONCENTRATION OF ASSETS

27.1 CONCENTRATION OF ASSETS BY GEOGRAPHICAL AREAS AT THE END OF THE YEAR IS AS FOLLOWS:

31 December 2021	Africa USD	Asia USD	Australia USD	Europe USD	Total USD
Cash and cash equivalents	-	143,647,530	14,999,932	-	158,647,462
Commodity Murabaha and Wakala placements	9,899,609	188,166,910	-	-	198,066,519
Sukuk investments	13,959,020	1,522,443,415	-	-	1,536,402,435
Murabaha financing	950	120,429,954	-	-	120,430,904
Installment sales financing	229,687,446	77,885,759	-	-	307,573,205
Ijarah Muntahia Bittamleek	93,686,429	126,989,101	-	-	220,675,530
Istisna'a assets	-	15,846,231	-	-	15,846,231
Equity investments	188,627,358	170,647,100	-	-	359,274,458
Other assets	8,585,883	39,076,173	-	-	47,662,056
Property and equipment	-	298,128	-	-	298,128
	544,446,695	**2,405,430,301**	**14,999,932**	**-**	**2,964,876,928**

31 December 2020	Africa USD	Asia USD	Australia USD	Europe USD	Total USD
Cash and cash equivalents	39,895,129	210,120,222	24,999,937	30,043,671	305,058,959
Commodity Murabaha and Wakala placements	55,538,253	471,309,210	-	-	526,847,463
Sukuk investments	20,035,830	1,337,060,449	-	-	1,357,096,279
Murabaha financing	-	108,768,496	-	-	108,768,496
Installment sales financing	238,851,739	120,435,628	-	-	359,287,367
Ijarah Muntahia Bittamleek	82,780,438	135,355,120	-	-	218,135,558
Istisna'a assets	-	21,074,004	-	-	21,074,004
Equity investments	185,807,045	136,327,500	-	-	322,134,545
Other assets	5,254,714	43,998,532	-	-	49,253,246
Property and equipment	-	173,417	-	-	173,417
	628,163,148	**2,584,622,578**	**24,999,937**	**30,043,671**	**3,267,829,334**

27.2 CONCENTRATION OF ASSETS BY ECONOMIC SECTOR AT THE END OF THE YEAR IS ANALYSED AS UNDER:

31 December 2021	Financial services USD	Industry and mining USD	Social services USD	Others USD	Total USD
Cash and cash equivalents	158,647,462	-	-	-	158,647,462
Commodity Murabaha and Wakala placements	198,066,519	-	-	-	198,066,519
Sukuk investments	865,797,985	47,000,000	531,682,969	91,921,481	1,536,402,435
Murabaha financing	51,067,703	62,032,666	7,330,535	-	120,430,904
Installment sales financing	304,265,105	3,308,100	-	-	307,573,205
Ijarah Muntahia Bittamleek	-	219,148,154	1,527,376	-	220,675,530
Istisna'a assets	-	-	15,846,231	-	15,846,231
Equity investments	293,087,042	16,499,884	552	49,686,980	359,274,458
Other assets	47,405,368	256,688	-	-	47,662,056
Property and equipment	298,128	-	-	-	298,128
	1,918,635,312	**348,245,492**	**556,387,663**	**141,608,461**	**2,964,876,928**

31 December 2020	Financial services USD	Industry and mining USD	Social services USD	Others USD	Total USD
Cash and cash equivalents	305,058,959	-	-	-	305,058,959
Commodity Murabaha and Wakala placements	526,847,463	-	-	-	526,847,463
Sukuk investments	887,636,205	-	469,460,074	-	1,357,096,279
Murabaha financing	75,855,537	20,837,463	11,924,843	150,653	108,768,496
Installment sales financing	356,611,968	2,675,399	-	-	359,287,367
Ijarah Muntahia Bittamleek	123,570	216,281,826	1,730,162	-	218,135,558
Istisna'a assets	-	-	21,074,004	-	21,074,004
Equity investments	247,316,844	19,754,060	2,113,757	52,949,884	322,134,545
Other assets	9,425,097	37,316,256	1,196,381	1,315,512	49,253,246
Property and equipment	173,417	-	-	-	173,417
	2,409,049,060	**296,865,004**	**507,499,221**	**54,416,049**	**3,267,829,334**

28 CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

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

31 December 2021	Less than 3 months USD	3 to 12 months USD	1 to 5 years USD	Over 5 years USD	No fixed maturity USD	Total USD
Assets						
Cash and cash equivalents	158,647,462	-	-	-	-	**158,647,462**
Commodity Murabaha and Wakala placements	188,066,519	10,000,000	-	-	-	**198,066,519**
Sukuk investments	91,738,179	95,970,000	934,294,256	414,400,000	-	**1,536,402,435**
Murabaha financing	13,855,532	9,578,380	56,772,509	40,224,483	-	**120,430,904**
Installment sales financing	3,446,826	39,441,943	260,596,278	4,088,158	-	**307,573,205**
Ijarah Muntahia Bittamleek	10,642,842	23,837,198	76,020,720	110,174,770	-	**220,675,530**
Istina'a assets	628,823	869,192	3,160,858	11,187,358	-	**15,846,231**
Equity investments	-	-	-	-	359,274,458	**359,274,458**
Other assets	-	47,662,056	-	-	-	**47,662,056**
Property and equipment	-	-	298,128	-	-	**298,128**
	467,026,183	**227,358,769**	**1,331,142,749**	**580,074,769**	**359,274,458**	**2,964,876,928**
Liabilities						
Sukuk issued	-	-	700,000,000	-	-	**700,000,000**
Commodity Murabaha financing	-	130,000,000	870,334,902	100,000,000	-	**1,100,334,902**
Accrued and other liabilities	-	44,253,354	-	-	-	**44,253,354**
Employee pension liabilities	-	-	-	-	39,722,752	**39,722,752**
Amounts due to ICD Solidarity Fund	1,220,122	-	-	-	-	**1,220,122**
	1,220,122	**174,253,354**	**1,570,334,902**	**100,000,000**	**39,722,752**	**1,885,531,130**

28 CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES (Continued)

31 December 2020	Less than 3 months USD	3 to 12 months USD	1 to 5 years USD	Over 5 years USD	No fixed maturity USD	Total USD
Assets						
Cash and cash equivalents	305,058,959	-	-	-	-	305,058,959
Commodity Murabaha and Wakala placements	150,835,121	376,012,342	-	-	-	526,847,463
Sukuk investments	64,732,003	90,391,407	773,812,700	428,160,169	-	1,357,096,279
Murabaha financing	25,919,551	19,580,043	20,779,759	42,489,143	-	108,768,496
Installment sales financing	38,975,964	160,432,930	156,358,857	3,519,616	-	359,287,367
Ijarah Muntahia Bittamleek	34,109,980	2,006,634	59,009,944	123,009,000	-	218,135,558
Istina'a assets	524,366	868,203	5,074,947	14,606,488	-	21,074,004
Equity investments	-	-	-	-	322,134,545	322,134,545
Other assets	-	49,253,246	-	-	-	49,253,246
Property and equipment	-	-	173,417	-	-	173,417
	620,155,944	**698,544,805**	**1,015,209,624**	**611,784,416**	**322,134,545**	**3,267,829,334**
Liabilities						
Sukuk issued	-	300,000,000	700,000,000	-	-	1,000,000,000
Commodity Murabaha financing	48,027,683	452,950,000	662,666,666	-	-	1,163,644,349
Accrued and other liabilities	-	53,079,798	-	-	-	53,079,798
Employee pension liabilities	-	-	-	-	54,454,005	54,454,005
Amounts due to ICD Solidarity Fund	1,201,580	-	-	-	-	1,201,580
	49,229,263	**806,029,798**	**1,362,666,666**	**-**	**54,454,005**	**2,272,379,732**

29 SHARI'AH SUPERVISION

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

The Group Shari'ah Board has the following functions:

- to consider all products introduced by the IsDB, its affiliates and trust funds for use for the first time and rule on their conformity with the principles of the Islamic Shari'ah, and lay down basic principles for drafting of related contracts and other documents;

- to give its opinion on the Shari'ah alternatives to conventional products which the IsDB, its affiliates and trust funds intend to use, and to lay down basic principles for drafting of related contracts and other documents and contribute to their development with a view to enhancing the IsDB's, its affiliates' and trust funds' experience in this regard;
- to respond to the Shari'ah related questions, enquiries and explications referred to it by the Board of Executive Directors or the management of the IsDB, its affiliates and trust funds;
- to contribute to the IsDB, its affiliates and trust funds programme for enhancing the awareness of its staff members of Islamic banking and deepen their understanding of the fundamentals, principles, rules and values relative to Islamic financial transactions; and
- to submit to the Board of Executive Directors of the IsDB, its affiliates and trust funds a comprehensive report showing the measure of the IsDB's, its affiliates' and trust funds' commitment to principles of Shari'ah in the light of the opinions and directions given and the transactions reviewed.

30 RISK MANAGEMENT

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

Credit risk

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

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

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

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

30 RISK MANAGEMENT (Continued)

- The Corporation evaluates Murabaha financing, installment sales, Ijarah Muntahia Bittamleek and Istisna'a financing (financing assets). Credit evaluation is performed internally, and external expertise is used where required. The Executive Committee of the Board of Directors of the Corporation approves all the financing. Such financing is generally secured against adequate security for financing. Under Ijarah Muntahia Bittamleek contracts, the Corporation is the owner of the related asset which is only transferred to the beneficiary upon payment of all the installments due at the end of the lease term. The net book value of Ijarah Muntahia Bittamleek assets after taking allowance for impairment as disclosed in the statement of financial position was considered fully recoverable by the management of the Corporation.

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

i) Determining the stage for impairment

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

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

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

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

30 RISK MANAGEMENT (Continued)

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

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

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

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

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

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

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

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

30 RISK MANAGEMENT (Continued)

iii) Exposure Amounts and ECL coverage

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

Tables below present the breakdown of gross exposure amount and ECL by mode of finance, for financial instruments measured at amortized cost as at 31 December 2021 and 2020.

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

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

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

30 RISK MANAGEMENT (Continued)

Description	31 December 2020 Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Gross carrying amount before ECL:				
Cash and cash equivalents	257,708,000	-	-	257,708,000
Commodity Murabaha and Wakala placements	513,341,821	-	23,388,444	536,730,265
Sukuk investments	21,393,494	-	10,585,098	31,978,592
Murabaha financing	90,679,974	-	61,293,746	151,973,720
Installment sales financing	182,466,932	136,793,801	58,378,875	377,639,608
Ijarah Muntahia Bittamleek	154,112,044	36,925,342	79,881,803	270,919,189
Istisna'a assets	21,227,812	-	-	21,227,812
Other assets	10,139,826	-	4,075,772	14,215,598
	1,251,069,903	**173,719,143**	**237,603,738**	**1,662,392,784**

Description	31 December 2020 Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
ECL:				
Cash and cash equivalents	3,096	-	-	3,096
Commodity Murabaha and Wakala placements	34,387	-	9,848,415	9,882,802
Sukuk investments	1,335,646	-	10,585,099	11,920,745
Murabaha financing	2,066,350	-	41,138,874	43,205,224
Installment sales financing	3,322,100	8,588,210	6,441,931	18,352,241
Ijarah Muntahia Bittamleek	540,247	622,425	51,620,959	52,783,631
Istisna'a assets	153,808	-	-	153,808
Other assets	-	-	3,525,696	3,525,696
	7,455,634	**9,210,635**	**123,160,974**	**139,827,243**

30 RISK MANAGEMENT (Continued)

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

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

	31 December 2020			
Description	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Provisions as at 1 Jan 2020	6,850,636	6,601,502	138,782,754	152,234,892
New assets originated or purchased	1,559,612	1,558,168	-	3,117,780
Assets repaid	(465,316)	(742,777)	-	(1,208,093)
Write offs	-	-	(40,271,846)	(40,271,846)
Transfer from stage 1 to Stage 2	(303,165)	335,975	-	32,810
Transfer from stage 2 to Stage 3	(1,191,196)	-	14,647,523	13,456,327
Transfer from stage 2 to Stage 1	-	(669,413)	397,490	(271,923)
Transfer from stage 3 to Stage 1	35,588	-	(177,958)	(142,370)
New and increased provision (net of releases)	969,475	2,127,180	9,783,011	12,879,666
Provisions as at 31 December 2020	**7,455,634**	**9,210,635**	**123,160,974**	**139,827,243**

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.

30 RISK MANAGEMENT (Continued)

Market Risk

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

Currency risk

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

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

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

Mark-up rate risk

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

In order to manage cash flow mark-up rate risk, the Board approved an "Asset and Liability Management policy" which requires that the Corporation follow the matched-funding principle in managing its assets and liabilities as well as profit rate swaps. Thus, the Corporation ensures that the mark-up rate 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.

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

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

30 RISK MANAGEMENT (Continued)

Equity price risk

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

Liquidity risk

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

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

Shari'ah non-compliance Risk

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

31 FAIR VALUE

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

Fair valuation with respect to investments, is disclosed in note 12.

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

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

32 COMMITMENTS

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

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

	31 December 2021 USD	31 December 2020 USD
Ijarah Muntahia Bittamleek	2,398,000	44,729,678
Murabaha financing	10,000,000	-
Installment sales financing	46,181,500	89,324,826
Equity investments	84,032,585	77,600,000
	142,612,085	**211,654,504**

33 EFFECT OF NEW AND REVISED FINANCIAL ACCOUNTING STANDARDS

The following new FASs, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these financial statements.

FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar)
The Corporation has adopted FAS 31 as issued by AAOIFI on 1 January 2021. This standard defines the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Istithmar) transactions and instruments, in the hands of both the principal and the agent. This standard shall be effective beginning on or after 1 January 2021, with early adoption permitted. The standard requires the principal to evaluate the nature of the investment as either a) a pass-through investment or b) Wakala venture.

In case of a pass-through investment approach, the principal shall initially recognize the assets underlying the Wakala arrangement in its books of account applying the initial recognition principles as applicable in line with respective FAS. The principal may opt to apply the Wakala venture approach if, and only if, the investment agency contract meets any of the conditions described below:

i) the instrument is transferable;

ii) the investment is made in a single asset (or pool of assets) where such asset(s) are subject to frequent changes throughout the term of the contract i.e., there are routine changes or replacements over the term of arrangement (unless it constitutes a business) at the discretion of the agent; or

33 EFFECT OF NEW AND REVISED FINANCIAL ACCOUNTING STANDARDS (Continued)

iii) the role of the agent is not limited whereby the agent performs day-to-day asset management function and, where applicable, is also responsible for replacement of assets or recoveries against them.

In case of Wakala venture approach, an investment shall be accounted for in the books of the investor applying the "equity method of accounting"; where the investment shall be recognized initially at cost and subsequently shall be measured at the end of the financial period at carrying amount and shall be adjusted to include the investor's share in profit or loss of the Wakala venture.

From the agent perspective, the standard requires that at inception of the transaction the agent shall recognize an agency arrangement under off-balance sheet approach since the agent does not control the related assets / business. However, there are exceptions to off-balance- sheet approach whereby virtue of additional considerations attached to the instrument based on investment agency may mandate the same to be accounted for as on-balance sheet. An agent may maintain multi-level investment arrangements. Under such arrangement, the Group is reinvesting Wakala funds into a secondary contract. Such secondary contracts shall be accounted for in line with the requirements of respective FAS in the books of the agent.

The Board of Directors decided not to early adopt the standard with effect from the current year.

The Corporation has applied the Standard on all the transactions outstanding as of 31 December 2021 and the corresponding previous year end. However, there was no Wakala arrangement in prior year. As a result of implementation for this standard, A statement of off-balance sheet assets under management has been added in the financial statements and related assets and liabilities has been recorded in such statement and classified as off-balance sheet.

Impact of initial application of FAS 32 – Ijarah
In these financial statements, the Corporation has applied FAS 32 – Ijarah, for annual periods beginning on or after January 1, 2021, with earlier permitted. The Corporation decided to adopt the standard from January 1, 2021.

FAS 32 introduces some new changes as explained below:

- changes in the classification. Ijarah transactions under in this standard are classified into the operating Ijarah, Ijrarah Muntahia Bittamleek (Ijarah MBT) with expected transfer of ownership after the end of the Ijarah term either through a sale or gift and Ijarah MBT with gradual transfer.
- new recognition and measurement principles for initial recognition for right-of-use asset, Ijarah liability and advance payments for lessee and lessor accounting;
- requirement to identify and separate Ijarah and non-Ijarah components., if needed;
- new recognition and measurement principle for an Ijarah MBT through gradual transfer/ Diminishing Musharaka Ijarah

- allowing effective rate of return/ profit rate method for accounting for rental income, in the hand of the lessor;
- testing for impairment of right-of use asset shall be subject to requirements off AS 30 "impairment, Credit Losses and Onerous Commitments"; and
- detailed guidelines are provided for presentation and disclosures with enhanced disclosure by lessor and lessee of information as compared to previous requirements in FAS 8.

Impact on Lessor Accounting
FAS 32 does not change substantially how a lessor accounts for Ijarah. FAS 32 has changed and expanded the disclosures required.

Under FAS 32, an intermediary lessor accounts for the head Ijarah and the sub-ijarah as two separate contracts. As required by FAS 32, an allowance for expected credit losses has been recognised on the finance lease receivables.

34 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new financial accounting standards of The Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI") have been issued except for FAS 29 "sukuk issuances" which is in the stage of exposure draft and is expected to be issued in near future. The Corporation intends to adopt these financial reporting standards when they become effective where applicable and is currently assessing the impact of these new financial accounting standards on its financial statements and systems.

Financial Accounting Standard – 29 "Sukuk Issuances"
The standard aims to provide guidance for accounting, classification and presentation for Sukuk issuances primarily based on the Sukuk structure, which may include on balance sheet, as well as, off balance sheet accounting. These classifications depend on the control of such assets comprising of power to control and nature of control i.e. for risks and rewards as well as varying benefits to the institution or the fiduciary responsibility on behalf of the Sukuk-holders. This standard shall be applied for accounting and financial reporting for Sukuk issuance in the books of the issuer.

Financial Accounting Standard – 37 "Financial Reporting by Waqf Institutions"
The objective of the standard is to establish principles of financial reporting by Waqf institutions, which are established and operated in line with Shari'ah principles and rules. This standard shall be effective for the financial periods beginning on or after 1 January 2022 with early adoption permitted. The Corporation is currently evaluating the impact of this standard.

Financial Accounting Standard – 38 "Wa'ad, Khiyar and Tahawwut"
The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosures in relation to Shari'ah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions (the institutions). This standard shall be effective for the financial periods beginning on or after 1 January 2022 with early adoption permitted. The Corporation is currently evaluating the impact of this standard.

Financial Accounting Standard – 39 "Financial Reporting for Zakah"
This standard aims at setting out accounting treatment of Zakah in the books of an Islamic financial institution, including the presentation and disclosure in its financial statements. The objective of this standard is to establish

34 STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

the principles of financial reporting related to Zakah attributable to different stakeholders of an Islamic financial institution. This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted. The Corporation is currently evaluating the impact of this standard.

Financial Accounting Standard – 40 "Financial Reporting for Islamic Finance Windows"
The objective of this standard is to establish financial reporting requirements for Islamic financial services offered by conventional financial institutions (in the form of Islamic finance windows). This standard shall be effective on the financial statements of Islamic finance window of conventional financial institutions for the periods beginning on or after 1 January 2024 with early adoption permitted.

Financial Accounting Standard – 1 (Revised 2021) "General Presentation and Disclosures in the Financial Statements"
The revised FAS 1 describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable on all the Islamic financial institutions and other institutions following AAOIFI FASs. This standard sets out the overall requirements for presentation of financial statements, the minimum requirements for the contents of the financial statements and a recommended structure of financial statements that facilitate faithful presentation in line with Shari'ah principles and rules and comparability with the institution's financial statements of previous periods, and the financial statements of other institutions. This standard shall be effective on the financial statements of the institutions beginning on or after 1 January 2023 with early adoption permitted. The Corporation is currently evaluating the impact of this standard.

35 LIBOR TRANSITION

As a result of the global financial crisis, the reform and replacement of the inter-bank offered rates ('IBOR') has become a priority for global regulators. The LIBOR transition is a significant event that poses complex challenges for banks and the financial system. The Financial Conduct Authority, the regulator of LIBOR confirmed a timeline when LIBOR settings will cease. Most of the non-USD denominated settings as well as the 1-week and 2-month settings will cease on December 31, 2021. The remaining USD settings will cease on June 30, 2023. The Islamic Corporation for the Development of the Private Sector (ICD) has certain contracts outstanding at the end of 2021 which will mature after June 30, 2023. The implication of this is that:

- LIBOR rates will not be available for contracts maturing after that date and an alternative rate to be used for the remaining part of the maturities will have to be agreed.
- Some contracts may have fallback clauses, and some may not have. ''Fallbacks" are provisions which contemplate a change or cessation of an interest rate and for example provide for the introduction of a new financing rate or means of determining a new rate.
- Replacement of an IBOR with the relevant Risk-Free Rate (RFR) or a fall back to the relevant RFR may result in paying more or receiving less than ICD would have otherwise.

35 LIBOR TRANSITION (Continued)

- There is liquidity risk in that the fundamental difference between LIBOR and the various alternative bench mark rates is that the former is are forward-looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments which will require additional liquidity management.
- Negotiating and agreeing new rates with counterparties to replace existing rates may not be an easy task. This poses litigation risk if no agreement is reached on the use of alternative benchmark rates or where there is difference on the existing fallback clauses.
- The Information system may need to be upgraded to be able to handle the transition from LIBOR to the new benchmark rates.
- Changing to a new benchmark may have Shari'ah implications that have to be cleared by the Shari'ah Committee
- The transition into new benchmarks may lead to a change in the accounting treatment of a product. The practical expedient is only applicable to changes required by the interest rate reform-it is necessary as a direct consequence of the reform and the new rate is economically equivalent to the previous rate. Any other change will have to be dealt with using other modification requirements in IFRS 9 (including assessing whether the change results in derecognition).

The Corporation started the inclusion of fallback clauses in some agreements to help in facilitating a steady transition to a new rate. We will continue developing and incorporating 'fallback' clauses into all future LIBOR based floating rate contracts. The facilities both financing and borrowing linked to LIBOR which will mature after June 30, 2023 have been identified. In addition, ICD management will establish a working group made up of representatives from the different units of the Corporation, which will be tasked with the responsibility of:

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

36 AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue in accordance with the resolution of the Board of Directors dated 18 May 2022 (corresponding to 17 Shawwal 1443 AH).

ANNEX 5: THE ISLAMIC DEVELOPMENT BANK GROUP SHARI'AH BOARD REPORT

بسم الله الرحمن الرحيم

SHARI'AH AUDIT REPORT FOR 1442H/1443H

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

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

Assalamu alaikum warahmatullahi wabarakatuhu

Pursuant to the regulations of the Islamic Development Bank Group (IsDB Group) Shari'ah Board, and based on the mandate of the Board; specifically to submit to you an annual Shari'ah Audit Report on the activities undertaken by the IsDB Group during the year 1442/1443, we would like to inform you that we, as represented by the sub-committee in accordance with the practice followed by the Board, have carried out an overall audit of the applied principles as well as the contracts pertaining to the transactions and applications that have been presented to us for the IsDB Group (Ordinary Capital Resources), the Special Account Resources Waqf Fund (Waqf Fund), the Islamic Corporation for the Insurance of Investment and Export Credit, the Islamic Corporation for the Development of the Private Sector, the International Islamic Trade Finance Corporation, the Islamic Solidarity Fund for Development, the Awqaf Properties Investment Fund, the World Waqf Foundation, and all funds managed by IsDB during the year ending on 31 December 2021G (27 Jumada Ula 1443H). We have also conducted, based on our Shari'ah-compliance oath, the audit required to give an opinion on whether the IsDB Group has complied with the rules and principles of the Shari'ah as well as the Fatwas, decisions, rulings and specific guidelines issued by the Board.[1]

The responsibility of ensuring the IsDB Group's compliance with the Shari'ah rules and principles lies with the management of the IsDB Group. In contrast, our responsibility is limited to expressing an independent Shari'ah opinion based on our audit of the IsDB Group's operations.

We planned and carried our audit so as to obtain every fact and explanation that we deemed necessary to provide us with enough proof to reasonably confirm that the IsDB Group has not contravened the rules and principles of the Shari'ah.

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

In our opinion

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

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

Wassalamu alaikum warahmatullahi wabarakatuhu

His Eminence Sheikh Muhammad Taqi Usmani
Chairman of the Shari'ah Board

Aboubacar Salihou KANTE
Manager, Shari'ah Compliance Section

Jeddah, 14 Ramadan 1443H (15 April 2022)

ICD Annual Report

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