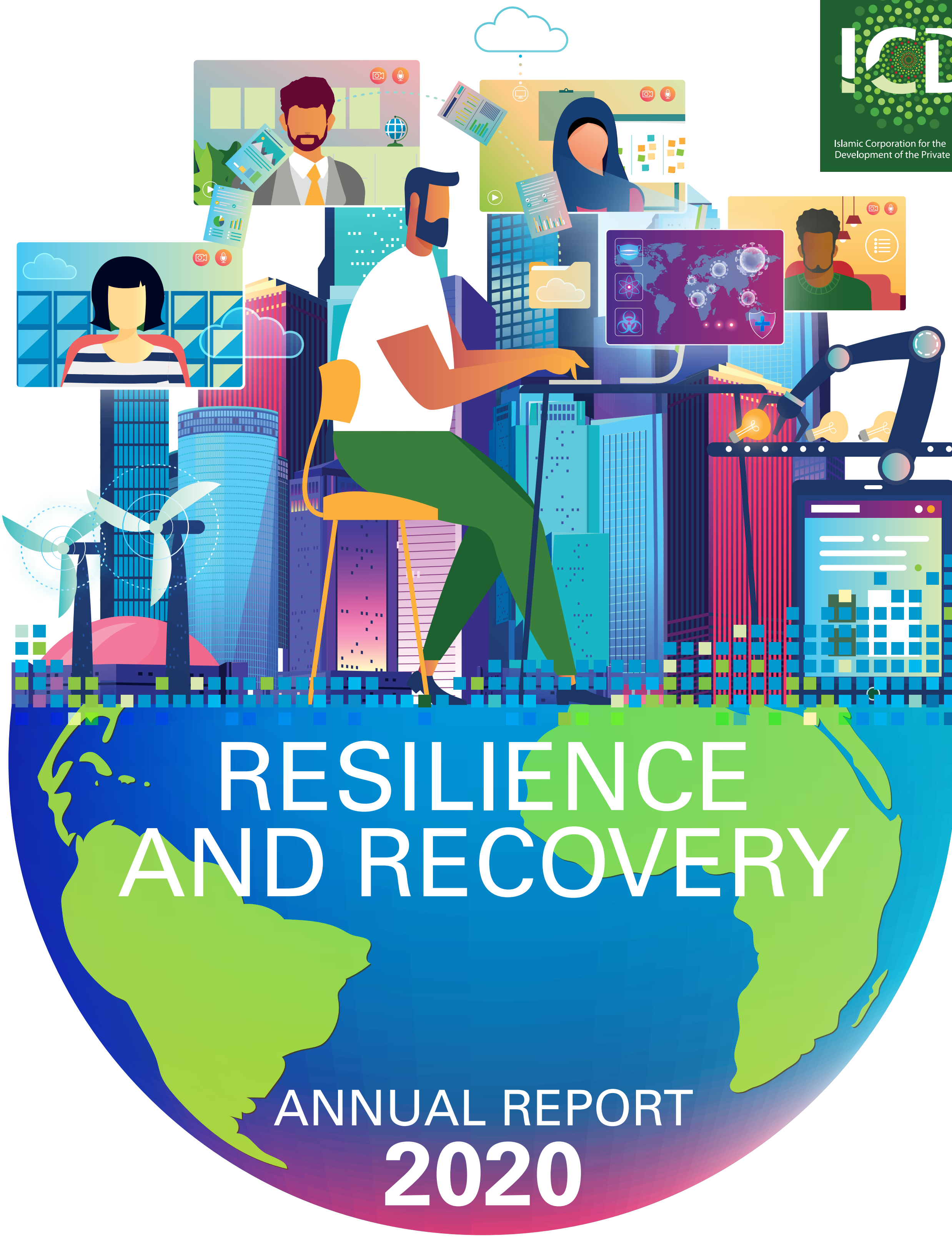
Islamic Corporation for the Development of the Private Sector



RESILIENCE AND RECOVERY

ANNUAL REPORT 2020

بسم الله الرحمن الرحيم

ENABLING ENTERPRISE, BUILDING PROSPERITY

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

CONTENTS


KINGDOM OF
SAUDI ARABIA
ICD HEADQUARTERS
JEDDAH

CHAIRMAN'S MESSAGE

FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS TO THE CHAIRMAN OF THE GENERAL ASSEMBLY

In the name of Allah, the Beneficent, the Merciful

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

Dear Mr. Chairman,

Assalam-O-Alaikum Warahmatullah Wabarakatuh

In accordance with the Articles of Agreement and the by-laws of the Islamic Corporation for the Development of the Private Sector (ICD) and on behalf of the ICD Board of Directors, I am pleased to submit to the esteemed General Assembly the Twenty-First Annual Report of the ICD for the fiscal year 2020.

This report contains an overview of the ICD's 2020 operations, including its business interventions, development impact and financial analysis. The ICD will pursue all efforts to meet the aspirations of its shareholders.

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

Dr. Bandar M. H. Hajjar
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 2020.

> **ICD's mission of supporting and developing the private sector as a powerful engine for inclusive growth and stability has never been more relevant, or more urgent.**

2020 has been an eventful year, to say the least. The emergence of COVID-19 is precipitating new and unprecedented knock-on effects on economies and livelihoods across the globe which will, unfortunately, leave deep and lasting scars. International evidence has shown that countries have widely disparate levels of ability to respond to the crisis, with marginalised and underserved groups and communities hit the hardest by persistent inequality. As the magnitude of the impact becomes more apparent in the time to come, ICD's mission of supporting and developing the private sector as a powerful engine for inclusive growth and stability has never been more relevant, or more urgent.

Despite the demanding global circumstances, 2020 staged a positive shift for ICD's operations, with total approvals improving from USD 147.5 million in the previous year to USD 306.6 million. We also disbursed USD 136.04 million, with the largest allocation channelled to financial institutions in the form of line of finance, with micro, small and medium enterprises (MSMEs) as end-beneficiaries. This is testament to our heightened commitment to serving the private sector, especially during these difficult times.

COVID-19 RESPONSE

From the very beginning of the COVID-19 pandemic, the Islamic Development Bank (IsDB) Group demonstrated a concerted response with a pledge of USD 2.3 billion in funding to be channelled to our member countries. Consequently, as part of the Group's efforts, ICD swiftly earmarked USD 250 million of emergency funding to support existing and new clients who could demonstrate a clear impact on their businesses due to the pandemic. By facilitating recovery and strengthening the resilience of MSMEs, we aim to, as best we can, limit economic losses, protect jobs and set strong foundations for renewed economic growth in our member countries.

DIGITALIZATION AT THE FOREFRONT

The pandemic has accelerated the adoption of many technological behaviours in the business space, and in this regard, COVID-19 has indeed been a game changer for digital transformation. In a matter of a few months, we have leapfrogged multiple years forward in the business world's digital adoption. Indeed, shifting social expectations and the increasing need for higher technology capabilities to connect businesses and customers is fast-tracking the world into digitalization, and the trend is set to continue beyond the pandemic. The massive shift toward digitalization in the world of financial services is proving to have considerable potential in addressing challenges associated with a constantly evolving business and fintech environment.

Against this dynamic backdrop, we upheld the promise we made to roll out several digital initiatives to transform the effectiveness of the way we do business. In 2020, we established a dedicated digital platform called the Bridge to meet the needs of our member countries. The aim of the Bridge is to facilitate information sharing among ICD's partner financial institutions, enhance market and business intelligence analysis, open access to fintech resources and cloud services, reduce financial transaction costs and promote our advisory services. I believe that the Bridge will benefit our partners immensely. By embracing cutting-edge technologies, we can redefine the delivery of development finance services and inspire market players to do more together.

As part of our initiative to list and highlight successful innovations by financial institutions and fintech start-ups, ICD created a new online platform called Finnovation. In addition, ICD also launched the annual Finnovation Award which aims to recognize leading financial institutions that are driving innovation forward in different categories and provide them with the opportunity to gain exposure and exchange knowledge in a global space. This also allows the firms the opportunity to receive funding from ICD to scale up innovation.

ICD'S SUKUK ISSUANCE

Although fundraising was one of the biggest challenges for development institutions last year, 2020 saw ICD debut a significant Sukuk on the Dubai Nasdaq exchange. The USD 600 million Sukuk is the largest Sukuk issuance by ICD since inception and double the amount of its inaugural issuance in 2016 of USD 300 million. It has been subscribed to by 37 international and regional investors, which is testament to the investors' confidence regarding ICD's credit story and our initiatives in promoting private sector activity, as well as our new strategy which we have been working diligently to formulate and implement over the past two years. The capital raised will help us in containing the economic and social effects of COVID-19 and in building a resilient, competitive private sector in our member countries.

DEDICATED TO SUSTAINABILITY

ICD continues to be guided by the 2030 Agenda for Sustainable Development, which frames our sustainability ambitions across the well-defined 17 Sustainable Development Goals (SDGs). While the pandemic threatened to derail significant progress that has been made in this area, we remained steadfast in our pledge to contribute to the sustainable development agenda. Positively, our latest Annual Development Effectiveness Survey results revealed that ICD's respected clients and partners generated over 15,000 new jobs, while more than 110,000 people opened new Islamic finance accounts. In addition, a total of 41,066 MSMEs were supported by our financing activities. ICD-supported projects also resulted in a tax revenue generation of approximately USD 116.5 million in member countries and contributed up to USD 33 million to community development.

BUILDING CORPORATE RESILIENCE

For the past year and a half, we have been focused on recalibrating our institution and business approach, with the ultimate goal of better serving the private sector needs of our member countries. Starting in 2019, we embarked on a comprehensive corporate restructuring exercise, which was set to gain momentum in 2020 before the pandemic struck. The new blueprint for our organization, now at its final stages of completion after taking a brief pause at the height of the COVID-19 crisis, builds on achieving solid organizational effectiveness by investing in human capital and governance. To this end, I believe ICD is now better positioned than ever to achieve its new strategic targets, while instilling a corporate culture of sustainable and responsible business practices at the very highest levels of governance.

"I believe ICD is now better positioned than ever to achieve its new strategic targets, while instilling a corporate culture of sustainable and responsible business practices at the very highest levels of governance.

We must look beyond the pandemic and use this crisis as a basis to reimagine our role in the new reality that awaits.

ENHANCING GLOBAL PARTNERSHIPS AND POLICY DIALOGUES

The COVID-19 pandemic demonstrated that global partnerships and multilateral cooperation is the cornerstone in overcoming global challenges and tackling common threats. On this front, ICD remained active in critical policy dialogues including the Finance in Common Summit and the G20 Riyadh Summit. We are a proud signatory of the Finance in Common Summit's joint declaration in which a coalition of public development banks stated their willingness to contribute to the COVID-19 recovery and align with sustainable finance principles. Since Saudi Arabia assumed its G20 presidency in December 2019, ICD has participated in and contributed to supporting the G20 working and engagement groups throughout the year.

LOOKING TO THE FUTURE

As we move forward in these deeply unsettling times, we must look beyond the pandemic and use this crisis as a basis to reimagine our role in the new reality that awaits. The COVID-19 pandemic has highlighted the fragility of many businesses, markets and systems across the globe, and it is our duty to take note of those structural failings and deliver transformative solutions for an inclusive and sustainable recovery. With the solid foundation that we have built over the past 21 years, ICD looks forward to strengthening the resilience of the private sector in our member countries with even greater progress towards creating more equitable and sustainable societies.

I would like to extend my appreciation and gratitude to the Chairman, H.E. Dr. Bandar M.H. Hajjar, for his unwavering support and for steering the IsDB Group towards excellence, along with the entire Board of Executive Directors for their invaluable guidance, great trust and far-sighted visions to ensure that the short-term goals and long-term aspirations of our Corporation are balanced. I am extremely proud and inspired by the concerted efforts demonstrated by the entire ICD team to weather this crisis and get our organization prepared to cope with the situation, while prioritizing our clients with utmost urgency. Thank you for your enormous contributions and ongoing dedication. Let's concentrate on working together to power through this period of uncertainty and focus on proving to our clients that we stand by them when times are tough and that we will fulfil our obligations.

The time is ripe for partnership, digitalization and impact. The time is ripe for working with ICD.

Faithfully,

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

THE ISLAMIC DEVELOPMENT BANK (IsDB) GROUP RESPONSE TO THE COVID-19 PANDEMIC

The rapid and abrupt spread of COVID-19 that began in early 2020 has taken a devastating toll on communities and vulnerable groups, and has pushed the world into uncharted territory. Not only has the pandemic caused a dramatic loss of life and strained public health systems, but efforts to contain virus transmission have also caused major disruptions in economic activity, decimating jobs and placing millions of livelihoods at risk. As a result, the world has been faced with the worst global economic crisis since the Great Depression. In the developing world, high unemployment, reduced incomes, food insecurity, and inadequate access to social services have been hindering welfare and threatening progress in poverty reduction.

STRATEGIC PREPAREDNESS AND RESPONSE PROGRAM (SPRP)

Navigating the unprecedented human and business implications on a global scale has posed unprecedented challenges to policymakers. As an immediate response to the socio-economic crisis, the Islamic Development Bank (IsDB) Group established the Strategic Preparedness and Response Program (SPRP). To date, the Group has committed up to USD 2.3 billion in funding to be channelled to its member countries – which consist of mostly low- or middle-income countries – in support of efforts to address the adverse effects on their economies. The special package includes USD 1.58 billion from the Islamic Development Bank (IsDB), the Islamic Solidarity Fund for Development (ISFD), the King Abdullah bin Abdulaziz Program for Charity Works (KAAP) and the STI (Transform) Fund, and USD 700 million from IsDB Group entities including the Islamic Corporation for the Development of the Private Sector (ICD). Overall, the package consists of a Respond, Restore & Restart (3R) Program, in addition to economic empowerment and partnership development initiatives.

TO DATE, THE GROUP HAS COMMITTED UP TO

USD2.3BN

IN FUNDING TO BE CHANNELLED TO ITS MEMBER COUNTRIES

FIGURE 1: SPRP FINANCING PLAN – IsDB GROUP COMMITMENTS

ISLAMIC DEVELOPMENT BANK
USD 1.52 BN

INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION (ITFC)
USD 300 M

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR (ICD)
USD 250 M

ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT & EXPORT CREDIT (ICIEC)
USD 150 M

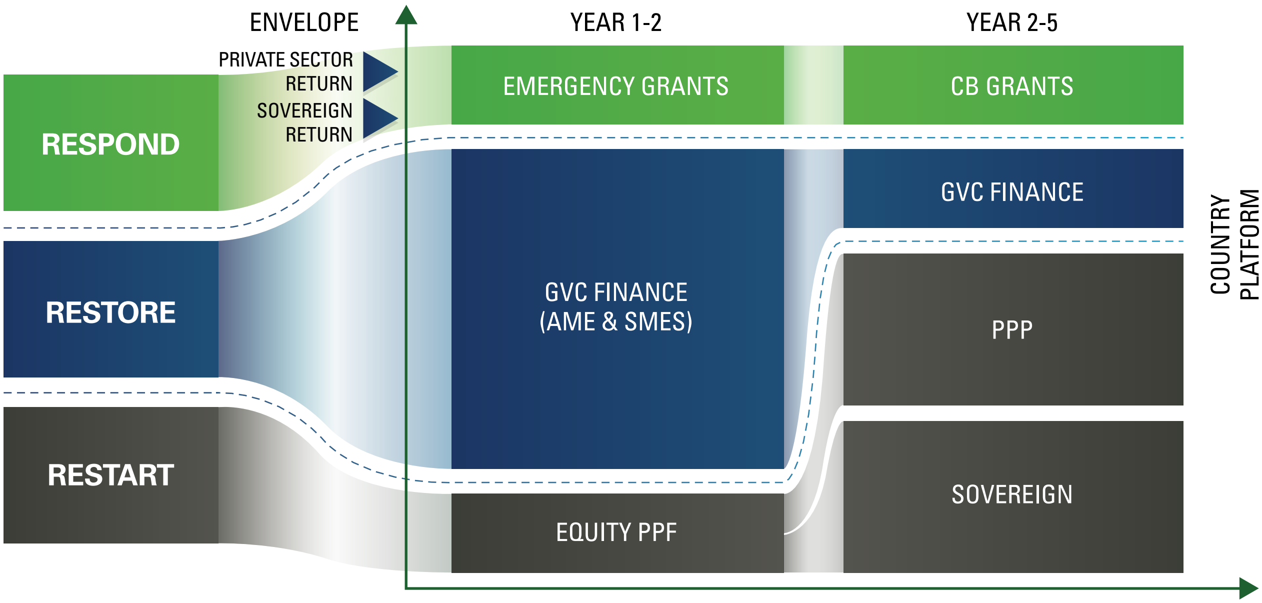
KING ABDULLAH BIN ABDULAZIZ PROGRAM FOR CHARITY WORKS (KAAP)*
USD 8.5 M

ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT (ISFD)
USD 122 M

SCIENCE, TECHNOLOGY AND INNOVATION (STI) TRANSFORM FUND
USD 1 M

* King Abdullah bin Abdulaziz Program for Charity Works (KAAP) is a development program managed by the IsDB Group

FIGURE 2: AN OVERVIEW OF THE RESPOND, RESTORE AND RESTART (3R) PROGRAM



RESPOND, RESTORE & RESTART (3R) PROGRAM

The Respond, Restore and Restart (3R) Program is the flagship IsDB Group-wide program and consists of three tracks that seek to streamline the support to member countries at different stages of the response capacity and recovery trajectory.

1. The **Respond** track (R1) delivers immediate support services using the Reverse Linkage mechanisms of both South-South and North-South cooperation to assist member countries' responses and mitigate the adverse impact of the COVID-19 pandemic. This track also focuses on helping to strengthen health systems, support food security programmes, improve nutrition during the pandemic and enhance the preparedness capacity of member countries.

2. The **Restore** track (R2) delivers medium-term support through the financing of trade and small and medium-sized enterprises (SMEs) to sustain activities in core strategic value chains and ensure the continuity of necessary supplies to the health and food sectors. This is done through the engagement of the private sector, with the preferred instrument being the Line of Finance (LOF) facility.

3. The **Restart** track (R3) delivers long-term support to build resilient economies based on solid foundations and to catalyse private investments to help achieve economic recovery. It focuses on improving the resilience of the country's health systems by building infrastructure projects (hospitals, emergency health centres) and providing relevant equipment. In addition, this track implements countercyclical operations to help revive the economies of member countries. The R3 aspect of the SPRP targets IsDB financing of USD 10 billion to unlock USD 1 trillion worth of investments.

FIGURE 3: SECTOR-BASED DISTRIBUTION OF SPRP APPROVALS

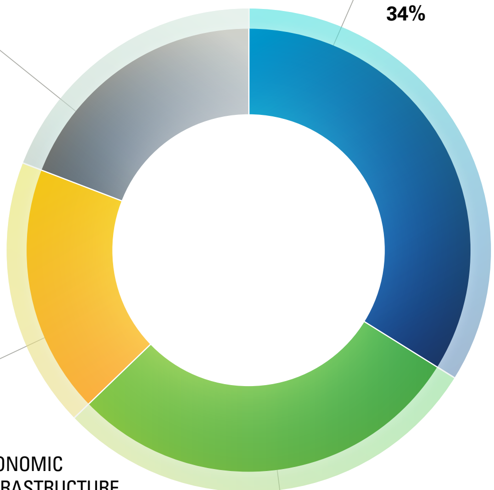
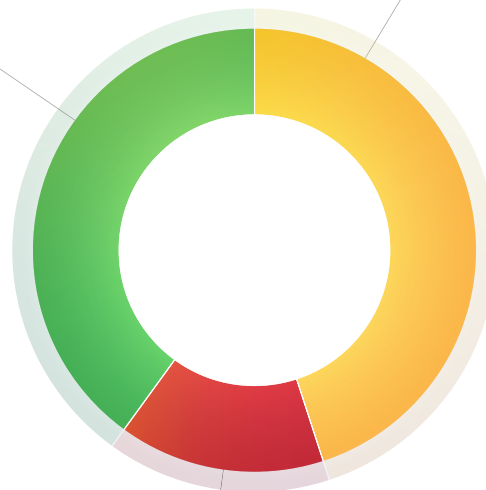


FIGURE 4: REGIONAL DISTRIBUTION OF SPRP APPROVALS



The implementation of the SPRP has been successful, with total approvals by the IsDB Group reaching USD 1.9 billion as at October 2020, representing 83% of the pledged amount. About 72% of the approved projects are under the Health Emergency/Respond (R1) category, while the remaining 28% are under the Restore (R2) category.

The approvals have targeted sectors that are most affected by the pandemic: 34% (or USD 640 million) for emergency health responses, 29% (USD 548 million) for food security, 19% (USD 371 million) in support of economic infrastructure and 18% (USD 344 million) for other activities in the private sector that are financed by entities with line of financing, trade financing and other instruments. More than 40 countries have so far benefited from the programme with 45% in IsDB's MENA region, 15% in Asia and 40% in Africa-Latin America.

Proactive engagement of member countries has been achieved through the innovative Country Platform facility, with disbursement fast-tracked to ensure quick and effective implementation. About 18 countries have been onboarded on the GCP blockchain platform with USD 594 million (31% of approvals) disbursed. The SPRP is a remarkable achievement by the IsDB Group as it reflects the commitment to its fundamental mandate of promoting human development in its member countries.

For more detailed information on the IsDB Group response to the COVID-19 pandemic, visit **http://www.isdb.org**

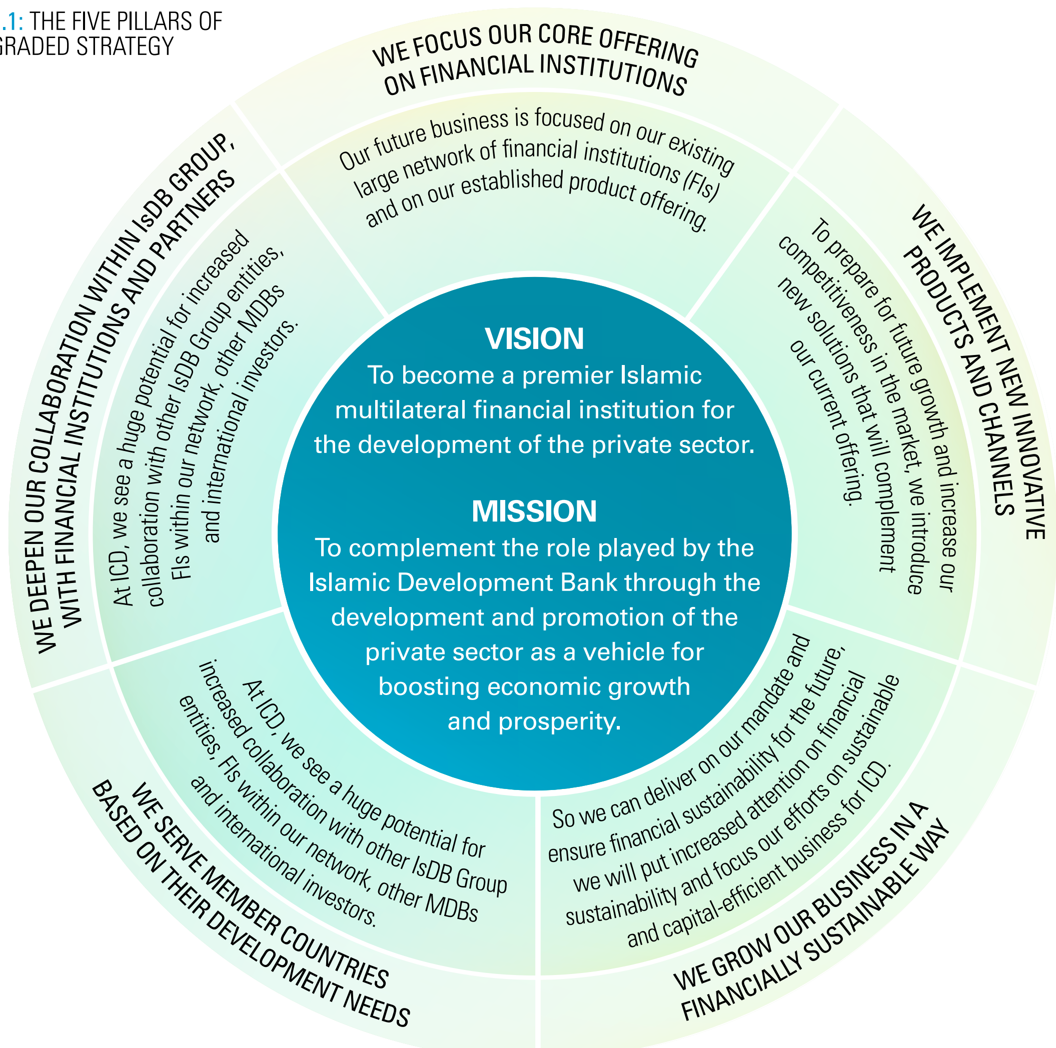
> **The SPRP is a remarkable achievement by the IsDB Group as it reflects the commitment to its fundamental mandate of promoting human development in its member countries.**

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).

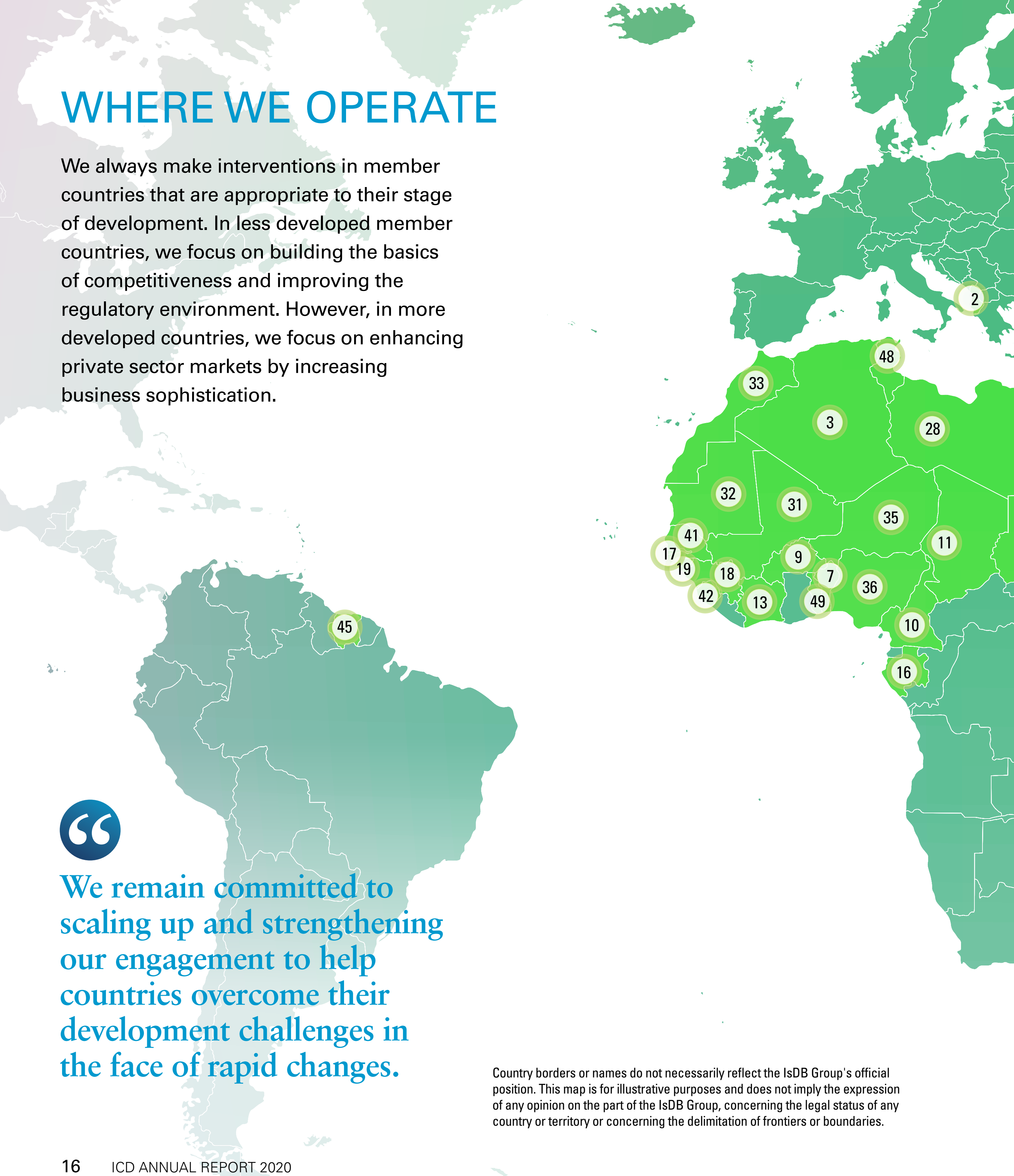
The mandate of ICD is to support the economic development of its member countries by providing financial assistance to private sector projects in accordance with the principles of Shari'ah, aimed at creating employment opportunities and enhancing their export potential. Furthermore, ICD has the mandate of mobilizing additional resources for projects and encouraging the development of Islamic finance. It also attracts co-financiers for its projects and provides advice 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 market economy. ICD's operations complement the activities of IsDB in member countries and also those of national financial institutions.

FIGURE 1.1: THE FIVE PILLARS OF ICD'S UPGRADED STRATEGY



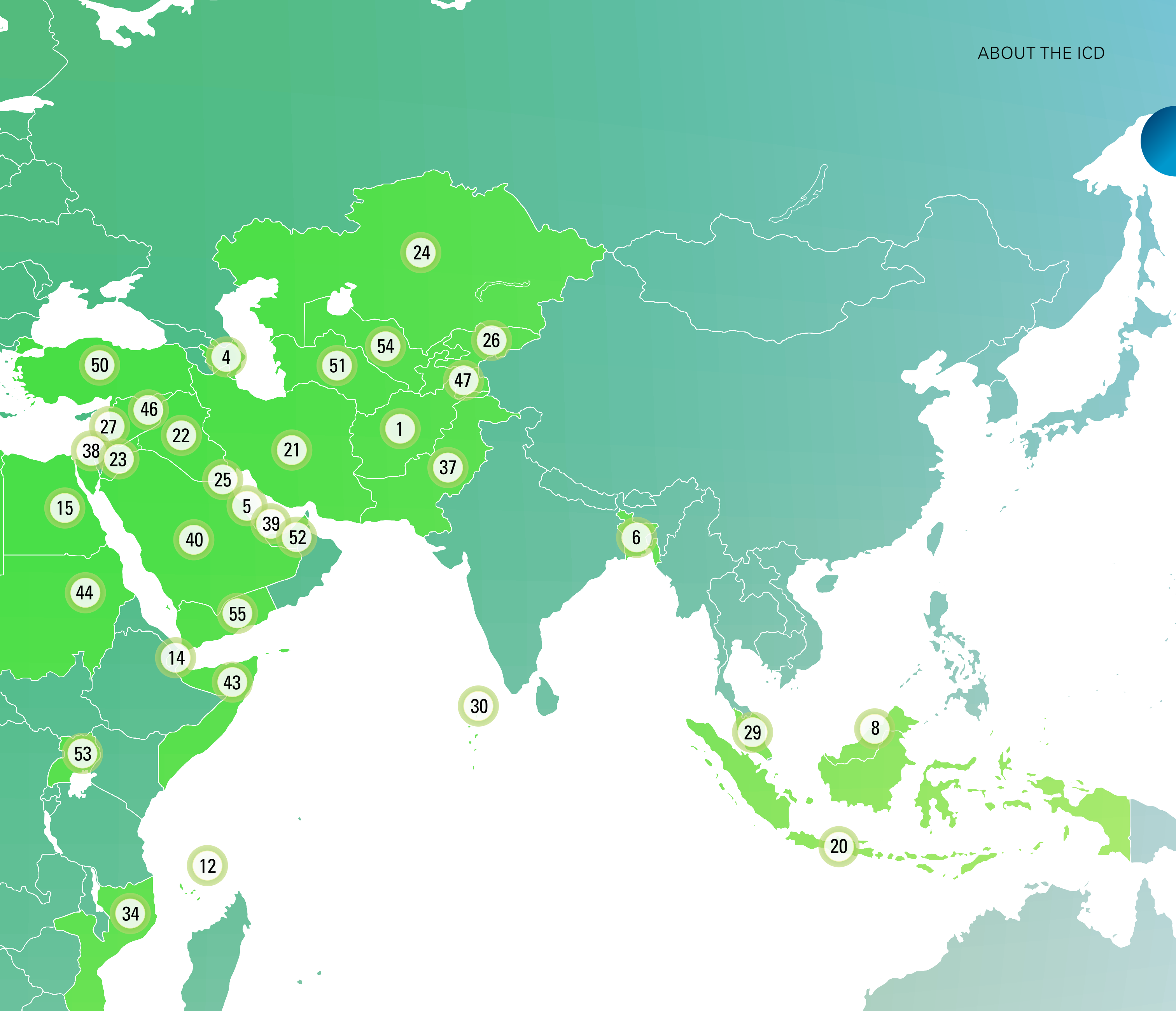
WHERE WE OPERATE

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



> We remain committed to scaling up and strengthening our engagement to help countries overcome their development challenges in the face of rapid changes.

Country borders or names do not necessarily reflect the IsDB Group's official position. This map is for illustrative purposes and does not imply the expression of any opinion on the part of the IsDB Group, concerning the legal status of any country or territory or concerning the delimitation of frontiers or boundaries.



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

ICD IN NUMBERS

2.1 A SNAPSHOT OF 2020

TOTAL APPROVALS IN 2020

USD 306.6 M

87.6%

INVESTED IN THE FINANCIAL SECTOR WITH MSMES AS END BENEFICIARIES

8

PROJECTS APPROVED

1

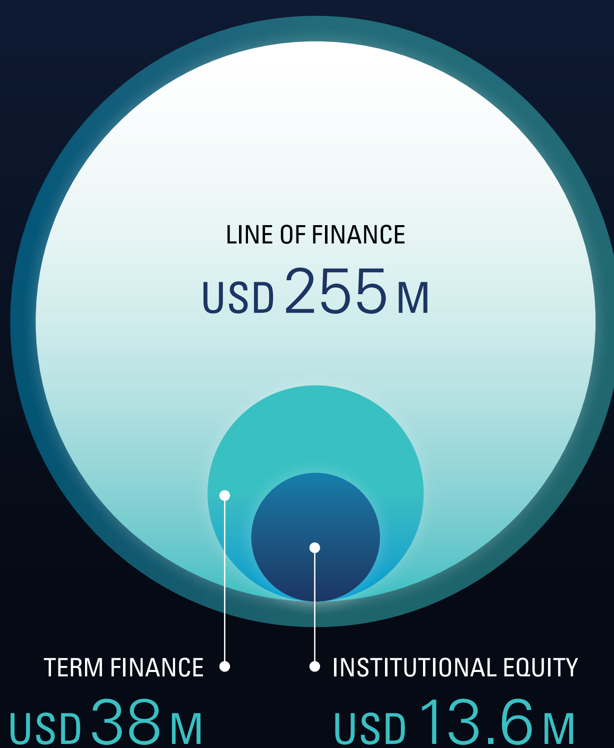
GLOBAL PROJECT

7

COUNTRIES REACHED

BANGLADESH, INDONESIA, MALDIVES, PAKISTAN, SENEGAL, TURKEY, AND UZBEKISTAN

APPROVALS BY PRODUCT



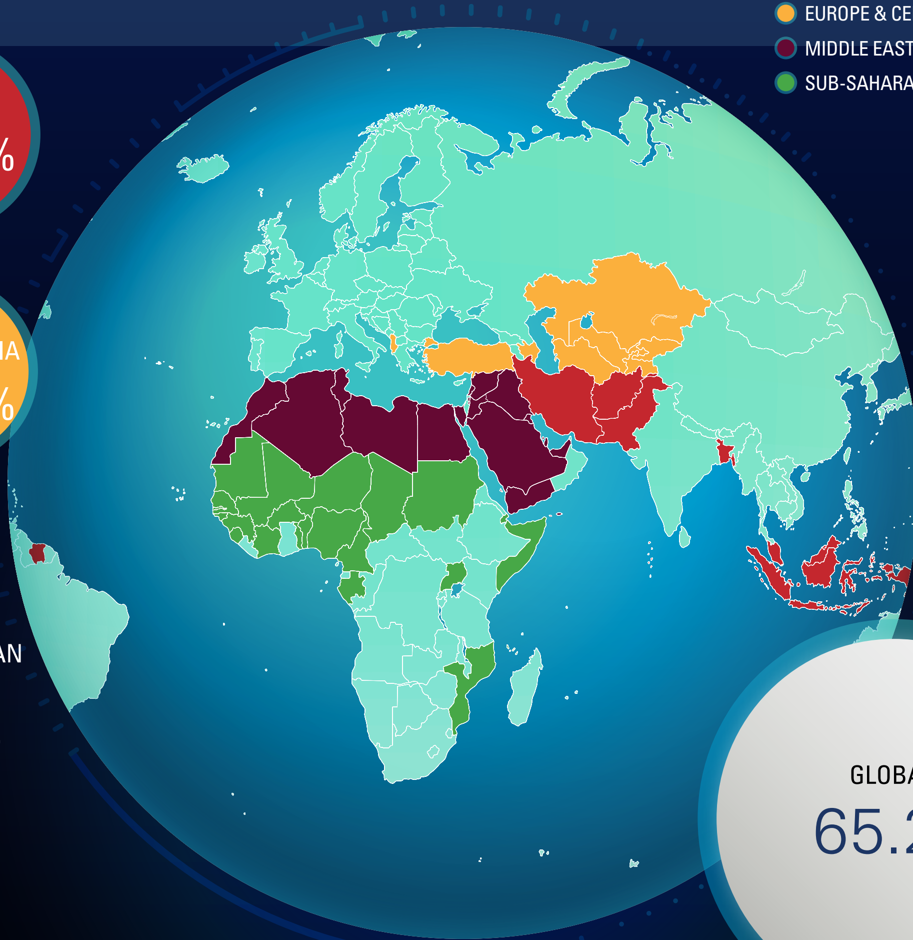
BREAKDOWN OF TOTAL APPROVALS BY REGION IN 2020

- ASIA
- EUROPE & CENTRAL ASIA
- MIDDLE EAST AND NORTH AFRICA
- SUB-SAHARAN AFRICA

ASIA 15.7%

EUROPE & CENTRAL ASIA 14.7%

SUB-SAHARAN AFRICA 4.4%



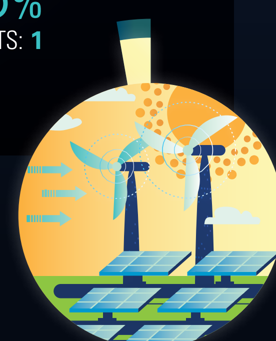
GLOBAL 65.2%

APPROVALS BY SECTOR

FINANCE
87.6%
PROJECTS: **5**

INDUSTRY & MINING
9.8%
PROJECTS: **2**

ENERGY
2.6%
PROJECTS: **1**



2.2 2020 IN REVIEW

Since its inception in 1999, ICD has continued to support inclusive growth by facilitating private sector development in its member countries.

TOTAL APPROVALS IMPROVED FROM USD 147.5 M IN 2019 TO

USD 306.6 M

TOTAL APPROVALS AMOUNT INCLUDES A DEDICATED

USD 250 M

COVID-19 STIMULUS PACKAGE DESIGNED TO PROVIDE ASSISTANCE IN THE FORM OF SHORT- TO MEDIUM-TERM FINANCIAL INSTRUMENTS

65.2%

OF ICD APPROVALS WERE ALLOCATED TO GLOBAL (MULTI-COUNTRY) PROJECTS

IN 2020, DISBURSEMENTS TOTALLED

USD 135.48 M

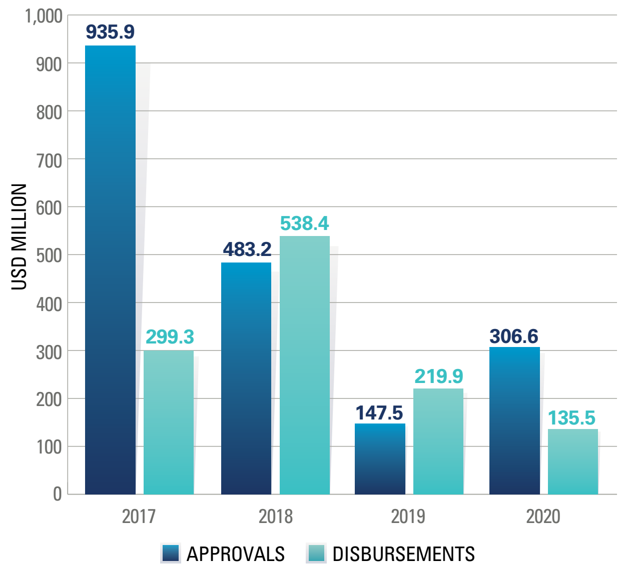
ACHIEVING A DISBURSEMENT-TO-APPROVAL RATIO OF

44.2%

THE LARGEST DISBURSEMENT ALLOCATION WENT TO LINE OF FINANCE, AMOUNTING TO

USD 84.4 M

FIGURE 2.2.1: TRENDS IN ICD GROSS APPROVALS & DISBURSEMENTS



After witnessing a slowdown in 2019 due to organizational restructuring, the year 2020 staged a positive shift, with total approvals improving from USD 147.5 million in the previous year to USD 306.6 million, with more than half of the operations allocated to high-impact sectors (including finance and infrastructure) in low- and lower-middle income countries.

The total approvals amount includes a dedicated USD 250 million COVID-19 stimulus package designed to provide assistance in the form of short- to medium-term financial instruments. The main beneficiaries of the package are SMEs and the private sector in member countries, in a bid to extend support, shore up demand, and protect people's livelihoods.

In 2020, disbursements totalled USD 135.48 million, achieving a disbursement-to-approval ratio of 44.2%. The largest disbursement allocation over the past year went to line of finance, amounting to USD 84.4 million, or 62.3% of the total. Term finance accounted for 37.7% of total disbursements.

FIGURE 2.2.2: DISBURSEMENTS BY PRODUCT IN 2020

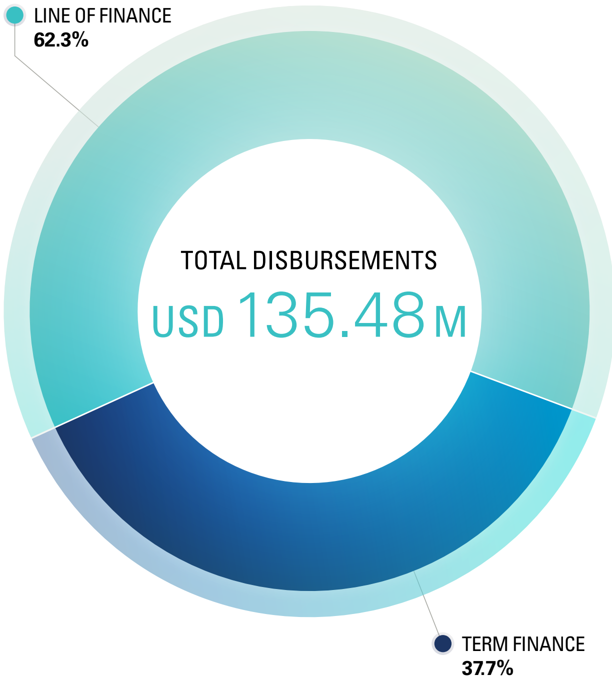
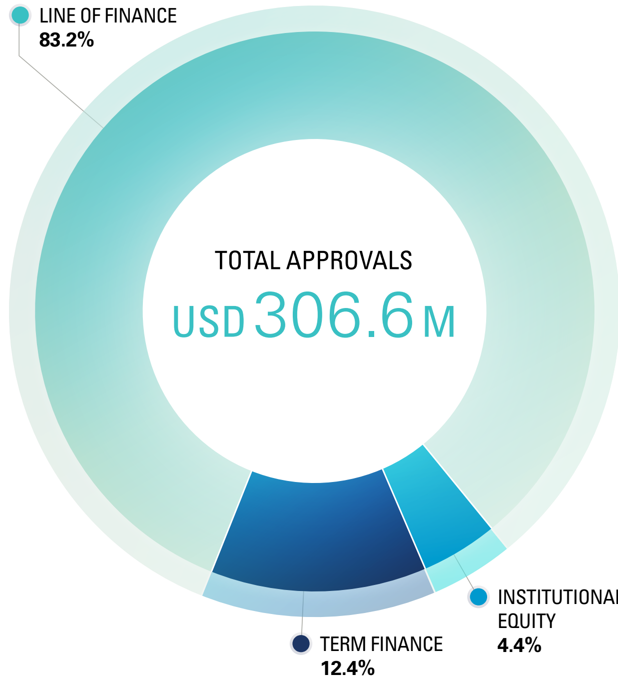


FIGURE 2.2.3: APPROVALS BY PRODUCT IN 2020

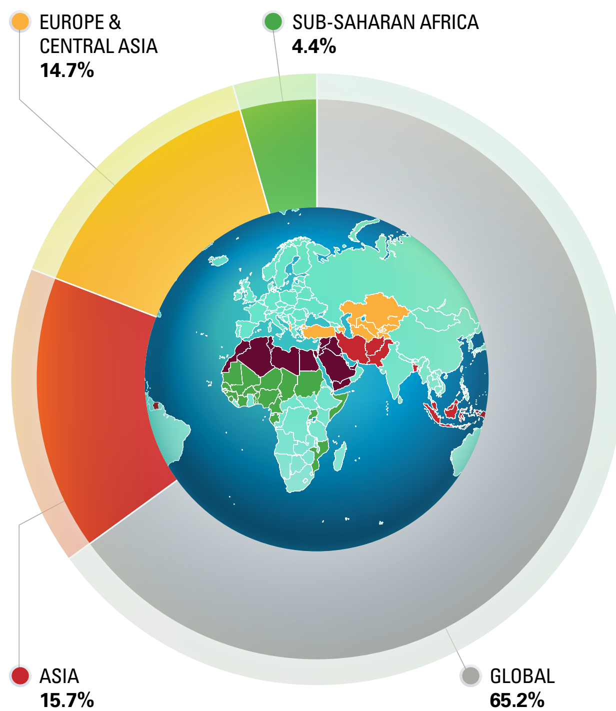


As part of efforts to create new channels of operation in member countries, ICD approved USD 255 million for Line of Finance (LOF) projects, while disbursement to financial institutions in the form of LOF totaled USD 84.4 million in 2020. On the real sector side, USD 38 million of financing was approved with USD 51.08 million disbursed in the same period. The disbursements, which exceeds approvals because it includes disbursements from previous year approvals, were mainly in high-impact sectors such as energy and industry and mining.

In terms of regional distribution, 65.2% of ICD approvals were allocated to global (multi-country) projects, 15.7% to Asia, followed by 14.7% to Europe and Central Asia and 4.4% to Sub-Saharan Africa.

In terms of resource mobilisation efforts, ICD signed four new Sukuk mandates in 2020, with total expected issuance size of about USD 2.3 billion.

FIGURE 2.2.4: APPROVALS BY REGION IN 2020



2.3 HIGHLIGHTS SINCE INCEPTION

Since inception, ICD has delivered more than USD 6.8 billion in cumulative approvals and more than USD 3.5 billion in disbursements for private sector development.

SINCE INCEPTION ICD HAS APROVED NEARLY

500 PROJECTS

VALUED AT MORE THAN

USD 6.8 BN

INVESTMENT OPERATIONS IN

50

MEMBER COUNTRIES

OUR APPROVALS INCLUDE:

111	LINE OF FINANCE PROJECTS VALUED AT	USD2.9 BN
224	TERM FINANCE PROJECTS VALUED AT	USD2.3 BN
144	EQUITY PROJECTS VALUED AT	USD1.0 BN
15	FUNDS PROJECTS VALUED AT	USD532.8M

Since its inception, ICD has approved nearly 500 projects, valued at more than USD 6.8 billion. ICD approvals support a wide array of industries including finance, infrastructure, agriculture, manufacturing and energy, with investment operations present in 50 member countries.

To date, 77% of approvals have been allocated to credit financing (term finance plus line of finance), followed by 15.2% in equity participation (institutional equity and corporate equity), and the remaining 7.8% in funds.

By far, the largest share of approvals supports the finance sector (excluding funds) which is the intermediation of SME finance, representing 51.25% of gross approvals to date. The industrial and mining sector takes up the second largest share (18.87%) with a gross approved amount of USD 1.3 billion. This is followed by funds with 7.79%, then real estate, energy, health and other social services, information and communication, energy, trade, and transportation, accounting for 21.01% of gross approvals. The remaining USD 74.4 million, representing 1.09% of cumulative approvals, is allocated to three economic sectors: agriculture, education, and water, sanitation and waste management.

Our approvals also reflect our wide geographic reach. By the end of 2020, ICD investment operations covered 50 member countries, in addition to a number of regional and global-level projects covering several economies. The Middle East and North Africa (MENA) region accounts for 29.3% of gross approvals, followed by Europe and Central Asia (ECA) with 21.9%, Sub-Saharan Africa (SSA) with 17.7%, and the Asia region with 14.3%. The share of regional/global projects covering several countries across different regions represents 16.8% of gross approvals.

ICD has disbursed a total of more than USD 3.5 billion since inception. Disbursements vary according to product, with line of finance and term finance projects accounting for the largest proportion (39.1% and 36.4%, respectively). Equity operations accounted for 16.5%, followed by funds at 8%.

FIGURE 2.3.1: TOTAL APPROVALS BY PRODUCT SINCE INCEPTION

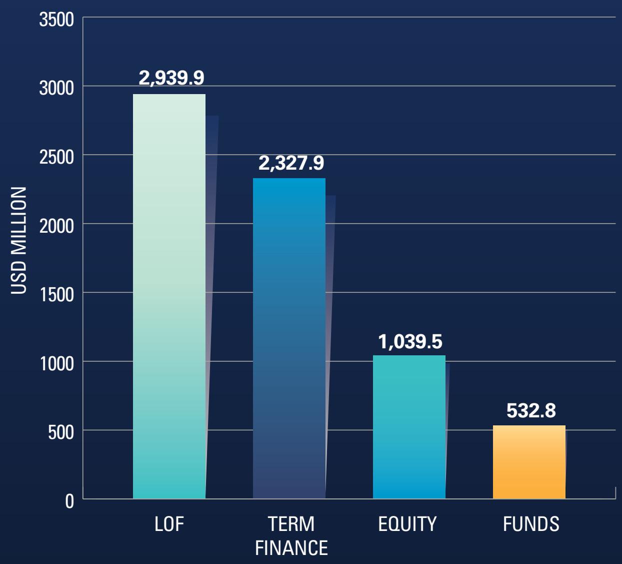


FIGURE 2.3.2: TOTAL APPROVALS BY SECTOR SINCE INCEPTION

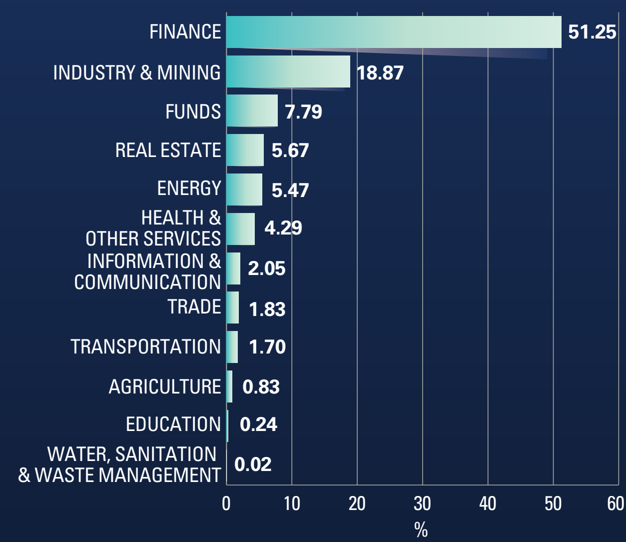


FIGURE 2.3.3: TOTAL APPROVALS BY REGION SINCE INCEPTION

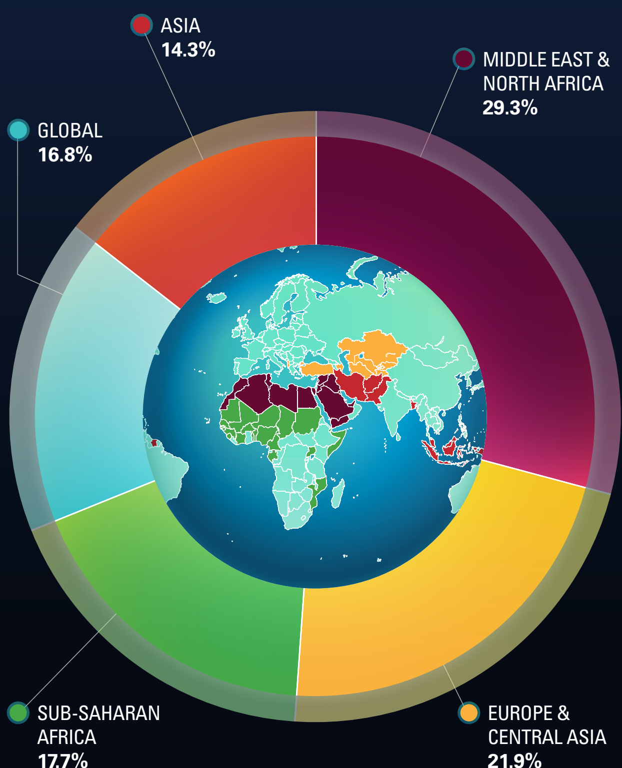
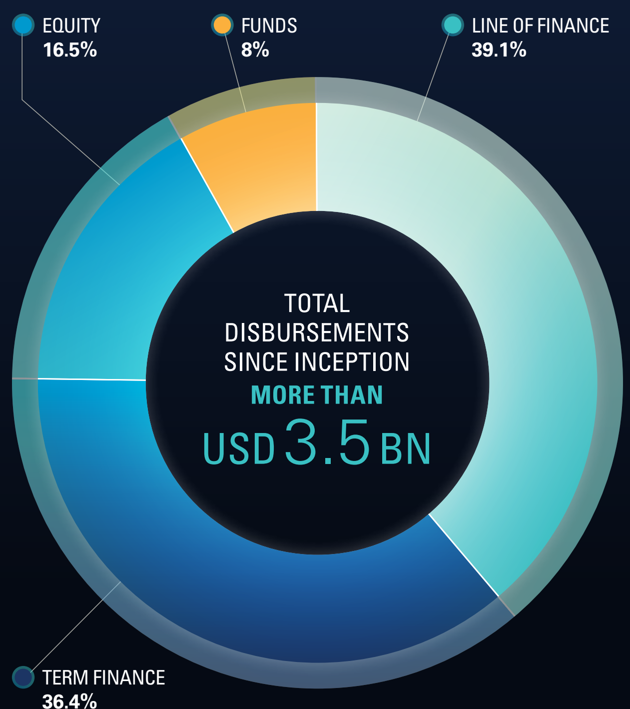


FIGURE 2.3.4: TOTAL DISBURSEMENTS BY PRODUCT SINCE INCEPTION



OUR OPERATIONS, ACTIVITIES AND PERFORMANCE: 2020 HIGHLIGHTS

In 2020, ICD's impactful work helped businesses innovate, build private sector resilience and create better jobs.

3.1 SUPPORTING INDONESIAN SMEs

PRODUCT: Line of Financing

CLIENT: PT Mandala Multifinance (PT MMF) Tbk

AMOUNT: USD 50 million

PURPOSE: Financing assets to be sold/leased to Indonesian SMEs

SDGs ADDRESSED:

- SDG #8: Decent Work and Economic Growth;
- SDG #9: Industry, Innovation, and Infrastructure
- SDG #17: Partnerships for the Goals.

In 2020, ICD extended the fourth facility under a USD 50 million Syndicated LOF facility to PT Mandala Multifinance Tbk (PT MMF). ICD contributed a new facility to the value of USD 20 million and the remaining USD 30 million is planned to be arranged through syndication on a best-effort basis. The Line to PT MMF will be mainly used to finance assets to be sold or leased to Indonesian SMEs with substantial developmental impact in the following sectors: agribusiness, bio-technologies, education, financial services, manufacturing, healthcare, IT and multimedia and power. The financing of projects will be done in line with Shari'ah principles and in accordance with ICD's eligibility criteria.

PT MMF was established in 1983 and has been listed on the Indonesian Stock Exchange since 2005, with a market capitalization of about USD 216 million as of January 2020. With more than 20 years' experience in the automotive industry, PT MMF's business model has been focused on motorcycle financing, which is the primary transportation vehicle for many SMEs in Indonesia. In 2006, the company established the Shari'ah Business Unit in order to expand its product offerings, given the majority of Indonesia's population are Muslims. The company currently has a presence in 24 provinces with 264 offices and more than 7,000 employees.

PT MMF is a strong partner and has successfully implemented ICD's previous three LOF facilities for a total amount of USD 28 million in 2008, 2011 and 2013. All the clients financed through PT MMF have settled their instalments without any default and all three facilities have had a substantial developmental impact as confirmed by various development effectiveness assessment reports by ICD. Hence, the company is a prominent example of ICD's success stories. Since the extension of the first line in 2008, the client has gone through several business cycles but has proven to be a reliable partner, with consistent business growth fuelled by a capable management team and good risk management and governance practices.

As of the end of 2019, the company's total assets had grown by 36% and reached USD 340 million, up from USD 250 million as at YE 2018. This was driven by a strong growth of the loan book by 34% or USD 316 million by the end of 2019. Total equity increased by 11% from IDR 2 trillion (USD 142 million) at YE 2018 to IDR 2.3 trillion (USD 164 million) at YE 2019. In the same period, the company recorded a net profit of IDR 350 billion (USD 25.1 million) representing a 12% increase compared to IDR 325 billion (USD 22.5 million) in 2018. PT MMF managed to keep its cost-to-income ratio at a moderate level in the last three years (71% in 2019), which had an indirect impact on return on average equity (ROAE) (16%) and return on average assets (ROAA) (8.4%) as of YE 2019. Moreover, the level of non-performing loans decreased to 1.14% in 2019 from 1.27% in the previous year.

The company possesses a strong pipeline composed of well-established SMEs with high development impact and sound management to be financed under the recently approved LOF facility of ICD. The pipeline is balanced, covering sectors such as agriculture, construction and trade, representing the key job providers in the country. In addition to the promotion of Islamic finance, the strong pipeline of projects to be financed would enable ICD to contribute mainly to SDG #8: Decent Work and Economic Growth; SDG #9: Industry, Innovation and Infrastructure; and SDG #17: Partnerships for the Goals. As a pioneer in ICD's record, the LOF Facility to PT MMF is a model in the Asian region that can be replicated for other Non-Banking Financial Institutions (NBFIs) in the region and further enhanced in the future.

3.2 INCREASING ACCESS TO ISLAMIC FINANCING FOR CÔTE D'IVOIRE'S PRIVATE SECTOR

PRODUCT: Line of Financing
CLIENT: NSIA Banque in Côte d'Ivoire
AMOUNT: EUR 35 million
PURPOSE: Financing SMEs in Côte d'Ivoire
SDGs ADDRESSED:

- SDG #8: Decent Work and Economic Growth;
- SDG #9: Industry, Innovation, and Infrastructure

In 2020, ICD approved a EUR 35 million LOF facility to NSIA Banque in Côte d'Ivoire under the Global Line of Finance of EUR 100 million approved for the country to support eligible private sector companies in the country.

ICD selected NSIA Banque, being the fourth largest bank in Côte d'Ivoire, as an LOF partner institution due to the bank's robust underwriting capabilities, its financial strength, and its good network coverage across Côte d'Ivoire.

The facility is fully dedicated to supporting eligible private sector companies in Côte d'Ivoire, where access to finance remains one of the key constraints. Through this project, ICD aims to achieve a strong development impact in terms of job creation, poverty alleviation, and Islamic finance development.

The facility to NSIA Banque is ICD's first LOF operation in Côte d'Ivoire and aims to further support the leading economy of the West African Economic and Monetary Union (WAEMU) region. This LOF facility is expected to have a developmental impact on at least two SDGs, namely SDG #8: Decent Work and Economic Growth, and SDG #9: Industry, Innovation, and Infrastructure.

3.3 ICD'S LARGEST SUKUK ISSUANCE SINCE INCEPTION

ICD successfully returned to the public Sukuk market following an absence of four years in the capital market with the issuance of a five-year USD 600 million Sukuk. This Sukuk was issued in October 2020 at a yield of mid-swap + 140bps and is the largest Sukuk issuance by ICD since its inception and double the amount of its USD 300 million inaugural issuance in 2016.

The Sukuk was subscribed to by 37 international and regional investors. This is a testament to the investors' regard of ICD's credit story and the updated strategy that the new leadership has been working diligently to formulate and implement over the past two years.

ICD attracted a very strong investor response, with the Sukuk oversubscribed by a factor of two despite weaker general market sentiment on the back of the on-going COVID-19 pandemic and other headwinds to the global economic outlook.

ICD SUCCESSFULLY RETURNED TO THE PUBLIC SUKUK MARKET WITH THE ISSUANCE OF A FIVE-YEAR

USD 600 M

SUKUK. THE SUKUK WAS SUBSCRIBED TO BY 37 INTERNATIONAL AND REGIONAL INVESTORS.

The orderbook was diverse, with investors from 13 countries in the Middle East, Asia and Europe. More specifically, 75% of the transaction was allocated to the Middle East, 21% to Asia and 4% to Europe. In terms of investor segments, banks were allocated 57%, agencies and central banks were allocated 29%, fund managers were allocated 13%, and others were allocated 1%.

3.4 ASSET MANAGEMENT ACTIVITIES

3.4.1 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 competency and track record on financial institutions. The key goal is to increase financial sustainability via developed high-performance and attractive products that generate optimal risk-adjusted returns, grow 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).

3.4.1.1 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. 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 the 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 77.6 million to investors (conveying cumulative equity divestments, cumulative active collections from underlying loans and excess cash), which represents 59% 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 (YTD) cumulative collections of USD 21.3 million, composed of USD 16.6 million of Debt Collections and USD 4.7 million of Equity Divestment. The Fund closed the year with asset under management (AUM) of about USD 31.8 million.

3.4.1.2 ICD MONEY MARKET FUND (MMF)

ICD launched the Money Market Fund (MMF) as a USD 50 million seed investment in September 2013, and it is the first in-house managed fund. 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.

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 2.8 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 YE2018.

> **The fund looks forward to enhancing its branding, investment policies and governance framework to continue to attract investors to achieve its past AUM.**

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 89.6 million.

3.4.2 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 externally managed Funds: The Tunisia "Theemar" Fund, 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.

3.4.2.1 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 and in 2019 has outperformed benchmarks in its category.

For the calendar year ending December 2020, the ICD GSF climbed 15.2% compared with 11.6% for the benchmark MSCI ACWI Islamic Index. Apart from the first three weeks of January, the Fund outperformed the benchmark at all times over the course of the year. In terms of AUM, it closed the year with USD 53.4 million with a cumulative appreciation of net asset value of 38% since inception.

The Fund's outperformance was a result of Shari'ah and ESG asset allocation strategy dominance and sectorial diversification in defensive and winning sectors. Key sectors driving outperformance were industrials, information technology, and consumer staples. Key performance detractors were materials and healthcare. The absence of any energy holdings was also a significant contributor to the ICD GSF's outperformance versus the benchmark.

3.4.2.2 THEEMAR INVESTMENT FUND (TUNISIA)

The Theemar Investment Fund is a close-end Shari'ah compliant fund with achieved 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.

THE PORTFOLIO IS WELL-DIVERSIFIED ACROSS VARIOUS SECTORS INCLUDING IT, FOOD & BEVERAGE, AUTOMOTIVE AND HEALTHCARE

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.

THE FUND HAS INVESTED

TND 26.6 M

IN 10 SMES SINCE INCEPTION, HELPING THEM TO ACHIEVE GROWTH, EXPAND, IMPROVE OPERATIONS AND REACH OUT TO NEW MARKETS

In November 2020, the Fund's life was extended by unit holders for one additional year. During the same period, the Fund entered the divestment stage and will be focusing on exits going forward. While the Fund Manager has already achieved three exits to date, most of the remaining investments need time to mature before exit and some investments need operational and other improvements in order to achieve successful exits. 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.

3.4.2.3 SAUDI "AFAQ" SME FUND (KSA)

The Saudi "Afaq" SME Fund is a close-end Shari'ah compliant fund with achieved 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/or expansion in KSA. 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 Murabahah 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 had a modest appreciation which is mostly due to the successful exit that was offset by provisions and impairments from other investee companies.

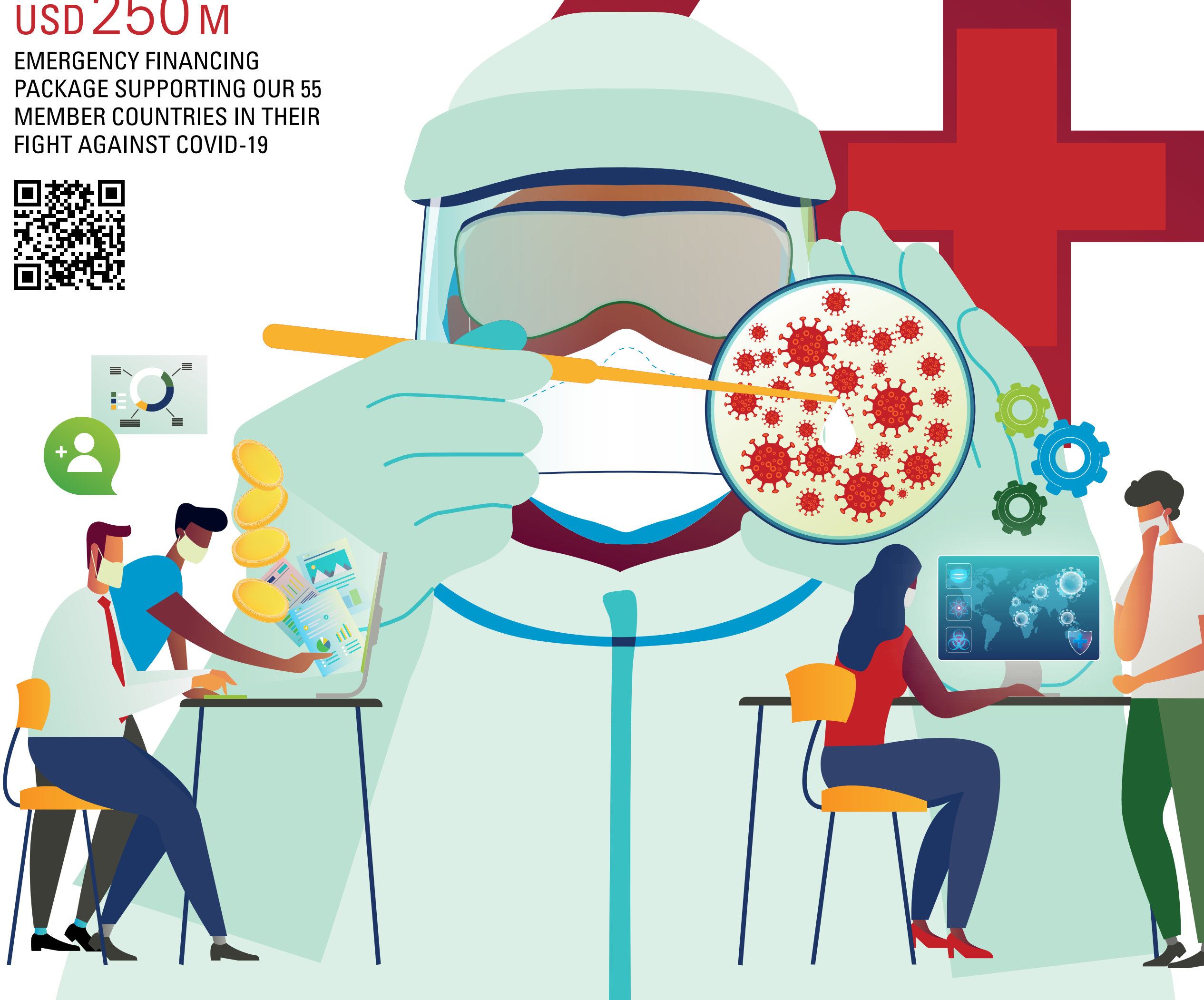
ICD RESPONSE TO THE COVID-19 PANDEMIC

Swift and comprehensive action was taken to address the pandemic and help improve the resilience of the private sector of our member countries, with ICD's commitment of emergency funding totalling USD 250 million

ICD CREATED A

USD 250 M

EMERGENCY FINANCING PACKAGE SUPPORTING OUR 55 MEMBER COUNTRIES IN THEIR FIGHT AGAINST COVID-19



4.1 THE IMPACT OF COVID-19 ON ENTREPRENEURSHIP AND SMEs

The economic shock of the COVID-19 pandemic has been unprecedented both in its complexity and severity. Nationwide lockdowns, along with behavioral changes due to the fear of the pandemic, not only caused disruptions in production, but also led to the largest collapse in demand for firms' output since the Great Depression. As revenues plummeted, SMEs struggled to meet their financial obligations to creditors and suppliers, and to cover their operating costs. Given the global nature of the crisis, its severity, and the uncertainty surrounding the recovery, many businesses, especially the small firms that lack collateral, had a critical need to secure fresh funding to tide themselves over until business conditions stabilize.

The notion that SMEs will lead the way in economic recovery may at first seem counterintuitive, as SMEs have proven to be the most vulnerable to the financial impact of the pandemic. SMEs will need continued governmental support in the form of stimulus packages and funding initiatives. Economic recovery will rely on long-term growth, innovation and adaptability to the changed economic and social landscape, ultimately creating an economic framework that is more resilient to future crises.

From ICD Line of Finance's client base, the urgent and strong need for the restructuring or rescheduling of financing facilities became evident as the first wave of the pandemic and subsequent lockdowns spread across the clients' regions. Furthermore, most of the local financial institutions were instructed by their respective governments to consider certain flexibilities to ease the financial impact of the pandemic on their clients. Financial institutions were also expected to provide much-needed liquidity and financing to the affected businesses, especially SMEs.

4.2 OVERVIEW OF ICD'S COVID-19 RESPONSE PACKAGE

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 will collectively deploy nearly USD 2.3 billion.

To minimize the impact of the pandemic on the private sector and to save businesses and preserve jobs and livelihoods, ICD earmarked USD 250 million of emergency funding 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. ICD's well-established relationship with a large number of financial institutions as reliable partners in channeling Lines of Finance to SMEs enables ICD to reach its target clients quickly. Meanwhile, USD 50 million was allocated to equity investments in Islamic Financial Institutions (IFIs) and selective industries broadly related to healthcare and food.

4.2.1 URGENT FINANCING PACKAGE

In detail, ICD's commitment of USD 250 million aims to be directed to the following activities:

- **Line of Finance (including transactions with government-backed/guaranteed facilities).** In this regard, the ICD has selected a list of financial institutions to benefit from similar facilities with the aim of supporting the private sector businesses affected by the COVID-19 pandemic. Selected counterparts are a combination of privately and state-owned banks and regional IFIs with strong financials and the desired risk profile. ICD has proposed a special LOF product which is standardized (Wakalah and Murabahah), aimed at supporting the private sector businesses affected by the pandemic. Further, ICD is working closely with 100+ local and regional financial institutions in its network to provide necessary support so they can continue to finance SMEs in affected sectors within the markets they operate.

- **Term Financing and Infrastructure Financing for healthcare, energy and agri-business sectors.** ICD teams will work diligently to identify some feasible projects in the field of healthcare and public services to be financed in the most affected member countries.
- **Equity Investment and collaboration with and through ICD investee companies and other financial institutions in the network.** Many investee companies of ICD are facing issues related to timely collection of client financing and eventually having some predicted non-performing financing (NPF). In this regard, ICD's equity team has worked on an emergency plan to support those investee companies through additional equity injections and extending lines.
- **Connecting healthcare services in advanced member countries with the member countries requiring medical services**. As part of South-South cooperation or a Reverse Linkages framework, ICD is also working closely with some clients and counterparts with advanced healthcare endowments to be transferred or extended to geographies where help is most needed.

4.2.2 NEW PRODUCTS AND PLATFORMS

ICD is also introducing new products and funding mechanisms to meet the specific requirements and needs of its member countries. These initiatives include but are not limited to government guaranteed line of finance facilities and shared term financing tools.

4.2.3 INTRODUCING FAST TRACK PROCESSES

To become more effective in our crisis response and due to the time-sensitive nature of the demand for the COVID-19 Package, ICD has adopted a fast-track approach for approval and disbursement processes. This aims to respond to member country needs in an agile manner. As a partner, priority of allocations is given to existing clients with a good repayment track record, state-owned financial institutions (FIs), and national and regional development finance institutions (DFIs).

In order to deploy the COVID-19 Package in an efficient and timely manner, ICD has undertaken the following actions, namely:

- Collection of FI clients' applications for LOF facilities under the COVID-19 Package;
- Adoption of a Fast Track Process Framework procedure for processing transactions under the Package and interaction within ICD's ecosystem (i.e., risk, legal, Shari'ah, compliance matters);
- Identification of potential opportunities for equity investments in the financial and impacted sectors in Healthcare and Food in line with the strategy of the respective ICD business units.

As at the end of 2020 and under the COVID-19 Package, ICD had collected a total of 25 formal financing requests amounting to USD 394 million from commercial banks, state-owned banks and regional DFIs.

By the end of 2020, four transactions totalling USD 48 million had been approved as follows:

Turkey: LOF for two state-owned banks for a total amount of USD 20 million: USD 10 million for Ziraat Bank and USD 10 million for Vakif Bank.

Burkina Faso: A EUR 15 million (equivalent to USD 18 million) LOF facility for Coris Bank International had been approved and disbursed.

Nigeria: A USD 10 million LOF facility had been approved for Jaiz Bank.

4.3 FINTECH: BRIDGING THE GAP BETWEEN THE "OLD" AND "NEW" NORMAL

Fintech is assumed to be a modern movement, yet the use of advanced technology to assist financial institutions is by no means a recent phenomenon. The financial services industry introduced credit cards back in the 1950s, internet banking in the 1990s and since the turn of the millennium, contactless payment technology.

Perhaps part of the reason why today's fintech advancements have entered the public consciousness so quickly is due to them being driven by the non-financial services sectors. In an era where retail products can be ordered and delivered very quickly, it's no surprise that people want their financial transactions to also occur in real time, and for decisions to be made in moments rather than weeks or even days. Consumers also expect transparency, and complex financial matters explained to them in clear, relevant terms that make sense within their day-to-day lives and that align with their overall financial goals.

Financial institutions (FIs), especially banks, had to tailor their strategic approach to address increasing pressure from both customers and organizational stakeholders alongside the proliferation of technology options and competition from maturing fintech startups. Depending on the adopted strategic approach, financial institutions fared differently. FIs that regarded fintech as an enhancement to their overall operations stood to reap the greatest rewards. The stability, product variety, customer knowledge and financial strength of traditional banks coupled with data enrichment, user experience and modern platforms of fintech have enabled FIs to digitally transform and expand their overall reach and customer base.

With the onset of COVID-19, established FIs have been forced to expedite their digitalization efforts to meet new demands. COVID-19 has accelerated how people interact with financial services, and quarantine restrictions have further raised the use of remote services: from online shopping to delivery, to entertainment, streaming services and mobile payments. The digitalization of banks has also played a critical role in reducing coronavirus risks associated with exchanging cash, keeping financial channels open for MSMEs, and supporting financial inclusion in developing markets during the pandemic and beyond. People have become accustomed to the advantages of the digital world and they are likely to remain attached to them beyond COVID-19. As such, for FIs to remain relevant, their primary focus will continue to be the digitalization of their systems.

ICD'S NETWORK OF ISLAMIC FINANCIAL INSTITUTIONS (IFIS) HAS BEEN DILIGENTLY WORKING TO KEEP PACE WITH TECHNOLOGICAL ADVANCEMENTS

That being said, ICD's network of Islamic financial institutions (IFIs) has been diligently working to keep pace with technological advancements. Our partner IFIs have further ramped their digitalization efforts during 2020. Most of them now have in place a digital banking platform that includes services such as internet banking, mobile banking, electronic statements, online bill payments, remote opening of bank accounts, and touchless point of sales. They have also established their presence on social media networks, allowing them to become ever closer and more transparent with their clients.

For example, in response to the requirements of their corporate clients, Al Baraka Bank Pakistan introduced a service allowing the transfer of funds through a scanned image of a cheque. Other IFIs such as Amana Bank Sri Lanka have adopted a QR-code approach to facilitate mobile payments of goods and services at merchant outlets, stressing the solution's enhanced security merits. Maldives Islamic Bank have invested in an application called FaisaToken which adds an extra layer of security on top of their internet and mobile banking portals, allowing the processing of higher-value transactions.

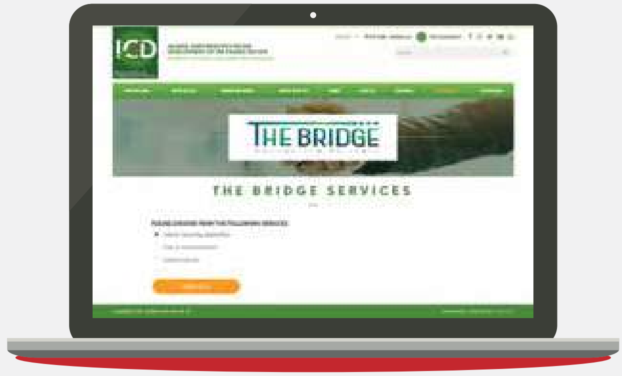
THE BRIDGE PLATFORM: CONNECTING A GLOBAL NETWORK OF FINANCIAL INSTITUTIONS

In adherence with our development mandate, we have developed a dedicated digital platform called "The Bridge", which aims to be a next-generation exchange and fulfillment platform for the benefit of our worldwide network of over 100 financial institutions.

In essence, the purpose of the Bridge Platform is to facilitate information sharing among member financial institutions, enhance market and business intelligence analysis, open access to fintech resources and cloud services, reduce financial transaction costs for member financial institutions and promote the advisory services offered by ICD.

The Bridge platform is currently in its testing phase. Once the platform goes live, it will offer the following mutual benefits between the platform's member Islamic banks, takaful companies, leasing companies and micro-finance institutions:

- Collaboration and facilitation of cross selling and sourcing syndication, term finance, advisory, Sukuk transactions, line of financing, asset management, public-private partnerships (PPP), equity, dealing in treasury and financial market instruments, and other transactions of mutual interest.



- Provision of advisory services, such as on best practices for SME financing.
- Provision of online training on Islamic finance, takaful, sound financial management, treasury management and impact of economic data on financial markets.
- Mortgage business with fintech servicing (Mortgage-Backed Security).
- Asset management products to be sold through the platform after regulatory approvals.
- Treasury operations to serve all 100+ financial institutions.
- Sharing of information in relation to private sector projects and business opportunities in OIC member countries that promise to be of mutual interest and benefit.

THE BRIDGE PLATFORM: CONNECTING A GLOBAL NETWORK OF FINANCIAL INSTITUTIONS

The aim of the Bridge Platform is to enable ICD, as a member of the ISDB group, to play a more competitive and responsive role to the needs of its member countries. With technology connecting the Financial Institutions, the Platform will achieve the following:

AWARENESS: The Bridge Platform will serve as an integrated communication channel for all ICD member countries, and consequently increase the visibility of the IsDB Group.

LINKAGES: the Bridge Platform will help to build partnerships in member countries. In addition, the platform will help FIs in our member countries to access the latest technological and innovative products that other FIs have access to.

COMPETENCY: By sharing data on the platform, FIs will have access to information and expertise to enhance their understanding of problems and difficulties, and the ability to explore possible solutions and business opportunities.

FUNDING: Enabling FIs to communicate and explore opportunities on the Bridge Platform will help them to expand financing to other member countries.

DELIVERY: Digitizing communications, information-sharing, crowd-sourcing and transactions will ensure speedy project implementation in our member countries.

REINFORCEMENT: The platform will encourage FIs to adopt solutions and policies that ensure sustainable development in our member countries.

ICD LAUNCHES THE ICD FINNOVATION AWARD 2020

We believe that part of the solution to overcoming COVID-19 challenges is through the development and design of innovative solutions for businesses and economies to adopt in banking and non-banking financial institutions. According to various sustainability reports, innovative financial institutions are more resilient than others. Thus, sustainability is a key factor. ICD is committed to encouraging such innovations to drive efficiency and build resilience in the post-COVID-19 era. With this in mind, last year ICD launched the "ICD Finnovation Award 2020", to recognize, showcase and encourage financial institutions that provide an outstanding solution for the financial industry.

The award is hosted on the "Finnovation" website (**www.InnovativeFIs.net**), an online platform which ICD utilizes to list and highlight the successful innovations launched by financial institutions and fintech startups at a global level.

The ICD Finnovation Award 2020 invited all financial institutions in ICD's member countries to submit proven innovation(s) that fell into one of the following categories:

- Financial products and services.
- Marketing strategies that helped reach new beneficiaries.
- Innovations that improved the deployment of Islamic financial principles.
- Financial Technologies (fintech) that attracted more beneficiaries.
- Internal policies and procedures that improved "financial inclusion".
- Internal operational process that made operations more efficient and improved net income.

THE ICD LAUNCHED THE
ICD FINNOVATION AWARD 2020
TO RECOGNIZE, SHOWCASE AND ENCOURAGE FINANCIAL INSTITUTIONS THAT PROVIDE AN OUTSTANDING SOLUTION FOR THE FINANCIAL INDUSTRY

The award aims to honor innovative financial institutions for outstanding innovations that contribute to more affordable and accessible financial services, in addition to having a positive impact on sustainability. In a short period of time, we received 15 innovative projects from FIs operating in various geographies such as Central Asia and Middle East.

ICD aspires to continue organizing the Finnovation Award annually with the hope of attracting more innovative financial institutions making positive contributions to the financial industry in member countries and encouraging other financial institutions to keep pace with emerging and evolving financial industry trends.

4.4 ASSISTING IN SUKUK ISSUANCE DURING THE COVID-19 PANDEMIC

The debt capital markets and especially the Islamic debt capital markets came to a stand-still for the first two quarters of 2020. Markets started to pick up in the second half of the year and issuers started to take advantage of the low rates available in the market.

In 2020, ICD signed four new Sukuk mandates– three with member countries and one corporate mandate. As our member countries have been some of the hardest hit during the pandemic, ICD has been advising these member countries on the best time to issue their Sukuk. The geographic reach for the mandates signed in 2020 has been diverse, ranging from sub-Saharan Africa, to Central and South Asia.

For the first time in its history, ICD was included on Bloomberg's Sukuk league tables for 2020. As banks in the General Secretariat of the Cooperation Council for the Arab States of the Gulf (GCC) decided to take advantage of the low rates in the markets, ICD played the role of Joint Lead Manager for eight banks, raising approximately USD 7 billion for these banks with other arrangers. As part of its strategy, ICD will continue to play such a role in the market as it is considered to be an anchor investor for such issuances.

4.5 REVISITING THE MEMBER COUNTRY PARTNERSHIP STRATEGY (MCPS) IN TIMES OF CRISIS

The Member Country Partnership Strategy (MCPS), launched in 2010, is IsDB Group's country dialogue and interaction tool aimed at supporting governments and the private sector, as well as promoting regional integration in a more coordinated and planned manner. In essence, it is a strategy document that steers the operations of the IsDB Group's in its member countries over the medium-term (three to five years), clearly specifying comparative advantage and niche areas for the IsDB Group (IsDB, ICD, ITFC, ICIEC and IRTI) as well as financing instruments and the role that each plays. It is also a process for enhancing a dialogue with key stakeholders in member countries, and other development partners. In close collaboration with IsDB, ICD assesses opportunities for private sector-led growth in any given member country, and based on its findings, outlines its recommendations on private sector development strategy moving forward.

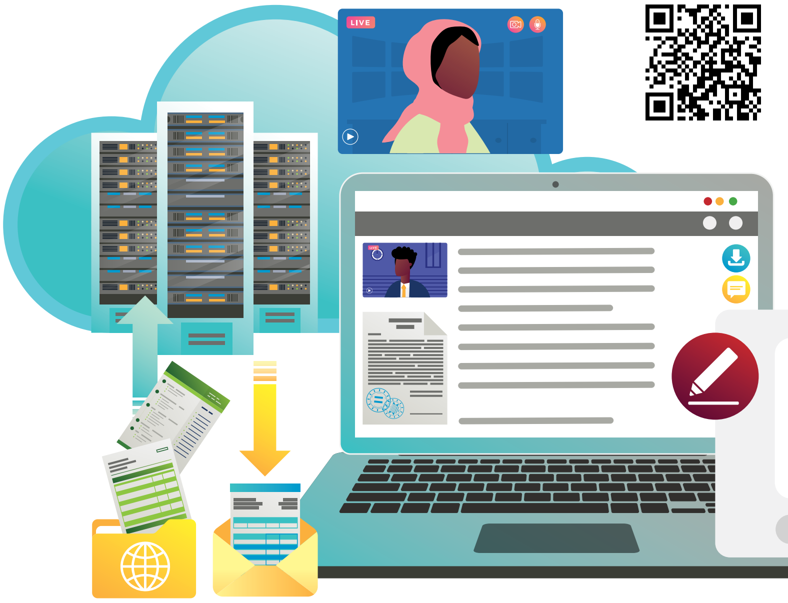
To reflect the changing global environment, IsDB has embarked on a new model and unique approach for the MCPS. The new MCPS 2.0 is centered around global value chains (GVCs), promoting development through better integration in GVCs and at the same time strengthening domestic value chains. IsDB's value chain approach is forward-looking, identifying potential value chains that focus on the competitiveness of a country based on industries and products.

During 2020, ICD embarked on the new MCPS 2.0 by contributing toward partnership strategies for four member countries: Indonesia, Nigeria, Guinea and Turkey. ICD also made strong progress in finalizing its investment strategy within the Maldives MCPS exercise last year.

ICD CONTRIBUTED TO NEW MEMBER COUNTRY PARTNERSHIP STRATEGIES FOR FOUR MEMBER COUNTRIES:

INDONESIA, NIGERIA, GUINEA AND TURKEY.

THESE STRATEGIES ARE BASED ON PROMOTING DEVELOPMENT THROUGH INTEGRATION IN GLOBAL VALUE CHAINS



ICD INTRODUCED ELECTRONIC SIGNATURES IN THE VERY EARLY DAYS OF THE PANDEMIC, USING

ADOBE SIGN.

THIS IS THE FASTEST, MOST SECURE WAY TO SIGN, SEND, AND STORE DOCUMENTS IN THE CLOUD. VARIOUS OPERATIONAL PROCESSES IN THE CORPORATION ARE NOW FULLY DIGITIZED

4.6 CORPORATE EXCELLENCE: ESTABLISHING A "NEW NORMAL"

4.6.1 FROM AN HR PERSPECTIVE

ICD has been able to manage its human resources and work culture effectively during the pandemic by performing all related operations remotely without any complexities, and quickly adapting to the new norms and work requirements:

- Physical attendance was immediately suspended, and staff were asked to work remotely with health and safety as the top priority.
- Staff were given the option to travel back to their home country and continue working from their respective locations, enabling them to deliver their work objectives and tasks in their own safe environments.
- ICD constantly offered free online well-being sessions for staff during the lockdown period.
- A focal point representative was assigned to address all staff issues in a timely manner and to coordinate with IsDB Group Business Continuity Management (BCM).
- A number of entertaining initiatives were arranged (e.g. 'Home Office' Picture Competition) to help relieve work pressure and maintain social bonds among the ICD community.

4.6.2 FROM AN IT PERSPECTIVE

Electronic signatures have enabled ICD to maintain efficiency, flexibility, and continuity throughout the value chain during COVID-19.

ICD introduced the electronic signature in the very early days of the pandemic, using Adobe Sign which is now considered as the industry leader alternative to the traditional physical signature. This is the fastest, most secure way to sign, send, and store documents in the cloud. Whether it is an agreement, a contract, or the approval of an investment project, the solution is the most widely used electronic signature in the business world.

After the successful roll out of the electronic signature solution by the ICD team, various operational processes in the Corporation are now fully digitized and automated. Examples include day-to-day documentation, LOF and term finance disbursement payment requests, and treasury payment requests.

ICD'S PUBLIC PROFILE

5.1 ICD SYNERGIES AND PARTNERSHIPS: LEVERAGING COLLABORATION

ICD broadens the support for its mandate by partnering with private sector actors that are committed to delivering development impact.

The COVID-19 pandemic has caused an unprecedented global health and economic crisis across ICD's 55 member countries. While many private sector enterprises have proven resilient, continued access to finance is necessary to help them sustain themselves, to protect jobs, and to recover. Throughout the pandemic, ICD has been actively engaging with other development finance institutions (DFIs) and global partners to simultaneously address the COVID-19 crisis and achieve shared Sustainable Development Goals (SDGs) by reinforcing cooperation, sharing best practices and building capacities to facilitate access to finance.

During 2020, the depth of the crisis highlighted the importance of partnership and enhanced multilateral cooperation, embodying SDG #17 (Partnerships for the Goals) which calls "to strengthen the means of implementation and revitalize the global partnership for sustainable development". 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.

Throughout the COVID-19 pandemic, we have shared information and coordinated our efforts to streamline our credit approval processes in order to facilitate the deployment of finance to our private sector clients. This enhanced form of partnership and multilateral cooperation will continue as we tackle the challenges of serving existing and new clients in the current environment.

5.1.1 ICD'S SYNERGIES AND COLLABORATION EFFORTS IN 2020

During 2020, 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 2020, ICD has identified several partners with similar mandates and objectives and has established strategic partnerships and forms of collaboration that will help us achieve lasting synergies.

- **Enhanced Intra-IsDB Group Partnerships.** ICD has been working very closely with sister entities within the IsDB Group, namely the ITFC and the ICIEC, in order to foster greater intra-group partnerships and cooperation. This was achieved through regular meetings of the Technical Coordination Committee (TCC) and frequent meetings of the entities' CEOs. As a result, 2020 has witnessed an increased volume of co-financing activity between the sister entities.
- **Newly established partnerships and MoUs.** ICD has initiated and signed multiple agreements with new partners in 2020. These include a technical advisory services agreement with the Halal Development Corporation in Malaysia and an agreement with Société Générale Côte d'Ivoire on pipeline sharing and co-financing in Africa.
- **In-depth review of Partnership MoU and Action Plans with partner MDBs/DFIs.** In coordination with the IsDB, ICD carried out an in-depth review of the following Partnership MoUs: i) African Development Bank / IsDB Group MoU; ii) Asian Development Bank / IsDB Group Framework Cooperation and Co-financing Agreement; iii) Inter-American Development Bank / IsDB Group MoU, and iv) Arab Bank for Economic Development in Africa (BADEA) / IsDB Group MoU.

- **Strategic consultations with DFIs and MDBs on the operational impact of the COVID-19 pandemic and opportunities for enhanced cooperation.** ICD organized a series of strategic consultations throughout 2020 with the participation of the leadership teams of DFIs and MDBs including the CDC Group in the UK, the IFC at the World Bank Group, Proparco at Agence Française de Développement, IDB Invest at the Inter-American Development Bank Group, and the OPEC Fund for International Development.
- **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 fintechs, financial institutions, and investors.
- **Participation in the Africa Investment Forum (AIF) Partners meeting.** ICD was an active member of the AIF platform throughout 2020 and has actively engaged with project sponsors for co-financing deals originated by the AIF deal development platform.
- **Co-financing activity with the African Development Bank (AfDB).** As part of ICD's partnership with the AfDB, in 2020 we achieved a USD 25 million approval for parallel co-financing for a bank in Nigeria.
- **Official signatory of the Coalition Statement for a sustainable and inclusive recovery for the private sector.** ICD is now 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: Belgium Investment Company for Developing Countries, or BIO (Belgium), BMI (Belgium), CDC (UK), Cofides (Spain), DEG (Germany), Finnfund (Finland), FMO (The Netherlands), Investment Fund for Developing Countries, or IFU (Denmark), Norfund (Norway), Austrian Development Bank, or OeEB (Austria), Proparco (France), Swiss Investment Fund for Emerging Markets, or SIFEM (Switzerland), Simest/CDP (Italy), Sofid (Portugal), and Swedfund (Sweden).
- **Increased cooperation with the Arab Coordination Group (ACG).** The ACG Institutions agreed to pledge USD 10 billion for a coordinated initiative to address and mitigate the negative impact of the COVID-19 pandemic in developing countries. ICD has been actively involved in sharing its pipeline with ACG members, corresponding to a total funding gap of USD 1.5 billion.
- **ICD hosting of the IsDB Group / ADB Joint Retreat on Private Sector Operations.** As part of the existing Framework Cooperation and Co-financing Agreement (FCCA) with the Asian Development Bank (ADB) for 2018–2022, ICD organized and hosted the Joint Virtual Annual Retreat on Private Sector Operations. Both sides provided an update and overview on Private Sector Operations with a focus on infrastructure, corporate finance and financial institutions. Discussions focused on strengthening collaboration and increasing co-financing activities.
- **ICD's leading of the Investment Pillar under the Arab-Africa Trade Bridges Programme (AATB).** The AATB Programme is a regional trade promotion programme that aims to address some of the challenges faced in promoting trade between the two regions. The AATB Programme is expected to increase investment and trade between the Arab and African regions and covers various dimensions including infrastructure financing, advisory services and technical assistance.

5.2 ICD ON THE GLOBAL DEVELOPMENT STAGE: FOSTERING GLOBAL COOPERATION AND DIALOGUE

ICD's steadfast approach of fostering global cooperation and dialogue remains necessary to address global challenges, set new standards and improve the prospects for inclusive and sustainable growth.

As the COVID-19 pandemic continues to unfold, it is evident that the attainment of critical economic, social and environmental targets outlined by the U.N.'s Sustainable Development Goals (SDGs) will be severely impacted. By actively engaging in global dialogues to discuss issues in international development with a diverse range of stakeholders, ICD seeks to play a key role in advancing concrete solutions to the challenges the world faces. ICD believes that mobilizing international cooperation and collective action will lead to a sounder implementation of a unified development agenda.

Finance in Common

The first global summit of all Public Development Banks

FINANCE IN COMMON SUMMIT

Under the high patronage of Mr. Emmanuel Macron, President of the French Republic, and with the participation of U.N. Secretary-General António Guterres, the Finance in Common Summit is an initiative of the World Federation of Development Finance Institutions (WFDFI) and the International Development Finance Club (IDFC). ICD is a member of the latter and the CEO, Mr. Ayman Sejiny, sits in the Steering Group of the IDFC as a vice-chair. Held on 9-12 November 2020, the Summit gathered the world's 450 public development banks as well as other key stakeholders such as heads of states, governments, supervisors, and representatives from the private sector, civil society, think tanks and academia to discuss their crucial role in reconciling short-term countercyclical responses to the COVID-19 pandemic and subsequent global socio-economic crisis with sustainable recovery measures that will have a long-term impact on the planet and societies.

The first deliverable of the Finance in Common Summit is a joint declaration of all public development banks stating their willingness to contribute to the COVID-19 recovery and align with sustainable finance principles. As a proud signatory of this important declaration, ICD is committed to ensuring that the type of support we provide to our existing and future clients will lead to gains in growth and well-being that are sustainable in the long term. ICD also pledges to dedicate its efforts and resources to further contribute to the Paris Agreement and the SDGs.

G20 RIYADH SUMMIT

Saudi Arabia's G20 Presidency in 2020, which focused on the theme of "Realizing Opportunities of the 21st Century for All", played a critical role in formulating transformative pathways to rebuild and reshape the world by focusing on the SDG principles established back in 2015. At a virtual summit hosted by Saudi Arabia on 21-22 November, the G20 leaders adopted a declaration and expressed their strong commitment to coordinated global action, solidarity, and multilateral cooperation, and vowed to continue working together to overcome the COVID-19 pandemic, restore growth and jobs, and build a more inclusive, sustainable and resilient future.

Since Saudi Arabia assumed the G20 presidency in early December 2019, ICD has been proactively engaged in various meetings and working groups of the G20, under the leadership of H.E. Dr. Bandar Hajjar, the President of IsDB Group. ICD has participated in more than 20 meetings of the various working groups such as the Framework Working Group, Development Working Group, Tourism Working Group, Infrastructure Working Group and Energy Sustainability Working Group. ICD also contributed to the G20 engagement groups, notably Think 20 (T20) and Urban 20 (U20), by participating in the development of new global governance guidelines for the responsible use of data and digital technologies in urban environments, with the ultimate objective of influencing the state of global smart city governance and regulations.

SINCE SAUDI ARABIA ASSUMED THE G20 PRESIDENCY IN EARLY DECEMBER 2019, ICD HAS PARTICIPATED IN MORE THAN

20 MEETINGS

OF THE VARIOUS G20 WORKING GROUPS

INTERNATIONAL DEVELOPMENT FINANCE CLUB (IDFC)

ICD is a proud member of the International Development Finance Club (IDFC), whose coalition of members work together to implement the SDGs and the Paris Climate Agreement agendas, as well as to join forces as a platform to promote and leverage sustainable development investment worldwide. The CEO of the ICD, Mr. Ayman Sejiny, is vice-Chairman of the club; its Chairman is Mr. Remy Rioux, the CEO of the French Development Agency. The IDFC counts 26 members and it represents over USD 4 trillion in combined assets. ICD is actively involved in the club and chairs two specialized working groups on Blended Finance and on SDG Taxonomy.

In addition, we have actively contributed to other working groups and workstreams on green financing, gender equality, refugees and alignment with the SDGs, project preparation, business models, governance and so on. Through the great leadership of the IDFC secretariat, hosted by the AfD, ICD was also actively engaged with the preparation and execution of various deliverables of the Finance in Common Summit.

5.3 2020 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.

NUMBER OF CLIENTS WHO GAINED ACCESS TO ISLAMIC FINANCE

400,124

NUMBER OF PEOPLE OPENING NEW ISLAMIC FINANCE ACCOUNTS

110,878

MSMEs WERE SUPPORTED THROUGH ICD FINANCING

41,066

NUMBER OF NEW JOBS CREATED

15,132

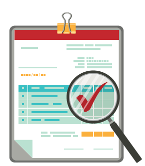
NUMBER OF SUSTAINED JOBS

76,783

For more detailed information on the ICD Annual Development Effectiveness Report, visit **https://icd-ps.org/en/development-effectiveness**

USD 407.47 M

OF EXPORT SALES WERE GENERATED



USD 116.49 M

IN TAXES WERE COLLECTED FOR GOVERNMENT REVENUES

USD 32.98 M

WAS SPENT ON COMMUNITY DEVELOPMENT

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 2020 Annual Development Effectiveness Report.

5.4 AWARDS & RECOGNITION TO DATE

'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


IFN Awards
DEALS OF THE YEAR
2019
Pakistan
Deal of the Year
Dual-currency financing facility for NASDA Green Energy's 50 MW wind power project
ICD
IFN Awards
DEALS OF THE YEAR
2019
Cross Border
Deal of the Year
Dual-currency financing facility for NASDA Green Energy's 50 MW wind power project
ICD

5.5 ICD IN PHOTOS

2020 saw the launch of the first ever ICD Mobile Photography Competition, open to photographers throughout all 55 member countries.

Hundreds of images were received from different member countries across the globe. The first round of selection was made by professional photographers and the ICD team, where 25 outstanding pictures were taken through to the second stage. The top 3 images were then selected by a panel of management members and additional professionals and put through to a public vote on ICD's social media channels.

The digital vote ran for a week and received more than 3500 votes, leading to an undisputed winning photograph.

1ST PLACE WINNER

MD. RUBEL HOSSAIN

BANGLADESH

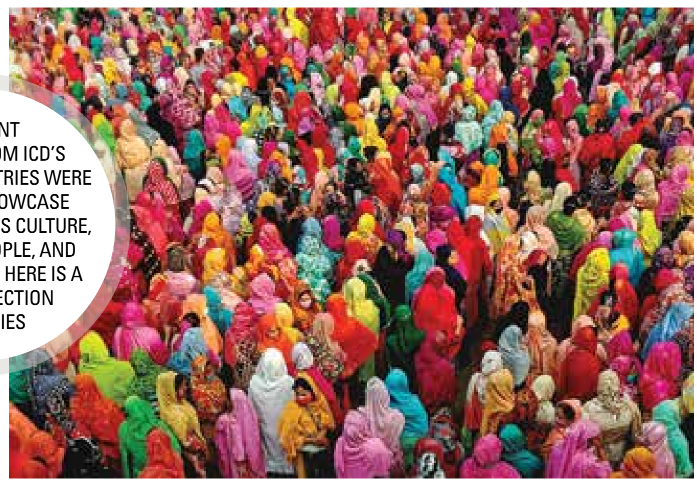

2ND PLACE
WINNER
MD. ASHIKUL MOWLA
BANGLADESH


3RD PLACE
WINNER
MOHAMMAD
HEDAYET SARKER
BANGLADESH

UMAR ALI PAKISTAN

THOMAS DANIEL CHINEDU NIGERIA

RESIDENT CITIZENS FROM ICD'S MEMBER COUNTRIES WERE ASKED TO SHOWCASE THEIR COUNTRY'S CULTURE, HERITAGE, PEOPLE, AND DEVELOPMENT. HERE IS A SMALL SELECTION OF ENTRIES



MD ARIFUR RAHMAN BANGLADESH

NAFISH SHAHARIYAR BANGLADESH

MOHAMMOD RAKAYET UL KARIM RAKIM BANGLADESH

JIBON KUMER MALAKER BANGLADESH

MUHAMMAD ALI WAQAR KHAN PAKISTAN

NAFISH SHAHARIYAR AKASH BANGLADESH

MOHAMED AMRIBET MOROCCO

A.K. JAMAN AHMED BANGLADESH

6.1 GENERAL ASSEMBLY

The General Assembly is the highest decision-making authority. Each member is represented at the General Assembly by an appointed representative. 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.

6.2 BOARD OF DIRECTORS

The Board of Directors (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).

BOARD OF DIRECTORS AS OF END 2020

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

Dr. Rami M.S. Ahmad

Ms. Zeina Zeid Toukan

Mr. Nabil S. Al-Abdul Jalil

Mr. Damo Justin BARO

Mr. Ulan Aiylchiev

Dr. Hamad Bin Suleiman Al Bazai

Dr. Fahad M. Al-Turki

THE BOARD CONSISTS OF
10 MEMBERS
(INCLUDING THE CHAIRMAN) AND IS CHAIRED BY THE PRESIDENT OF THE IsDB GROUP

Dr. Ali Jannati

Mr. Fredrick Twesiime Tabura

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.

6.3 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 and all other powers delegated to it 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 2020

1. Dr. Bandar M. H. Hajjar (Chairman of ICD Board of Directors)
2. Dr. Fahad M. Al-Turki
3. Dr. Hamad Bin Suleiman Al Bazai
4. Mr. Nabil S. Al-Abdul Jalil
5. Mr. Ulan Aiylchiev

6.4 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 2020

1. Dr. Fahad M. Al-Turki (Chairman)
2. Mr. Fredrick Twesiime Tabura
3. Mr. Nabil S. Al-Abdul Jalil
4. Dr. Abubaker Ali Omer Bagabir (independent expert member)

6.5 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 financing and investment of ICD. 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.

6.6 IsDB SHARI’AH BOARD

In 2012, the ICD Shari'ah Board was subsumed with that of IsDB’s, 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 2020

1. Shaikh Abdulla Bin Manei’a
2. Shaikh Mohamad Taqi Alosmni
3. Dr. Mohammed Alroki
4. Dr. Mohammad Alshafe’e

NOTE: In 2020, the IsDB Group Shari'ah Board lost three of its eminent members (Dr. Hussein Hamed Sayed Hassan, Dr. Abdulsattar Abughuddah and Shaikh Mohammad Ali Taskhiri). We pray to the Almighty Allah to forgive all and grant them Jannatul-Firdaus with the foremost believers and martyrs.

ICD MANAGEMENT AS OF END 2020

Mr. Ayman Amin Sejiny

Mr. Ikbal Daredia

Mr. Aamir Khan

Mr. Abdullah Khatib

6.7 ICD MANAGEMENT

1 Mr. Ayman Amin Sejiny, CEO
2 Mr. Ikbal Daredia, the Advisor to the CEO, Acting Director of Global Markets & Fixed Income Department and Acting Director of Treasury Department
3 Mr. Aamir Khan, Director of Global Markets Equity Department
4 Mr. Abdullah Khatib, Director of Asset Management Department
5 Mr. Osman Buyukmutlu, Director of Strategy, Policy & Research Department and Acting Director of Corporate Support Department
6 Dr. Mohammed Alyami, Director of Development Effectiveness Department
7 Mr. Buba Barrow, Acting Director, Finance and Accounting Department
8 Mr. Tahir Naseem, Legal Advisor-CEO and Acting Director of Legal Department
9 Mr. Karim Jan, Acting Director, Internal Audit Department
10 Mr. Taufique Hasan, Acting Director, Risk Management Department

Mr. Osman Buyukmutlu

Dr. Mohammed Alyami

Mr. Buba Barrow

Mr. Tahir Naseem

Mr. Karim Jan

Mr. Taufique Hasan

6.8 SENIOR AND MIDDLE MANAGEMENT CHANGES

As part of the implementation of ICD's new organizational structure, the following changes took place in the ICD Senior and Middle Management in the course of 2020:

Mr. Buba Barrow was appointed as the Acting Director, Finance and Accounting Department effective from 05/05/2020 and Division Head, Financial Planning & Reporting under the Finance and Accounting Department effective from 06/09/2020

Mr. Karim Jan was appointed as the Acting Director, Internal Audit Department effective from 30/04/2020.

Mr. Taufique Hasan was appointed as the Acting Director, Risk Management Department effective from 01/12/2020.

Mr. Mohammed Asheque Moyeed was appointed as the Division Head, Infrastructure and Corporate Finance under the Global Markets and Fixed Income Department effective from 20/08/2020.

Mr. Ulan Abylgaziev was appointed as the Division Head, FI Financing and Guarantees under the Global Markets and Fixed Income Department effective from 20/08/2020.

Br. Nabeel Ali was appointed as the Division Head, Assets, Liabilities and Alternative Investments under the Treasury Department effective from 06/09/2020.

Br. Adeel Ahmed was appointed as the Division Head, Funds and Portfolio Management under the Asset Management Department effective from 20/08/2020.

Mr. Saani Ibrahim was appointed as the Division Head, Fixed Income Treasury & Institutional Legal Affairs under the Legal Department effective from 06/09/2020.

Mr. Muhammad Aref Tarakji was appointed as the Division Head, FI Banking Investments under the Global Markets Equity Department effective from 20/08/2020.

Mr. Asif Mahmud was appointed as the Division Head, Remedial Asset Management under the Global Markets Equity Department effective from 20/08/2020.

Dr. Elvin Afandi was appointed as the Division Head, Economic Policy & Research under the Strategy, Policy & Research Department effective from 20/08/2020.

Mr. Ahmed Al Akwa'a was appointed as the Division Head Operations under the Corporate Support Department effective from 19/07/2020.

Mr. Nabil El- Alami was appointed as the Division Head PR & Communications effective from 20/08/2020.

Mr. Basem Tantush was appointed as the Division Head Relationship Management & Partnerships effective from 20/07/2020.

Mrs. Manal Allagany was appointed as the Division Head, Human Resources under the Corporate Support Department effective from 06/09/2020

Mr. Tafsir Ahmed was appointed as the Unit Head, Syndications under the Global Markets Equity Department effective from 20/08/2020.

Mr. Muhammad Zeeshan was appointed as the Unit Head, Support and Business Development under the Treasury Department effective from 20/08/2020.

Mr. Ariff Shafzan Hasan was appointed as the Unit Head, Funding under the Treasury Department effective from 20/08/2020.

Mr. Louai Mohammed Ali Khojali was appointed as the Unit Head, Asset Management Support under the Asset Management Department effective from 06/09/2020.

Mr. Salah Berjaoui was appointed as the Unit Head Credit Portfolio Management under the Operations Division effective from 20/08/2020.

Mr. Ahmed Belhadj Jrad was appointed as the Unit Head Disbursements and Dues under the Operations Division effective from 20/08/2020.

Mr. Hamza Boukili was appointed as the Unit Head Partnerships under the Relationship Management & Partnerships Division effective from 20/08/2020.

Mr. Boubakari Ake was appointed as the Unit Head Sub Saharan Africa under the Relationship Management & Partnerships Division effective from 20/08/2020.

Mr. Samir Taghiyev was appointed as the Unit Head Europe & CIS under the Relationship Management & Partnerships Division effective from 20/08/2020.

Mr. Ahmed Abdul Khalid was appointed as the Unit Head Asia under the Relationship Management & Partnerships Division effective from 20/08/2020.

Mr. Hamza Alsaktawi was appointed as the Unit Head, Innovation & Knowledge Management under the Development Effectiveness Department effective from 20/08/2020.

Mr. Akhtar Ali was appointed as the Unit Head, Financial Policy & Monitoring under the Finance and Accounting Department effective from 06/09/2020.

ICD UNDERTAKES RESTRUCTURING EXERCISE: A SMOOTH TRANSITION DURING REORGANIZATION

In the light of the new strategy and business plan approved by the Board, ICD developed a new organizational structure with the help of an external independent consultant and announced it to ICD staff along with the assessment and mapping framework in 2020. The new and agile ICD structure will allow it to place a stronger emphasis on existing and new strategic business areas as well as to further increase efficiencies and enhance organizational collaboration.

As ICD implemented the new organizational structure during the COVID-19 pandemic, we effectively utilized the available technological means to conduct the assessment of the staff who have been selected for the available positions.

TARGETED OUTCOMES

- To align the organizational structure with the new corporate strategy to enable the achievement of ICD's strategic targets.
- To clarify the roles, responsibilities, accountability and reporting lines of the functions and staff.
- To develop an updated competency framework encompassing all functions within ICD to allow for effective talent acquisition and selection, performance management and the training and development of staff.
- To retain critical talent in the organization by providing them ample opportunities for career advancement and to be mapped in the new organizational structure.
- To ensure the right placement of staff based on their skills, qualifications and experience.

OUR PRACTICES, PRODUCTS AND PROCESSES

7.1 OUR PRACTICES

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

7.1.1 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 of its activities are governed by its strict rules, procedures and guidelines. All activities are undertaken on the basis of 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. 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 the senior management of ICD. This ensures that ML and TF risks are adequately identified, excluded and mitigated.

7.1.2 INTERNAL AUDIT

The Internal Audit function is the third line of defence in ICD's risk management framework. By functionally reporting to the Audit Committee, it provides independent and objective assurance, insights and advice to the Management and the Board on the overall effectiveness of the main governance, risk management, and internal control processes and systems. The function utilizes a risk-based approach to develop its Annual Audit Plan, which is aligned with ICD's strategic priorities and objectives and hence tackles the Corporation's most pressing risks. Whenever observations are made, the internal audit mechanism evaluates the appropriateness of Management Action Plans (MAPs) performed to resolve the issues and make rigorous follow-ups.

During 2020, the function embarked on updating its own policies and procedures to better serve the Corporation as well as chairing the Policies and Procedures Working Group to further improve ICD's policies and procedures. It also partnered with Protiviti to execute an Audit of Asset Management Funds covering numerous years and teamed up with an external vendor to perform the first of a three-phased

Our greatest priority lies in the adherence to the highest accountability and transparency standards to ensure public confidence while delivering maximum development effectiveness.

IT Audit that shall significantly help ICD to improve its IT environment and systems.

7.1.3 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 our interests. The Legal function is also responsible for managing all legal risks emanating from the operations of ICD and providing support at both organizational and business units' levels and its functions including all projects, transactions and corporate arrangements involving ICD.

During 2020, the Legal function launched several initiatives in relation to policy changes including: a new Memorandum of Understanding (MoU) template and process, a new non-disclosure agreement (NDA) template and process, a new Power of Attorney (PoA) filing system and a new invoice processing system which is now being led by business units, rather than the Legal function.

7.1.4 DEVELOPMENT EFFECTIVENESS

There is increasing interest on the part of multilateral development banks (MDBs) and other financial institutions to incorporate a development policy within their overall risk framework and business activities. As such, and in further addressing these pressures, a crucial decision took place on 21 September 2020 during ICD's 101st Meeting of the esteemed ICD Board of Directors (Board). Among other decisions, the Board approved the latest Development Effectiveness Policy (DEP), which was recently updated to reflect the changing dynamics and growing support of this field within ICD. During the same meeting, the Board also approved the ICD 3-Year Business Plan (2021-2023), which is centred around two overarching goals:

1. Creating scalable impact in ICD's 55 member countries with a focus on social inclusiveness
2. Restoring ICD's financial sustainability

These two important documents were a testament to the continued symbiosis between the Board and the Executive Management to ensure that ICD is at the forefront of the development agenda regarding its mandate and mission. By enhancing the DEP with a clear strategy and invigorating ICD's Development Effectiveness team with adequate resources to address the heightened level of interest internationally, the Board has ensured that development effectiveness remains at the heart of ICD.

Given the immediate and likely long-term impacts of COVID-19, maintaining the necessary focus on long-term developmental priorities while battling the pandemic and undertaking recovery efforts will be challenging. Hence, institutions that prioritize a well-defined development strategy supported by a trusted governance structure will likely fare better in the medium to long term. There is a collective recognition that a paradigm shift in development models is necessary to advance towards sustainability. Financial institutions, and particularly MDBs, play a pivotal role in contributing to this paradigm shift, by scaling up and helping redirect financing towards policies, investments and assets that are necessary to help contribute to the 2030 UN Sustainable Development Goals (SDGs).

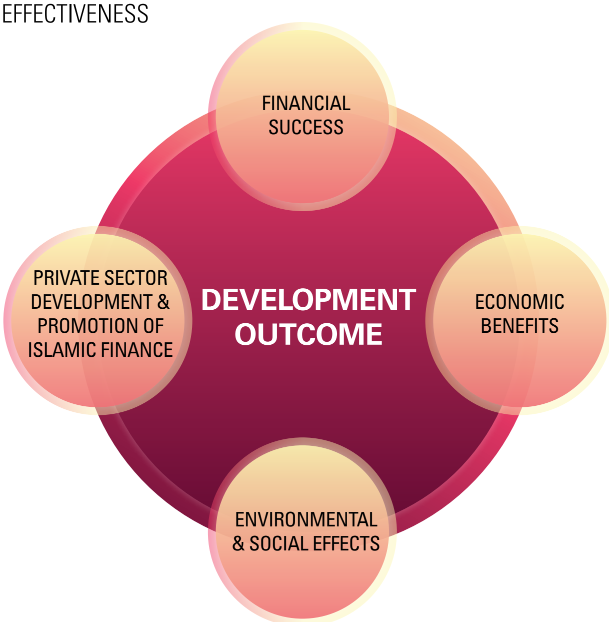
"There is a collective recognition that a paradigm shift in development models is necessary to advance towards sustainability.

ICD aims to improve its development impact via two main pillars:

1. Maximization of ICD's contribution to enhancing the factors and conditions which **enable member countries to achieve their development goals**; and
2. Continuous enhancement of ICD's internal operations, which can be achieved through **increasing staff awareness and knowledge**.

Overall, there are four dimensions to development outcomes in ICD, and these are largely based on the Evaluation Cooperation Group (ECG) Good Practice Standards (GPS) for evaluation of private sector operations. ICD included the fourth category for measuring project outcomes in terms of its main mandate and objectives in relation to private sector development and the promotion of Islamic finance.

FIGURE 7.1.4.1: FOUR-DIMENSIONAL DEVELOPMENT EFFECTIVENESS



The Development Effectiveness team complement the main objectives above by ensuring:

Accountability: Providing technical support to business units on all aspects related to integrating, measuring and reporting ICD's development results.

Learning: Drawing lessons from projects using monitoring and evaluation processes to enhance the development effectiveness of ICD's interventions.

Innovation: Facilitating innovation and knowledge-based practices to benefit the sustainability and growth of SMEs in line with ICD's strategic orientation and the global SDGs.

Development Partnerships: Collaborating with development partners and researchers on results measurement harmonization, benchmarking, and learning to adopt best monitoring and evaluation practices.

Resource Mobilization: Expanding platforms and financial vehicles to mobilize resources from institutional investors, who have the scale necessary to materialize "billions to trillions."

7.2 OUR PRODUCTS AND PROCESSES

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

7.2.1 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:

FIGURE 7.2.1.1: ICD BUSINESS PRODUCTS

ICD IS UNIQUE IN OFFERING THREE SETS OF SHARI'AH COMPLIANT BUSINESS PRODUCTS AND SERVICES TO ITS PRIVATE SECTOR CLIENTS IN MEMBER COUNTRIES. THESE ARE:

FINANCING & INVESTMENT PRODUCTS,
ADVISORY SERVICES AND
ASSET MANAGEMENT

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 and securitization.

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. Considered by some to be the purest form of Islamic financing, 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.

Bai Salam

Bai Salam refers to a contract in which advance payment is made for goods to be delivered at a future date. Under this arrangement, the seller is obligated to supply some specific goods to the buyer at a future date, in exchange for an immediate advance payment made in full at the time of contract. It's imperative that the quality of the commodity intended to be purchased is fully specified, leaving no ambiguity which could lead to a potential dispute between parties. This type of financing is most often used when a farmer needs capital to cultivate and harvest his crops.

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 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.

Bai' muajjal (credit sale)

This is a sale contract in which ICD sells an asset or commodity with a profit margin to the buyer, under the agreement that payment of the sale price will be made on a future date either in the form of a lump sum or in instalments. The contract must expressly mention that the cost of the asset/commodity and the margin of profit are mutually agreed upon. Bai' muajjal is also called a deferred-payment sale.

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, securitization, Islamic finance and the development of Islamic capital markets, particularly Sukuk.

C. ASSET MANAGEMENT

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

7.2.2 PROJECT CYCLES

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

FIGURE 7.2.2.1: THE CYCLE OF AN ICD INVESTMENT PROJECT

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.

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 AND DISBURSEMENT

- The project's effectiveness is declared after the satisfactory compliance of all 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.

ANNEXES

ANNEX 1: ACRONYMS & ABBREVIATIONS

AATB	Arab-Africa Trade Bridges Programme
ACG	Arab Coordination Group
AUM	Assets Under Management
APIF	Awqaf Properties Investment Fund
BADEA	Arab Bank for Economic Development in Africa
BIO	Belgium Investment Company for Developing Countries
BOAD	Banque ouest-africaine de développement
BRAVE	Business Resilience and Assistance for Value-adding Enterprises
CAGR	Compounded annual growth rate
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 & Export Credit
IDFC	International Development Finance Club
IFI	International financial institution
IFU	Investment Fund for Developing Countries
IsDB	Islamic Development Bank
ISFD	Islamic Solidarity Fund for Development
ITFC	International Islamic Trade Finance Corporation
KAAP	King Abdullah bin Abdulaziz Program for Charity Works
KSA	Kingdom of Saudi Arabia
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
OeEB	Austrian Development Bank
OFID	OPEC Fund for International Development
OIC	Organization of Islamic Cooperation
PEP	Politically exposed person
PPP	Public-private partnership
SDG	Sustainable Development Goals
SIFEM	Swiss Investment Fund for Emerging Markets
ROAA	Return on average asset
ROAE	Return on average equity
SME	Small- and Medium-sized Enterprise
SPV	Special-purpose vehicle
SRI	Socially Responsible Investment
TA	Technical Assistance
WAEMU	West African Economic and Monetary Union
WFDFI	World Federation of Development Finance Institutions

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	348.43	259.84
Benin	13.15	-
Brunei	3.66	-
Burkina Faso	43.94	41.02
Cameroon	45.04	17.05
Chad	28.15	5.50
Côte d'Ivoire	157.00	41.43
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	242.80	34.03
Kuwait	14.13	14.13
Kyrgyzstan	49.90	22.09
Lebanon	7.00	-
Libya	76.00	10.00
Malaysia	109.66	100.55
Maldives	43.40	31.44
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	342.60	143.21
Pakistan	282.93	100.79
Palestine	7.00	4.00
Qatar	46.15	-
Saudi Arabia	595.98	360.11
Senegal	180.79	97.54
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	12.50	10.00
UAE	93.90	50.90
Uganda	65.00	-
Uzbekistan	413.93	310.90
Yemen	177.31	99.73
Regional/Global	1,175.77	618.53
Total	**6,840.05**	**3,550.16**

ANNEX 3: FINANCIAL HIGHLIGHTS

	2020 USD	2019 USD	2018 USD
Statement of Income:			
Total Income	32,124	(52,287)	(281,666)
Total Operating Expenses	47,351	53,560	43,921
Net Income	(15,227)	(105,847)	(325,587)
Balance Sheet:			
Liquid Assets	2,189,003	1,180,841	1,531,382
Net Operating Assets	1,029,400	1,258,498	1,450,485
Other Assets	49,426	89,756	88,961
Total Assets	3,267,829	2,529,095	3,070,828
Financing & Long-Term Debt	2,163,644	1,481,973	2,019,553
Equity	995,450	966,890	1,003,990
Ratios:			
Return on Average Assets	-0.53%	-3.78%	-10.73%
Return on Average Equity	-1.55%	-10.74%	-31.51%
Debt to Equity	217.4%	153.3%	201.2%
Equity to Assets	30.5%	38.2%	32.7%
Liquidity to Total Assets	67.0%	46.7%	49.9%

ANNEX 4: FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

INDEPENDENT AUDITOR'S REPORT

YOUR EXCELLENCIES THE CHAIRMAN AND MEMBERS OF THE GENERAL ASSEMBLY

Islamic Corporation for the Development of the Private Sector

Jeddah, Kingdom of Saudi Arabia

Report on the audit of the financial statements

OPINION

We have audited the accompanying financial statements of Islamic Corporation for the Development of the Private Sector (the "Corporation"), which comprise the statement of financial position as at 31 December 2020, and the related statement of income, statement of changes in members' equity and statement of cash flows 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 2020, 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").

BASIS FOR OPINION

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI. 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) 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 Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

For Ernst & Young

Ahmed I. Reda

Certified Public Accountant

License No. 356

15 July 2021G
5 Dhul-Hijjah 1442H
Jeddah

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	31 December 2020 USD	31 December 2019 USD
Assets			
Cash and cash equivalents	5	305,058,959	98,851,312
Commodity Murabaha and Wakala placements	6	526,847,463	283,203,398
Sukuk investments	7	1,357,096,279	798,786,484
Murabaha financing	8	108,768,496	220,882,735
Installment sales financing	9	359,287,367	455,467,911
Ijarah Muntahia Bittamleek	10	218,135,558	235,757,882
Istisna'a assets		21,074,004	21,485,460
Equity investments	11	322,134,545	349,124,109
Other assets	12	49,253,246	65,321,866
Property and equipment		173,417	214,509
Total assets		**3,267,829,334**	**2,529,095,666**
Liabilities and members' equity			
Liabilities			
Sukuk issued	13	1,000,000,000	300,000,000
Commodity Murabaha financing	14	1,163,644,349	1,181,972,921
Accrued and other liabilities	15	53,079,798	47,557,563
Employee pension liabilities	16	54,454,005	31,425,453
Amounts due to ICD Solidarity Fund	17	1,201,580	1,249,356
Total liabilities		**2,272,379,732**	**1,562,205,293**
Members' equity			
Paid-up capital	18	1,525,448,350	1,394,376,616
Accumulated losses		(486,180,675)	(402,893,778)
Actuarial losses		(43,818,073)	(24,592,465)
Total members' equity		**995,449,602**	**966,890,373**
Total liabilities and members' equity		**3,267,829,334**	**2,529,095,666**

STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 USD	2019 USD
Income / (loss) from			
Treasury assets			
Commodity Murabaha and Wakala placements		7,400,081	15,733,670
Sukuk investments		66,406,422	49,087,935
		73,806,503	**64,821,605**
Equity investments loss, net	11.4	**(18,308,653)**	**(107,188,397)**
Financing assets			
Murabaha financing		3,431,101	11,614,705
Installment sales financing		19,854,640	26,225,042
Ijarah Muntahia Bittamleek	21	11,483,784	13,727,177
Istisna'a assets		1,103,004	1,169,074
		35,872,529	**52,735,998**
Impairment allowance for financial assets	22	(27,864,196)	(14,885,698)
Financing cost		(38,049,897)	(57,676,414)
Fair value gain on Islamic derivatives net of exchange loss	23	860,327	4,988,477
Other income			
Administrative fees		3,695,705	2,789,699
Management fees		1,400,200	365,395
Advisory fees		711,500	1,762,330
		5,807,405	**4,917,424**
Total operating profit / (loss)		**32,124,018**	**(52,287,005)**
Staff costs		(38,706,703)	(40,911,833)
Other administrative expenses		(8,529,293)	(12,530,921)
Depreciation		(114,600)	(117,324)
Total operating expenses		**(47,350,596)**	**(53,560,078)**
Net loss		**(15,226,578)**	**(105,847,083)**
Shari'ah non-compliant income	17	88,905	319,405
Transferred to ICD Solidarity Fund	17	(88,905)	(319,405)
Total loss		**(15,226,578)**	**(105,847,083)**

STATEMENT OF CHANGES IN MEMBERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital USD	Accumulated losses USD	Net loss USD	Actuarial losses USD	Total USD
Balance at 31 December 2019	1,310,932,808	(297,046,695)	-	(9,895,775)	1,003,990,338
Contributions during the year	83,443,808	-	-	-	83,443,808
Net loss for the year	-	-	(105,847,083)	-	(105,847,083)
Transfer to reserve	-	(105,847,083)	105,847,083	-	-
Actuarial loss for the year from the pension schemes (note 16.3)	-	-	-	(14,696,690)	(14,696,690)
Balance at 31 December 2019 (previously 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 3)	-	(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 reserve	-	(15,226,578)	15,226,578	-	-
Actuarial loss for the year from the pension schemes (note 16.3)	-	-	-	(19,225,608)	(19,225,608)
Balance At 31 December 2020	**1,525,448,350**	**(486,180,675)**	**-**	**(43,818,073)**	**995,449,602**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 USD	2019 USD
Operating activities			
Net loss for the year		(15,226,578)	(105,847,083)
Adjustments for:			
Fair value loss on equity investments, net	11	20,068,429	100,809,662
Financing cost		38,049,897	57,676,414
Depreciation		20,742,873	19,117,091
Impairment allowance for financial assets	22	27,864,196	14,885,698
Provision for employee pension liabilities		6,898,307	5,952,077
Assets written-off	22	40,271,845	102,432,933
Unrealized fair value gain on Sukuk investments		(25,195,278)	(26,168,216)
Gain on Islamic derivatives net of currency losses	23	(860,327)	(4,988,477)
		112,613,364	**163,870,099**
Changes in operating assets and liabilities:			
Commodity Murabaha and Wakala placements		(253,529,963)	(170,944,431)
Sukuk investments, net of fair value loss		(535,035,262)	(19,370,567)
Murabaha financing, net of impairment		84,451,804	52,387,740
Installment sales financing, net of impairment		81,305,778	37,868,091
Ijarah Muntahia Bittamleek, net of impairment		(40,907,116)	(75,531,706)
Istisna'a assets		257,648	1,396,635
Equity investments, net		6,921,135	12,351,153
Other assets, net of impairment		(20,927,332)	(68,963,525)
Accrued and other liabilities		5,522,236	13,343,847
Amounts due to ICD Solidarity Fund		(47,776)	256,181
Cash used in operations		(559,375,484)	(53,336,483)
Financing cost paid		(43,991,160)	(55,104,383)
Employee pension liabilities paid		(3,095,363)	(3,873,837)
Net cash used in operating activities		(606,462,007)	(112,314,703)
Investing activity			
Purchase of property and equipment		(73,508)	(124,999)
Financing activities			
Proceeds / (repayment) of Sukuk issued		700,000,000	(680,000,000)
Proceeds from Commodity Murabaha financing		248,498,606	484,000,000
Repayments of Commodity Murabaha financing		(266,827,178)	(339,000,000)
Share capital contribution		131,071,734	83,443,808
Net cash from / (used in) financing activities		812,743,162	(451,556,192)
Net increase / (decrease) in cash and cash equivalent		**206,207,647**	**(563,995,894)**
Cash and cash equivalent at the beginning of the year		98,851,312	662,847,206
Cash and cash equivalent at the end of the year	5	**305,058,959**	**98,851,312**

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

1 ACTIVITIES

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

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

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

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

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 statement of income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

The Corporation has applied for the first time FAS 30 "Financial Instruments" effective for annual periods beginning on or after 1 January 2020. Until 2019, the Corporation applied FAS 30 replaces FAS 11 "Provisions and Reserves", for impairment of financial assets.

The adoption of FAS 30 has fundamentally changed the Corporation's accounting for impairment and credit loss by replacing FAS 11's specific and portfolio loss approach with a forward-looking expected credit loss (ECL) approach. FAS 30 requires the Corporation to record an allowance for ECLs for all financial assets. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination when a lifetime ECL applies.

As permitted by the transitional provisions of FAS 30, the Corporation elected not to restate comparative figures. Therefore, the comparative information for financial instrument impairment in 2019 is reported under FAS 11 and is not comparable to the information presented for 2020. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized in the opening equity reserves of the current period without restating prior year numbers.

Differences arising from the adoption of FAS 30 have been recognized directly in the equity reserves as at 1 January 2020. The table below, reconciles the closing impairment allowances for financial assets as at 31 December 2019 under FAS 11 and the opening impairment allowances determined in accordance with FAS 30 as at 1 January 2020.

The introduction of FAS 30 increased the total impairment allowance held by the Corporation by approximately USD 68.0 million from USD 84.2 million as at 31 December 2019 to USD 152.2 million as at 1 January 2020. The determination of impairment allowance under FAS 30 considers both the disbursed and the undisbursed counterparty exposures.

	Impairment allowance under FAS 11 as at 31 December 2019 USD	Adjustment to credit losses on adoption of FAS 30 USD	Credit loss under FAS 30 after adjustment as at 1 January 2020 USD
Cash and cash equivalents	-	6,029	6,029
Commodity Murabaha and Wakala placements	-	9,866,378	9,866,378
Sukuk investments	10,000,000	(3,691,299)	6,308,701
Murabaha financing	15,542,789	14,253,239	29,796,028
Installment sales financing	3,477,475	10,770,121	14,247,596
Ijarah Muntahia Bittamleek	55,154,309	34,942,151	90,096,460
Istisna'a assets	-	267,922	267,922
Other assets	-	1,645,778	1,645,778
Total	**84,174,573**	**68,060,319**	**152,234,892**

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 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 statement of income.

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

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

ii) Associates

An entity is classified as an associate of the Corporation if the Corporation can exercise significant influence on the entity. Significant influence is presumed to exist if the Corporation holds, directly or indirectly through its subsidiaries, 20 per cent or more of the voting rights in the entity, unless it can be clearly demonstrated otherwise. Conversely, significant influence may also exist through agreement with the entity's other 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 statement of income. These investments are initially and subsequently measured at fair value. Any unrealized gains or losses arising from the measurement of associates at fair value are recognized directly in the statement of income.

iii) Other investments

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

iv) Sukuk investments

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 statement of income.

v) Initial measurement

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

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 statement of income in the period in which it arises.

IMPAIRMENT OF FINANCIAL ASSETS

The Corporation applies the credit loss approach to financing instruments, financing commitments and treasury investments. 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 for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. Consideration is made of reasonable and supportable information that is relevant and available without undue cost or effort for this purpose.

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. If there is objective evidence of impairment, then the asset is credit-impaired and allocated to stage 3 as described in note 29 to the financial statements.

The Corporation applies 12-month Expected Credit Loss (ECL) measurement to stage 1 instruments. 12-month ECLs represent the ECLs that result from possible default events within the 12 months after the reporting date.

The Corporation recognizes an allowance amount based on Lifetime ECL (i.e. ECLs that result from all possible default events over the expected life of the financial instrument) for stage 2 instruments.

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.

Allowance for credit losses are presented in the statement of financial position as follows:

- financial assets measured at fair value, as a deduction from the gross carrying amount of the assets,
- financing commitments and financial guarantee contracts: generally, as a provision included in other liabilities, and;
- where a financial contract includes both a drawn and undrawn component, and the Corporation has identified the ECL on the financing commitments / off-balance sheet component separately from those on the drawn component, allowance for credit losses on undrawn component is presented as a provision in other liabilities.

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

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 statement of income.

DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets:

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

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

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

Financial liabilities:

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

OFFSETTING

Financial assets and financial liabilities are offset and reported net in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and when the Corporation intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under applicable accounting and reporting framework, or for gains and losses arising from a group of similar transactions.

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

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and percentage of final gross salary. Independent actuaries calculate the defined benefit obligation on an annual basis by using the projected unit credit method to determine the present value of the defined benefit plan and the related service costs. The underlying actuarial assumptions are used to determine the projected benefit obligations. The present value of the defined benefit obligation due till the retirement date is determined by discounting the estimated future cash outflows (relating to service accrued to the reporting date) using the yields available on high-quality corporate bonds. For intermediate years, the defined benefit obligation is estimated using approximate actuarial roll-forward techniques that allow for additional benefit accrual, actual cash flows and changes in the underlying actuarial assumptions. Actuarial gains or losses, if material, are recognized immediately in the reserves under members' equity in the year they occur. The pension liability is recognized as part of other liabilities in the statement of financial position. The liability represents the present value of the Corporation's defined benefit obligations, net of the fair value of plan assets. The Corporate's contributions to the defined benefit scheme are determined by the Retirement Plan Committee, with advice from the IsDB's actuaries, and the contributions are transferred to the scheme's independent custodians' pension and medical obligation.

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

REVENUE RECOGNITION

i) Commodity Murabaha and Wakala placements

Income from Commodity Murabaha and Wakala placements is recognized on a time apportionment basis over the period from the actual disbursement of funds to the date of maturity.

ii) Shari'ah non-compliant income

Any income from cash and cash equivalents, Commodity Murabaha and Wakala placements, financing and other investments, which is considered by the Shari'ah Board of IsDBG as forbidden by Shari'ah principles, is not included in the Corporation's statement of income but is recorded as a liability to be utilized for charitable purposes.

iii) Murabaha and Installment sales financing

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

iv) Istisna'a

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

v) Ijarah Muntahia Bittamleek

Income from Ijarah Muntahia Bittamleek is allocated proportionately to the financial periods over the Ijarah contract.

vi) Dividends

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

vii) 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 accrual basis when the services have been performed.

viii) 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.

ix) Investment in Sukuk

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

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 provides investment management services to a number of investors with respect to investment in managed funds;

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

c) The Corporation evaluates its investments' performance on a fair value basis, in accordance with the policies set out in these financial statements. Management believes that had the Corporation carried these financing assets at their fair values, the amounts would have not been materially different from their carrying amounts.

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

ii) Impairment allowance for financial 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. Majority 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 believe 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

The Corporation's management has made an assessment of the Corporation's ability to continue as a going concern and is satisfied that the Corporation has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Corporation's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

(vi) Impact of COVID'19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the globe including Saudi Arabia. During the year ended 31 December 2020, the Saudi Arabian government rightly took many initiatives to contain the spread of virus, which included restrictions on travel, gathering of people and enactment of curfew timings. This resulted in many non-essential businesses to curtail or suspend activities until further notice.

Considering these factors, the Corporation's management carried out an impact assessment on the overall Corporation's operations and business aspects including factors like dealing with member countries, continued day to day business activities, financing, investment and collection as well as working capital projections, etc. and concluded that, as at the issuance date of these financial statements, the Corporation did not have significant adverse impact on its operations and businesses due to COVID-19 pandemic and no significant changes are required to the judgements, assumptions and key estimates.

To preserve the health of the employees and support the prevention of contagion in the operational and administrative areas, the Bank took measures, in line with the recommendations of the World Health Organisation and Ministry of Health - Kingdom of Saudi Arabia, such as working from home, social distancing at work place, rigorous cleaning of workplaces and staff accommodation, distribution of personal protective equipment, testing of suspected cases, limiting non-essential travel, self-health declarations and measuring body temperature. In addition, the Bank's nature of activities facilitated seamless operations during the pandemic.

The operational and financial impacts of the COVID-19 pandemic to date have been reflected in these financial statements. The strong financial position, including access to funds, nature of activities coupled with the actions taken by the Bank to date and the continued operations ensures that the Bank has the capacity to continue through the challenges caused by impacts of the COVID-19 pandemic. However, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

5 CASH AND CASH EQUIVALENTS

	31 December 2020 USD	31 December 2019 USD
Cash at banks	46,210,314	28,028,678
Commodity Murabaha and Wakala placements (note 6)	257,708,000	69,586,684
Less: allowance for credit losses (note 22)	(3,096)	-
	303,915,218	97,615,362
Bank balance relating to ICD Solidarity Fund	1,143,741	1,235,950
	305,058,959	**98,851,312**

Certain bank accounts with balance of USD 4,495,311 (31 December 2019: USD 1,794,072) are in the name of Islamic Development Bank (IsDB). However, these bank accounts are beneficially owned and managed / operated by the Corporation.

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

Included in Commodity Murabaha and Wakala placements is USD nil (31 December 2019: USD 9,586,684) placed with a related party (note 20).

6 COMMODITY MURABAHA AND WAKALA PLACEMENTS

	31 December 2020 USD	31 December 2019 USD
Commodity Murabaha and Wakala placements	794,438,265	352,790,082
Less: Commodity Murabaha and Wakala placements with an original maturity of three months or less (note 5)	(257,708,000)	(69,586,684)
Less: allowance for credit losses (note 22)	(9,882,802)	-
	526,847,463	**283,203,398**

Commodity Murabaha and Wakala placements include an amount of USD 5,839,422 (2019: USD 5,914,955) provided to a related party of the Corporation, over which the Corporation earned profit of USD 3,977 (31 December 2019: USD 11,096) (note 20).

7 SUKUK INVESTMENTS

	31 December 2020 USD	31 December 2019 USD
Opening balance	798,786,484	753,247,701
Additions	1,537,760,757	447,000,000
Redemption	(1,004,590,055)	(427,626,160)
Exchange gain / (loss)	1,864,560	(521,725)
Fair value gain	25,195,278	26,168,216
(Charge) / reversal for impairment	(1,920,745)	518,452
	1,357,096,279	**798,786,484**

Financial institutions	789,982,730	412,744,947
Governments	471,380,819	365,940,987
Others	95,732,730	20,100,550
	1,357,096,279	**798,786,484**

AAA	53,614,773	106,586,612
AA+ to AA-	45,132,730	87,872,535
A+ to A-	717,160,246	371,414,680
BBB+ or lower	521,737,818	207,711,463
Unrated	19,450,712	25,201,194
	1,357,096,279	**798,786,484**

	Sukuk investments measured at fair value			
	Level 1	Level 2	Level 3	Total
2020 (USD)	1,337,060,449	-	20,035,830	1,357,096,279
2019 (USD)	773,585,290	-	25,201,194	798,786,484

Sukuk investments included an amount of USD 53,614,773 (31 December 2019: USD 106,586,612) invested in Sukuk issued by IsDB, over which the Corporation earned profit of USD 679,795 (31 December 2019: USD 2,103,404) (note 20).

8 MURABAHA FINANCING

	31 December 2020 USD	31 December 2019 USD
Murabaha financing	151,973,720	236,425,524
Less: allowance for credit losses (note 22)	(43,205,224)	(15,542,789)
	108,768,496	**220,882,735**

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 61,632,318 (31 December 2019: USD 91,303,540) provided to related parties of the Corporation, over which the Corporation earned profit of USD 1,338,150 (31 December 2019: USD 2,151,845) (note 20).

9 INSTALLMENT SALES FINANCING

	31 December 2020 USD	31 December 2019 USD
Installment sales financing	377,639,608	458,945,386
Less: allowance for credit losses (note 22)	(18,352,241)	(3,477,475)
	359,287,367	**455,467,911**

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 9,414,338 (31 December 2019: USD 5,208,532) provided to related parties of the Corporation, over which the Corporation earned profit of USD 391,223 (31 December 2019: USD 208,579) (note 20).

10 IJARAH MUNTAHIA BITTAMLEEK

	31 December 2020 USD	31 December 2019 USD
Cost:		
Assets not yet in use:		
Additions and transferred to assets in use	41,075,556	75,531,706
Assets in use:		
At the beginning of the year	406,092,168	360,077,781
Transferred to beneficiaries	-	(11,337,279)
Amounts written-off	(4,792,094)	(18,180,040)
Forex revaluation	1,997,884	-
	403,297,958	330,560,462
Total cost	**444,373,514**	**406,092,168**
Accumulated depreciation:		
At the beginning of the year	194,554,093	197,917,985
Charge for the year	20,628,272	18,999,767
Relating to assets transferred to beneficiaries	-	(11,337,279)
Relating to assets written-off	-	(11,026,380)
Total depreciation	**215,182,365**	**194,554,093**
Installments receivables	41,728,040	79,374,116
Ijarah Muntahia Bittamleek, gross	**270,919,189**	**290,912,191**
Less: allowance for credit losses (note 22)	(52,783,631)	(55,154,309)
Ijarah Muntahia Bittamleek, net	**218,135,558**	**235,757,882**

Ijarah Muntahia Bittamleek includes financing of USD 13,400,484 (31 December 2019: USD 5,604,254) provided to related parties of the Corporation, over which the Corporation earned profit of USD nil (31 December 2019: USD 1,342,858) (note 20). Certain assets referred above represent the Corporation's share in joint Ijarah Muntahia Bittamleek agreements.

11 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 2020 USD	31 December 2019 USD
Subsidiaries (note 11.1)	159,039,976	159,185,621
Associates (note 11.2)	93,655,199	113,353,106
Other investments	69,439,370	76,585,382
	322,134,545	**349,124,109**

The movement in investments for the year is as follows:

	31 December 2020 USD	31 December 2019 USD
At the beginning of the year	349,124,109	462,284,924
Additions	-	24,979,182
Disposals	(6,921,135)	(37,330,335)
Fair value losses, net	(20,068,429)	(100,809,662)
At the end of the year	**322,134,545**	**349,124,109**

11.1 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 %	
			2020	2019
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
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

(a) In addition to the above investments, there are 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 dividend 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.

11.2 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 %	
			2020	2019
Al-Akhdar Bank	Morocco	Banking	49	49
Enmaa Ijara Company	Egypt	Leasing	47	47
Theemar Investment Fund	Tunisia	Fund	40	40
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
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

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

11.3 FAIR VALUE OF INVESTMENTS

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

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

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

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

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

	Equity investments measured at fair value			
	Level 1	Level 2	Level 3	Total
2020 (USD)	21,757,727	30,316,788	270,060,030	322,134,545
2019 (USD)	42,727,211	12,420,739	293,976,159	349,124,109

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.

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 2020 and 31 December 2019 are as follows:

Sector	Valuation technique	31 December 2020 USD	31 December 2019 USD
Financial Services	Market comparables	138,710,101	134,552,743
	Adjusted net asset value	69,578,079	67,809,115
	Other techniques	18,846,074	27,791,812
Industry and Mining	Adjusted net asset value	5,572,202	14,011,436
	Discounted cashflows	14,181,858	9,750,711
Social Services	Adjusted net asset value	-	3,076,034
	Other techniques	2,113,757	-
Others	Discounted cashflows	-	48,255,047
	Residual method	41,845,835	-
	Adjusted net asset value	8,378,912	-
	Other techniques	1,150,000	1,150,000
Total		**300,376,818**	**306,396,898**

Reconciliation of level 3 items	31 December 2020 USD	31 December 2019 USD
At the beginning of the year	293,976,159	445,694,021
Additions	-	18,017,728
Disposals	(6,921,134)	(27,668,882)
Transferred to level 1 & 2	(1,671,388)	(37,270,176)
Fair value losses, net	(15,323,607)	(104,796,532)
At the end of the year	**270,060,030**	**293,976,159**

11.4 EQUITY INVESTMENT LOSS, NET

	31 December 2020 USD	31 December 2019 USD
Fair value losses, net	(20,068,429)	(100,809,662)
Dividend	826,798	1,985,265
Others	932,978	(8,364,000)
	(18,308,653)	**(107,188,397)**

12 OTHER ASSETS

	31 December 2020 USD	31 December 2019 USD
Positive fair value of Islamic derivative financial instrument (note a)	10,552,558	21,062,510
Due from related parties (note 20.3)	10,139,826	15,897,046
Accrued income	16,653,303	12,493,999
Advances to employees	8,126,057	8,872,929
Unamortised portion of Sukuk issuance cost	3,231,426	2,414,066
Other receivables	4,075,772	4,581,316
	52,778,942	65,321,866
Less: allowance for credit losses (note 22)	(3,525,696)	-
	49,253,246	**65,321,866**

(a) The Islamic derivative financial instruments represent foreign currency forwards and swaps' contracts. The forward and cross currency profit rate swaps are held 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. 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	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**

Islamic derivative financial instrument	Notional amount USD	Positive fair value USD	Negative fair value USD
Cross currency swaps	302,305,661	6,793,911	413,450
Profit rate swaps	358,950,000	790,255	5,299,443
Forward contracts	205,099,197	13,478,344	-
31 December 2019	**866,354,858**	**21,062,510**	**5,712,893**

In addition to above, the Corporation entered into cross currency swaps 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 50.67 million (31 December 2019: USD 47.3 million).

(b) During the year, the Corporation wrote-off part of certain Ijarah receivables against which 100% impairment allowance was already provided (note 22).

13 SUKUK ISSUED

Issue date	Maturity date	Issue currency	Issued amount USD	Rate	31 December 2020 USD	31 December 2019 USD
Listed (note a)						
15-10-2020	15-10-2025	USD	600,000,000	1.81% Fixed	600,000,000	-
13-04-2017	13-04-2021	USD	300,000,000	2.468% Fixed	300,000,000	300,000,000
Not listed						
05-03-2020	05-03-2025	USD	100,000,000	SIBOR+0.60%	100,000,000	-
			1,000,000,000		**1,000,000,000**	**300,000,000**

(a) During the year ended 31 December 2016 and year ended 31 December 2020, the Corporation through a special purpose vehicle (SPV), an entity registered in Cayman Islands, issued Sukuk amounting to USD 300 million and USD 600 million respectively, which are listed on the London Stock Exchange and Nasdaq Dubai. The Sukuk are secured against certain assets of the Corporation including Murabaha, Ijarah assets, Sukuk investments, Shari'ah compliant authorised investments and any replaced assets. These assets are under the control of the Corporation.

14 COMMODITY MURABAHA FINANCING

Commodity Murabaha financing is received from financial institutions under commodity murabaha agreements. The financing has original maturities ranging from 3 to 4 years (31 December 2019: 3 to 4 years).

It includes an amount of USD nil (31 December 2019 USD 15,000,000) due to a related party on which funding cost of USD 73,458 was accrued (31 December 2019 USD 4,271).

15 ACCRUED AND OTHER LIABILITIES

	31 December 2020 USD	31 December 2019 USD
Negative fair value of Islamic derivative (note 12 (a))	14,370,140	5,712,893
Accrued profit payable on Commodity Murabaha financing	6,864,850	17,084,101
Due to related parties (note 20.4)	4,473,508	1,878,965
Dividend payable (note 19)	4,108,563	4,108,563
Accrued profit on Sukuk issued	4,087,214	1,660,759
Other payables	19,175,523	17,112,282
	53,079,798	**47,557,563**

16 EMPLOYEE PENSION LIABILITIES

STAFF PENSION PLAN (SPP)

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

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

The main features of the SPP are:

(i) Normal retirement age is the 62nd anniversary of the participant's birth;

(ii) On retirement, the eligible retired employee is entitled to 2.5% of the highest average remuneration (basic salary plus cost of living allowance) for each year of pensionable service.

Under the SPP, the employee contributes 11.1% (31 December 2019: 11.1%) of the basic annual salary while IsDB and its Affiliates contribute 25.9% (31 December 2019: 25.9%).

STAFF RETIREMENT MEDICAL PLAN (SRMP)

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

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

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

{Highest average remuneration X contributory period X 0.18%} / 12

The breakdown of net employee pension liabilities was as follows:

2020	SPP	SRMP	Total
	31 December 2020 (USD)		
Defined benefit obligations (note 16.1)	93,614,706	8,354,399	101,969,105
Less: plan assets (note 16.2)	(45,341,816)	(2,173,284)	(47,515,100)
Net employee pension liabilities	**48,272,890**	**6,181,115**	**54,454,005**

2019	SPP	SRMP	Total
	31 December 2019 (USD)		
Defined benefit obligations (note 16.1)	71,560,539	6,371,869	77,932,408
Less: plan assets (note 16.2)	(44,445,671)	(2,061,284)	(46,506,955)
Net employee pension liabilities	**27,114,868**	**4,310,585**	**31,425,453**

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

	SPP		SRMP	
	31 December 2020 USD	31 December 2019 USD	31 December 2020 USD	31 December 2019 USD
Balance as at 1 January	71,560,539	50,175,375	6,371,869	3,761,453
Current service costs	5,041,028	4,122,900	439,431	295,296
Cost on defined benefit obligation	2,347,000	2,229,000	208,000	168,000
Plan participants contributions	1,473,813	1,441,074	66,266	51,837
Net actuarial deficit	13,538,786	15,321,179	1,312,077	1,650,311
Disbursements from plan assets	(774,308)	(2,070,455)	(38,336)	(138,351)
Others	427,848	341,466	(4,908)	583,323
	93,614,706	**71,560,539**	**8,354,399**	**6,371,869**

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

	SPP		SRMP	
	31 December 2020 USD	31 December 2019 USD	31 December 2020 USD	31 December 2019 USD
Balance as at 1 January	44,445,671	37,465,191	2,061,284	1,821,114
Income on plan assets	1,497,000	1,700,000	68,000	83,000
Return on plan assets greater / (less) than discount rate	(4,092,692)	2,286,222	(281,264)	(11,345)
Plan participants contributions	1,473,813	1,441,074	66,266	51,837
Employer contribution	3,455,469	3,362,513	297,334	250,122
Disbursements from plan assets	(774,308)	(2,070,455)	(38,336)	(138,351)
Others	(663,137)	261,126	-	4,907
	45,341,816	**44,445,671**	**2,173,284**	**2,061,284**

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

	SPP		SRMP	
	31 December 2020 USD	31 December 2019 USD	31 December 2020 USD	31 December 2019 USD
Gross current service costs	5,041,028	4,122,900	439,431	295,296
Cost of defined benefit obligation	2,347,000	2,229,000	208,000	168,000
Past service costs	427,848	341,468	-	578,415
Income from plan assets	(1,497,000)	(1,700,000)	(68,000)	(83,000)
Cost recognized in statement of income	**6,318,876**	**4,993,368**	**579,431**	**958,711**
Actuarial loss due to assumptions	13,538,786	15,321,179	1,312,077	1,650,311
Return on plan assets (less) / greater than discount rate	4,093,890	(2,286,222)	280,855	11,422
Actuarial loss recognized in statement of changes in members' equity	**17,632,676**	**13,034,957**	**1,592,932**	**1,661,733**

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

	SPP		SRMP	
	31 December 2020 USD	31 December 2019 USD	31 December 2020 USD	31 December 2019 USD
Investments in Sukuk	14,716,983	15,085,516	890,993	927,822
Managed funds and Installment sales	5,918,113	7,037,150	-	-
Cash and cash equivalent and commodity placements	20,113,776	16,665,306	1,228,355	1,033,020
Land	4,259,435	4,213,387	-	-
Others	333,509	1,444,312	53,936	100,442
	45,341,816	**44,445,671**	**2,173,284**	**2,061,284**

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

	SPP		SRMP	
	31 December 2020 USD	31 December 2019 USD	31 December 2020 USD	31 December 2019 USD
Managed funds and Installment sales	2.60%	3.30%	2.60%	3.30%
Investments in Sukuk	2.60%	3.30%	2.60%	3.30%

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

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

	SPP		SRMP	
	31 December 2020 USD	31 December 2019 USD	31 December 2020 USD	31 December 2019 USD
Discount rate:				
– 0.5% decrease	11,827,326	8,752,501	1,128,591	828,560
+ 0.5% decrease	(10,158,245)	(6,763,587)	(964,692)	(627,176)

17 ICD SOLIDARITY FUND

This represents net accumulated income up to 31 December 2020 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 2020		31 December 2019	
Description	**No. of events**	**Amount (USD)**	**No. of events**	**Amount (USD)**
At the beginning of the year		1,249,356		993,175
Income during the year:				
Income from Solidarity Fund	-	-	12	23,592
Forex valuation	10	(11)	9	2
Penalty to customers on default	7	88,905	4	319,405
		88,894		**342,999**
Paid during the year:				
Medical expenses	3	75,030	3	37,508
Education expenses	-	-	1	6,959
Research expenses	-	-	-	25,000
Water supply	1	20,000	1	15,000
Support for orphanage	1	40,000	1	-
Others	2	1,640	1	2,351
		136,670		**86,818**
At the end of the year		**1,201,580**		**1,249,356**

18 PAID-UP CAPITAL

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

	31 December 2020 USD	31 December 2019 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	(194,887,004)	(325,958,738)
Paid-up capital	**1,525,448,350**	**1,394,376,616**

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

	31 December 2020 USD	31 December 2019 USD
Islamic Development Bank (IsDB)	659,681,958	597,181,958
Saudi Public Investment Fund	124,940,000	101,205,000
Member countries	692,626,392	647,789,658
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	**1,525,448,350**	**1,394,376,616**

19 RESERVE AND DIVIDEND

In accordance with Section 1 of Article No. 33 of the Articles of Agreement of the Corporation, the General Assembly shall determine the part of the Corporation's net income and surplus after making provision for reserves 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 2020 and 2019.

20 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.

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

Related parties	Nature of Transactions	31 December 2020 USD	31 December 2019 USD
Islamic Development Bank Group	Rent & pension (note a)	5,037,816	3,425,681
Maldives Islamic Bank	Sale of shares	4,813,849	5,697,556
ICD Fixed Income Limited	Management fee	1,033,835	814,025
International Islamic Trade Finance Corporation	Advance	53,965	539,589
Islamic Banking Growth Fund	Management fee	-	448,630
Taiba Titrisation	Advance	-	290,665

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

20.3 DUE FROM RELATED PARTIES COMPRISED THE FOLLOWING:

	31 December 2020 USD	31 December 2019 USD
Tamweel Africa Holding	4,766,581	4,825,358
ICD Fixed Income Limited	1,213,235	2,247,070
Taiba Titrisation	1,000,000	1,000,000
Maldives Islamic Bank	883,707	5,697,556
Ijarah Management Company	871,291	778,692
Wifack International Bank	500,968	500,968
Al Majmoua Mouritania (MMI)	330,006	330,006
Taiba Leasing	254,633	254,633
International Islamic Trade Finance Corporation (ITFC)	104,387	50,422
Others	215,018	212,341
	10,139,826	**15,897,046**

20.4 DUE TO RELATED PARTIES COMPRISED THE FOLLOWING:

	31 December 2020 USD	31 December 2019 USD
Islamic Development Bank (IsDB)	4,292,967	170,517
Royal Atlantic	145,878	145,878
IsDB Staff Retirement Pension Plan	2,761	1,530,709
Others	31,901	31,861
	4,473,508	**1,878,965**

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

	31 December 2020 USD	31 December 2019 USD
Salaries and other short-term benefits	1,942,828	2,244,717
Post-employment benefits	314,870	347,013
	2,257,698	**2,591,730**

21 IJARAH MUNTAHIA BITTAMLEEK

	31 December 2020 USD	31 December 2019 USD
Income from Ijarah Muntahia Bittamleek	32,112,056	32,726,944
Depreciation	(20,628,272)	(18,999,767)
	11,483,784	**13,727,177**

22 IMPAIRMENT ALLOWANCE FOR FINANCIAL ASSETS

	Credit loss as at 1 January 2020 USD	Credit loss 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**

23 FAIR VALUE GAIN ON ISLAMIC DERIVATIVES NET OF EXCHANGE LOSS

	31 December 2020 USD	31 December 2019 USD
Gain on Islamic derivatives	(19,800,992)	7,000,402
Foreign exchange loss	20,661,319	(2,011,925)
	860,327	**4,988,477**

24 FIDUCIARY ASSETS

24.1 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 2020, the net assets of UIF amounting to USD 31.5 million (2019: USD 59.66 million) were under the management of the Corporation.

24.2 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 2020, the net assets of MMF amounting to USD 91.4 million (2019: USD 94.0 million) were under the management of the Corporation.

24.3 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.

25 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 2020 USD	31 December 2019 USD
Euro	236,048,005	188,519,436
Pakistani Rupees	4,373,242	6,899,762
Kazakhstani Tenge	7,695,729	8,324,363
Moroccan Dinar	14,048,792	20,232,144
Jordanian Dinar	2,113,757	2,715,821
Emirati Dirham	-	3,648
Pound Sterling	172,278	137,871
Malaysian Ringgit	(156,253)	(121,066)
Islamic Dinar	-	556
CFA Franc (XOF)	(13,803)	(169,919)
Turkish Lira	(42,247)	(102,591)
Indonesian Rupiah	44,942	38,243
Saudi Riyals	(222,460,944)	(267,826,169)
Maldivian Rupiah	6,444,502	5,643,322
	48,268,000	**(35,704,579)**

26 CONCENTRATION OF ASSETS

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

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**

31 December 2019	Africa USD	Asia USD	Total USD
Cash and cash equivalents	7,170,490	91,680,822	98,851,312
Commodity Murabaha and Wakala placements	23,788,443	259,414,955	283,203,398
Sukuk investments	25,201,194	773,585,290	798,786,484
Murabaha financing	7,027,383	213,855,352	220,882,735
Installment sales financing	271,681,510	183,786,401	455,467,911
Ijarah Muntahia Bittamleek	81,255,422	154,502,460	235,757,882
Istisna'a assets	-	21,485,460	21,485,460
Equity investments	194,216,173	154,907,936	349,124,109
Other assets	21,738,472	43,583,394	65,321,866
Property and equipment	-	214,509	214,509
	632,079,087	**1,897,016,579**	**2,529,095,666**

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

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**

31 December 2019	Financial services USD	Industry and mining USD	Social services USD	Others USD	Total USD
Cash and cash equivalents	98,851,312	-	-	-	98,851,312
Commodity Murabaha and Wakala placements	283,203,398	-	-	-	283,203,398
Sukuk investments	546,897,997	-	251,888,487	-	798,786,484
Murabaha financing	123,422,464	74,712,015	8,354,445	14,393,811	220,882,735
Installment sales financing	455,467,911	-	-	-	455,467,911
Ijarah Muntahia Bittamleek	123,569	224,856,051	10,778,262	-	235,757,882
Istisna'a assets	-	-	21,485,460	-	21,485,460
Equity investments	269,159,632	23,762,147	5,232,709	50,969,621	349,124,109
Other assets	40,588,554	15,678,899	8,672,356	382,057	65,321,866
Property and equipment	214,509	-	-	-	214,509
	1,817,929,346	**339,009,112**	**306,411,719**	**65,745,489**	**2,529,095,666**

27 CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

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

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**

31 December 2019	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	98,851,312	-	-	-	-	98,851,312
Commodity Murabaha and Wakala placements	244,137,999	12,566,534	26,498,865	-	-	283,203,398
Sukuk investments	57,335,290	79,049,953	549,564,346	112,836,895	-	798,786,484
Murabaha financing	35,619,058	78,231,202	36,992,929	70,039,546	-	220,882,735
Installment sales financing	77,816,135	156,792,406	211,857,926	9,001,444	-	455,467,911
Ijarah Muntahia Bittamleek	58,777,641	14,511,065	57,711,999	104,757,177	-	235,757,882
Istina'a assets	619,044	740,321	4,508,085	15,618,010	-	21,485,460
Equity investments	-	-	-	-	349,124,109	349,124,109
Other assets	65,321,866	-	-	-	-	65,321,866
Property and equipment	-	-	214,509	-	-	214,509
	638,478,345	**341,891,481**	**887,348,659**	**312,253,072**	**349,124,109**	**2,529,095,666**
Liabilities						
Sukuk issued	-	-	300,000,000	-	-	300,000,000
Commodity Murabaha financing	64,335,965	199,331,965	918,304,991	-	-	1,181,972,921
Accrued and other liabilities	-	47,557,563	-	-	-	47,557,563
Employee pension liabilities	-	-	-	-	31,425,453	31,425,453
Amounts due to ICD Solidarity Fund	1,249,356	-	-	-	-	1,249,356
	65,585,321	**246,889,528**	**1,218,304,991**	**-**	**31,425,453**	**1,562,205,293**

28 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 Board rules on whether all transactions are Shari'ah compliant and considers any questions referred to it by the Board of Directors, the Executive Committee or Management of the Corporation.

29 RISK MANAGEMENT

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.
- 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.

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.

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 2020 and 2019.

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

	31 December 2020			
Description	**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	512,941,821	-	23,388,444	536,730,265
Sukuk investments	21,371,477	-	10,585,098	31,956,575
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	-	-	8,051,079	8,051,079
	1,204,044,624	**173,719,143**	**241,579,045**	**1,619,342,812**

	31 December 2019			
Description	**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**

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

MARKET RISK

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

CURRENCY RISK

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

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

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

MARK-UP RATE RISK

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

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

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 27 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.

30 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 11.

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.

31 COMMITMENTS

At December 31, 2020, the un-disbursed commitments for investing in operations and other investments amounted to USD 211.65 million (2019: USD 167.45 million).

32 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new financial accounting standards 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 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 – 30 "Impairment and credit losses"

FAS 30 will be replacing FAS 11 "Provisions and Reserves" and has been developed on the new approach towards identification and recognition of impairment and credit losses, in particular the forward-looking expected losses approach, as introduced under International Financial Reporting Standard (IFRS) 9 "Financial Instruments". FAS 30 shall also apply to off-balance sheet exposures.

This standard shall be effective from the financial periods beginning on or after 1 January 2021. The Corporation early adopted the FAS 30 starting from 1 January 2020. The effect of introducing FAS 30 has been disclosed in the note 3 to the financial statements and elsewhere in the financial statements.

Financial Accounting Standard – 31 "Investment Agency (Al-Wakala Bi Al-Istithmar)"

This standard intends to define the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Istithmar) transactions and instruments to be in line with the ever-changing global best practices, in hand of both the principal and the agent.

The standard requires the principal to evaluate the nature of the investment as either a) a pass-through investment or b) wakala venture.

A pass-through investment is an investment in which the involvement of the agent, as well as, the options for transferability of the instrument are limited and the investor principally takes a direct exposure on the underlying assets. An investor shall apply the pass-through investment approach for its investments in an investment agency instruments; unless it opts to apply the wakala venture.

Under this 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 required under certain conditions.

Under this 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 Fund will reinvest 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.

This standard shall be applicable on the financial statements of the Corporation for the periods beginning on or after 1 January 2021, with early adoption permitted. The Corporation is currently assessing the impact of this Standard on its financial statements.

Financial Accounting Standard – 32 "Ijarah"
This standard intends to set out principles for the classification, recognition, measurement, presentation, and disclosure for Ijarah (asset Ijarah, including different forms of Ijarah Muntahia Bittamleek) transactions entered into by the Islamic Financial Institutions on both ends of the transaction i.e. as a lessor and lessee.

This standard shall be applicable on the financial statements of the Corporation for the periods beginning on or after 1 January 2021.

Financial Accounting Standard – 33 "Investment in Sukuk, shares and similar instruments"
This standard improves upon and supersedes the AAOIFI's Financial Accounting Standard (FAS) 25 "Investment in Sukuk, Shares, and Similar Instruments" issued in 2010. This standard aims at setting out principles for the classification, recognition, measurement, presentation and disclosure of investment in Sukuk, shares and other similar instruments of investments made by Islamic financial institutions (IFIs / the institutions).

The standard defines the key types of instruments of Shari'ah compliant investments and defines the primary accounting treatments commensurate to the characteristics and business model of the institution under which the investment is made, managed and held.

This standard shall be applicable on the financial statements of the Corporation for the periods beginning on or after 1 January 2021.

Financial Accounting Standard – 34 "Financial reporting for Sukuk-holders"
This standard intends to prescribe the accounting principles and reporting requirements for underlying assets of the Sukuk instrument. The objective of this standard is to establish the principles of accounting and financial reporting for assets and business underlying the Sukuk to ensure transparent and fair reporting to all relevant stakeholders particularly Sukuk-Holders.

This standard shall be applicable to Sukuk in accordance with the Shari'ah rules and principles issued by an Islamic Financial Institution or other institution (called "originator"), directly or through the use of a Special Purpose Vehicle (SPV) or similar mechanism. In respect of Sukuk which are kept on-balance sheet by the originator in line with the requirements of FAS 29 "Sukuk in the books of the originator", the originator may opt not to apply this standard. This Standard shall be effective from the financial periods beginning on or after 1 January 2021.

Financial Accounting Standard – 35 "Risk Reserves"
The objective of this standard is to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions. This standard shall apply to risk reserves that are established by an IFI entity, to mitigate the credit, market, equity investment, liquidity, rate of return or displaced commercial risks faced by stakeholders. On the other hand, operations risk is the responsibility of the IFI itself, so this standard shall not be applied on any risk reserve created to mitigate the operational risk.

This standard complements FAS 30 "Impairment, Credit Losses and Onerous Commitments" and they shall be adopted simultaneously. Both of standards FAS 30 and FAS 35 together supersedes the earlier FAS 11 "Provisions and Reserves".

This standard shall be applicable on the financial statements of the Corporation for the periods beginning on or after 1 January 2021. Early adoption is permitted, only if the IFI decided to early adopt FAS 30 "Impairment, Credit Losses and Onerous Commitments". FAS 35 is not applicable to ICD, given its business model, which does not include profit and loss taking investors.

33 COMPARATIVE FIGURES

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

34 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 27 April 2021 (corresponding to 15 Ramadan 1442H).

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

بسم الله الرحمن الرحيم

SHARI’AH AUDIT REPORT FOR 1441H/1442H

Praise be to Allah and may Allah’s prayer and peace be upon our Prophet, Muhammad and on his household and companions

Chairman of the Board of Governors,
Members of the Board of Governors,

Assalam-O-Alaikum Warahmatullah Wabarakatuh

Following your request to provide you with a Shari’ah report on the IsDB Group’s 1441/1442H activities, we have audited the existing principles as well as the contracts pertaining to the transactions undertaken by the Islamic Development Bank’s – Ordinary Capital Resources, Special Account Resources Waqf Fund, Islamic Corporation for the Insurance of Investment and Export Credit, Islamic Corporation for the Development of the Private Sector, International Islamic Trade Finance Corporation, Islamic Solidarity Fund for Development, Awqaf Properties Investment Fund (IsDB Group), World Waqf Foundation, and all Trust Funds, for the year ending 31 December 2020G (17 Jumada Ula 1442H). We have also conducted 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 us.

The responsibility of ensuring that the IsDB Group operate in accordance with the rules and principles of the Shari’ah lies with the management of the IsDB Group. Our responsibility is to merely give our opinion based on our audit of the IsDB Group’s operations and to prepare a report thereon.

We have carried out our audit, which involved examining the IsDB Group’s documentation and standard procedures for all types of 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 Shari’ah.

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 Dr. Mohamed Raougui
For the Shari'ah Board

Aboubacar Salihou KANTE
Acting Manager, IsDBG Shari'ah Compliance Section

Jeddah, 18 Rajab 1442H, 2 March 2021

الهيئة الشرعية لمجموعة البنك الإسلامي للتنمية
The Islamic Development Bank Group Shari'ah Board
Conseil de Charia du Groupe de la Banque Islamique de Développement
Approved / معتمد / Approuvé

NOTES

ICD ANNUAL REPORT

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by Blackwood Creative Ltd
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and the ICD.

IsDB

البنك الإسلامي للتنمية

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